

## **Reader's Guide:**

An introduction to the Handbook

September 2017

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# 1 What is the Handbook?

The Handbook sets out the FCA's legislative and other provisions made under powers given to them by the Financial Services and Markets Act 2000, as amended (FSMA). The status of the different types of provisions is explained in the next section.

The Handbook is made up of instruments made by the FCA Board to implement these provisions.

## **Instruments – the definitive version of the rules**

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Section 138G of FSMA requires the FCA to make rules made by the FCA Board publicly available, in writing, by a 'rule-making instrument'. Most other legislative provisions made by the FCA (such as general guidance and codes) are also made by instrument.

We publish our instruments online to fulfil this statutory requirement. The definitive version of the rules is the legal instrument and it is this text that should be used if there is any discrepancy between the instrument and the website page text.



## 2 Where can I find the Handbook?

- Online: <http://www.handbook.fca.org.uk/>
- Instruments within the Handbook website: <http://www.handbook.fca.org.uk/instrument>
- In print: the Handbook can be ordered by subscription or on demand - <http://www.tsoshop.co.uk/>

### Interpretation tips

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GEN 2 (Interpreting the Handbook) helps readers to interpret the Handbook. It provides guidance on the way that the Handbook should be read in the light of the FCA's particular regulatory responsibilities and powers (see <http://www.handbook.fca.org.uk/handbook/GEN/2/1.html>).



## 3 Structure of the Handbook

The Handbook is divided into the following blocks. The Handbook also contains a Glossary of definitions <https://www.handbook.fca.org.uk/handbook/glossary/> which specifies what the legal meaning is of various phrases and wording used.

### High-Level Standards (overarching requirements)

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- **PRIN** (Principles for Business) – fundamental obligations of all firms
- **SYSC** (Senior Management Arrangements, Systems and Controls) – regulatory management requirements
- **COND** (Threshold Conditions) – minimum statutory criteria which a firm must satisfy to be given and retain authorisation
- **APER** (Statements of Principle and Code of Practice for Approved Persons – standards of behaviour that we expect from approved persons
- **FIT** (the Fit and Proper test for Approved Persons) – minimum standards for becoming, and remaining, an approved person
- **FINMAR** (Financial Stability and Market Confidence) – guidance to our functions under the short-selling regulations
- **TC** (Training and Competence) – requirements for staff training and record keeping
- **GEN** – (General Provisions) – guidance and rules on how to interpret the Handbook, disclosure and use of our logos
- **FEES** (Fees Manual) – provisions relating to the funding of the regulators, including the Financial Ombudsman Service and the Financial Services Compensation Scheme



## Prudential Standards

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Providing prudential and specific notification requirements for the sectors listed for each sourcebook.

- **GENPRU** (General Prudential sourcebook) – for most business sectors
- **BIPRU** (Prudential sourcebook for Banks, Building Societies and Investment Firms)
- **IFPRU** (Prudential sourcebook for Investment Firms)
- **INSPRU** (Prudential sourcebook for Insurers)
- **MIPRU** (Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries)
- **IPRUs** – interim prudential sourcebooks which we aim to incorporate within the above modules in due course (the foundation of many of these provisions pre-date the Financial Services Authority):
  - **IPRU(FSOC)** (Interim Prudential sourcebook for Friendly Societies)
  - **IPRU(INS)** (Interim Prudential sourcebook for Insurers)
  - **IPRU(INV)** (Interim Prudential sourcebook for Investment Businesses)

## Business Standards

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Day-to-day conduct rules that apply to firms, as specified.

- **COBS** (Conduct of Business sourcebook) – applies to all firms accepting deposits, conducting designated investment business and carrying on long-term insurance business in relation to life policies
- **ICOBS** (Insurance: Conduct of Business sourcebook) – applies to non-investment business of insurers
- **MCOB** (Mortgages and Home Finance: Conduct of Business sourcebook) – applies to firms conducting regulated mortgage activities and home finance
- **BCOBS** (Banking: Conduct of Business sourcebook) – applies to firms that accept deposits from banking customers
- **CASS** (Client Assets sourcebook) – rules and guidance on holding client assets and client money, including requirements on segregation and safe custody of assets, statutory trusts for client money and retrieving information in the event of insolvency
- **MAR** (Market Conduct sourcebook) – mainly applies to wholesale and professional markets



- **PROD** (Product Intervention and Product Governance sourcebook) – sets out our product governance requirements for manufacturers and distributors and applies to MiFID investment firms, CRD credit institutions, MiFID optional exemption firms and branches of third country investment firms.

## Regulatory Process

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These modules describe the operation of our supervisory and disciplinary functions, as well as requirements on firms relating to the supervisory function.

- **SUP** (Supervision manual)
- **DEPP** (Decision Procedure and Penalties manual) – mainly about our decision-making procedures and the giving of statutory notices, penalties and investigations

## Redress

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- **DISP** (Dispute Resolution: Complaints sourcebook) – rules and guidance on how firms must handle and process complaints and report complaints to the FCA. This module also covers the operation of the Financial Ombudsman Service
- **CONRED** (Consumer Redress Schemes sourcebook) – details of redress schemes made under section 404 of FSMA where there has been widespread or regular failure by relevant firms to comply with requirements to a specific activity and consumers have suffered loss which a court would remedy, eg, CF Arch cru Diversified Funds and Investment Funds
- **COMP** (Compensation sourcebook) – covers the Financial Services Compensation Scheme (FSCS)

## Specialist sourcebooks

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This part of the Handbook indicates to firms in certain sectors how the Handbook applies to their business, eg, collective investment schemes

- **COLL** (Collective Investment Schemes sourcebook) – material for investment companies with variable capital (ICVCs) and authorised unit trusts (AUTs)
- **CREDS** (Credit Unions sourcebook)
- **CONC** (Consumer Credit sourcebook) – covers credit-related regulated activities
- **FUND** (Investment Funds sourcebook) – for firms covered by the Alternative Investment Fund Managers Directive (AIFMD)
- **PROF** (Professional Firms sourcebook) – requirements and guidance for lawyers, actuaries and accountants when undertaking regulated activities



- **RCB** (Regulated Covered Bonds sourcebook) – provisions made under the Regulated Covered Bonds Regulations 2008
- **REC** (Recognised Investment Exchanges sourcebook)

### **Listing, Prospectus and Disclosure**

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Requirements for issuers listed on, or seeking admission to, the Official List of the UK Listing Authority (UKLA), rules that apply to a sponsor and a person applying for approval as a sponsor, as well as prospectus and disclosure document requirements.

- **LR** (Listing Rules sourcebook)
- **PR** (Prospectus Rules sourcebook)
- **DTR** (Disclosure Rules and Transparency Rules sourcebook)

### **Handbook Guides**

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Guides for the particular types of firm as indicated in the titles, pointing the firms in the direction of material in the Handbook that applies to them.

- **EMPS** (Energy Markets Participants)
- **OMPS** (Oil Markets Participants)
- **SERV** (Service Companies)
- **BENCH** (General guidance on Benchmark Submission and Administration)





## Regulatory Guides

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These are guides to particular regulatory topics within the Handbook.

- **COLLG** (Collective Investment Scheme Information Guide)
- **EG** (Enforcement Guide)
- **FC** (Financial Crime: a guide for firms)
- **PERG** (Perimeter Guidance manual) – covering circumstances when authorisation is required or exempt person status is available, including activities regulated under the Act and exclusions
- **RPPD** (the Responsibilities of Providers and Distributors for the Fair Treatment of Customers Guide)
- **UNFCOG** (the Unfair Contract Terms Regulatory Guide)

## Forms

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There are various supplementary forms to the Handbook which are included within the relevant module. All of these forms are linked within the relevant sourcebook but you can also find the entire directory of forms at <https://www.handbook.fca.org.uk/form>



## 4 Content of Handbook modules

Each sourcebook or manual is divided into chapters and sections. The general structure of the majority of modules is as follows:

- **Application and purpose** – who the module applies to and the motive of that module
- **Main content** – substantive provisions to implement the purpose outlined above. This may include relevant annexes and forms, where appropriate.
- **Transitional provisions (TPs)** – this section will:
  - set out the TPs for the module (if any)
  - specify which parts of the module the TPs relate to and when those TPs commence
  - detail the date that each TP comes into force and expires
- **Schedules** – split into the same structure throughout each module:
  - Sch 1: Record-keeping requirements
  - Sch 2: Notification and reporting requirements
  - Sch 3: Fees and other required payments
  - Sch 4: Powers exercised (now removed from most sourcebooks)
  - Sch 5: Rights of action for damages under FSMA
  - Sch 6: Rules that can be waived or modified

## 5 Status of provisions

ICON	What it means
<b>R (Rules)</b>	<p>General rules, specialised rules and listing rules made under FSMA. Most rules create binding obligations on firms. If a firm contravenes such rules, it may be subject to enforcement action and action for damages.</p>
<b>E (Evidential Provisions)</b>	<p>Rules, but not binding in their own right, evidential provisions always relate to some other binding rule – they are only binding in relation to the rule to which they relate.</p> <p>Compliance with an evidential provision may be relied on (when it says so) as 'tending to establish compliance' with the rule to which it relates.</p> <p>Non-compliance with an evidential provision may be relied on (again, when it says so) as 'tending to establish contravention' of the rule to which it relates.</p> <p>'E' is also used for paragraphs that make up the <b>Code of Practice for Approved Persons</b> (APER 3) to show whether or not the conduct of an approved person complies with the Statements of Principle for approved persons.</p> <p>'E' is also used for certain paragraphs in the <b>Code of Market Conduct</b> which specifies:</p> <ul style="list-style-type: none"><li>• descriptions of behaviour that we consider amounts to markets abuse and</li><li>• factors that we will take into account when determining whether or not behaviour amounts to market abuse.</li></ul>
<b>G (Guidance)</b>	<p>Guidance in the Handbook is made under section 139A of FSMA and is mainly used to:</p> <ul style="list-style-type: none"><li>• explain the implications of other provisions</li><li>• indicate possible means of compliance, or</li><li>• recommend a particular course of action or arrangement.</li></ul> <p>Guidance is not binding and need not be followed to achieve compliance with the relevant rule or requirement. However, if a person acts in accordance with general guidance in circumstances contemplated by that guidance, we will treat that person as having complied with the rule or requirement to which that guidance relates.</p> <p>'G' is also used for our statements on:</p> <ul style="list-style-type: none"><li>• the procedure for giving statutory notices under FSMA, and</li><li>• policies on penalties and the conduct of interviews to which a direction has been, or may be, given under FSMA.</li></ul>
<b>D (Directions)</b>	<p>Directions and requirements given under FSMA and relevant statutory instruments. These are binding upon the person or categories of person to whom they are addressed.</p>



<b>[UK flag] or UK</b>	UK legislative material – Acts of Parliament, statutory instruments, regulations and orders. Changes made to UK text (such as the use of Handbook defined terms) are normally indicated by square brackets.
<b>[EU flag] or EU</b>	EU legislative material – EU Directives, directly applicable EU regulations. The status and effect of EU provisions depends on its nature. Articles of an EU Regulation are directly applicable to, and binding on, the persons to whom they are addressed, whereas recitals in an EU Regulation are not binding. Firms should use the Official Journal of the European Union for a comprehensive statement of their obligations under EU law.
<b>P (Principles)</b>	Statements of Principle for approved persons under FSMA which are binding.
<b>C (Conduct)</b>	Under FSMA, we specify descriptions of behaviour which do not amount to market abuse, which is specified within these provisions.

### Notes

Notes provide informative, but non-legislative, material. Text is preceded by 'Note:' and contained in square brackets within the legislative material or as a distinct paragraph. Where the note consists of a reference to an EU Directive, this indicates that the associated legislative text is substantially derived from that EU provision.



## 6 Related documents and guides

The Prudential Regulation Authority Rulebook will be relevant for dual-regulated firms. Please visit the following page to access the PRA Rulebook <http://www.prarulebook.co.uk/>

Financial Conduct Authority general website – [www.fca.org.uk](http://www.fca.org.uk)

Website for firms – <https://small-firms.fca.org.uk/>

### FCA Handbook-related documents

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#### Policy Development Updates

This provides an overview of forthcoming policy initiatives and papers which are publishing in the near future, and which sections of the Handbook will be affected by these documents.

<https://www.fca.org.uk/news/policy-development-update>

#### Handbook Notices

Monthly publication which provides an overview of all changes to the Handbook for that month. This document also includes feedback to any relevant Quarterly Consultation Paper instruments which have now been approved by the Board.

[https://www.fca.org.uk/publications/search-results?start=1&np\\_category=policy%20and%20guidance-handbook](https://www.fca.org.uk/publications/search-results?start=1&np_category=policy%20and%20guidance-handbook)

#### Discussion Papers

Initial documents raising a proposed Policy change within the FCA that may potentially affect the provisions within the Handbook. These are usually published at least 6 months before any change to the Handbook is made.

[https://www.fca.org.uk/publications/search-results?start=1&np\\_category=policy%20and%20guidance-discussion%20papers](https://www.fca.org.uk/publications/search-results?start=1&np_category=policy%20and%20guidance-discussion%20papers)

#### Consultation Papers

Proposals to change provisions within the Handbook – these documents explain why we are planning to make amendments to the Handbook and ask stakeholders for feedback on such proposals. We also provide a cost benefit analysis in CPs to show why we think the proposals will benefit the industry and highlighting any potential costs that may result from such change.

[https://www.fca.org.uk/publications/search-results?start=1&np\\_category=policy%20and%20guidance-consultation%20papers](https://www.fca.org.uk/publications/search-results?start=1&np_category=policy%20and%20guidance-consultation%20papers)



### **Policy Statements**

Final document setting out the changes to the Handbook and summarising the feedback received in the relevant consultation paper. This also provides a revised cost benefit analysis, where necessary, and the reasons for changes to the consultation Handbook text.

[https://www.fca.org.uk/publications/search-results?start=1&np\\_category=policy%20and%20guidance-policy%20statements](https://www.fca.org.uk/publications/search-results?start=1&np_category=policy%20and%20guidance-policy%20statements)





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