FINANCIAL CONDUCT AUTHORITY

Policy Statement

PS26/23

Client categorisation and conflicts of interest

November 2026

This relates to

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Chapter 1

Summary

1.1 Client categorisation and effective management of conflicts of interest help support confidence in financial markets. A client's category determines which rules and protections apply to them. Retail clients generally receive greater protection than professional clients.

1.2 For example, categorisation affects the information and warnings firms provide, and how firms assess products and services for clients. It can also affect how detailed the rules protecting clients are.

1.3 Our rules determine when a client can opt out of retail protections. But the existing rules do not always work well enough at securing the right outcome for clients.

1.4 On the one hand, the current quantitative criteria can prevent clients with relevant expertise from qualifying. But on the other hand, we have seen firms adopt poor practices in how they use the criteria, including taking a tick box approach or relying on clients' self-certification, despite the requirement for the firm to assess a client's expertise, experience and knowledge. Firms may also encourage clients to see professional categorisation as a status symbol or an upgrade offering privileged access, rather than a decision to give up retail protections.

1.5 We want firms to make robust, well-evidenced decisions. So we are setting clear outcomes for firms to achieve, rather than prescribing overly detailed quantitative criteria. We're also giving firms more clarity in the factors they need to consider when categorising a client, as well as a wealth test above which they can categorise a client as professional without assessing their expertise.

1.6 We want clients to understand the protections they will lose. And those clients who can properly be treated as professional should be able to access suitable products and services without unnecessary barriers.

1.7 Clearer standards should give firms greater confidence to serve such clients and develop products that meet their needs. A more reliable distinction between retail and professional clients should also give wholesale firms greater certainty about when retail requirements do not apply, allowing them to conduct wholesale market activities with greater confidence.

1.8 Conflicts of interest rules protect customers by requiring firms to manage competing interests to prevent harm. The existing rules are overly complex. We want to remove unnecessary differences between requirements for different activities and use clearer, more consistent language.

Our consultation

1.9 This Policy Statement (PS) contains our final rules on client categorisation and conflicts of interest. It responds to feedback on Consultation Paper CP25/36. We received 67 responses from firms, trade associations, law firms, consumers and consumer organisations.

1.10 Respondents generally supported our aims and most of the proposed framework. In particular, they supported removing the mandatory quantitative test, introducing factors for firms to consider when assessing expertise, requiring informed consent and allowing firms to initiate discussions about professional categorisation.

1.11 Respondents questioned some of the detail. Many considered the proposed £10 million wealth threshold too high. Most opposed requiring firms to reassess all existing elective professional clients (clients that firms allow to opt out of retail protections).

Our final approach

1.12 We have made changes in response to this feedback, while maintaining appropriate consumer protection.

1.13 We have kept the £10 million wealth threshold. Unlike the expertise route, the wealth route lets a client give up retail protections without showing relevant knowledge or experience. This is a new, separate basis for elective professional categorisation, not a test of expertise.

1.14 We continue to consider a high threshold appropriate. We want to set the threshold at a level where there can be confidence that clients using this route have sufficient financial resources to choose to give up retail protections. Broad confidence in this distinction should help make the boundary credible. This in turn should give wholesale firms a more reliable basis for serving these clients without applying retail protections that such clients may not need. In response to feedback, we are allowing a broader range of assets to count towards the £10 million threshold.

1.15 We recognise respondents' concerns about reassessing existing clients. But we want to make sure that weak categorisation decisions made in the past do not undermine the new regime. In response to feedback we have made some exceptions, including for local authority clients. But we are requiring reassessment where firms continue to provide substantive services. Firms will have 18 months to complete this.

1.16 We are moving the client categorisation rules into a clearer new chapter of the Conduct of Business sourcebook, COBS 3A.

1.17 The main changes to elective professional client categorisation are:

- replacing the mandatory quantitative test, except for local authorities, with a more robust expertise assessment based on the client's knowledge, experience, understanding of risk and financial resilience
- introducing a separate route for clients with at least £10 million in net investable assets
- requiring reassessment of most existing elective professional clients

1.18 The framework includes important safeguards. Neither route allows clients simply to self-certify that they qualify as professional. Firms must make their own assessment, based on evidence, and keep records supporting their decision. Under the wealth route, firms must take reasonable steps to establish that the client meets the wealth threshold. Under the expertise route, firms must come to their own view of whether the client has the expertise to warrant categorisation as a professional, having considered the factors in our rules.

1.19 Clients must give informed consent and understand the retail protections they will lose. Firms must not pressure or incentivise clients to request to opt out, or present professional categorisation as an upgrade. They must reasonably consider that professional categorisation will support the client's financial objectives and will not cause foreseeable harm.

1.20 We are proceeding with the conflicts of interest changes largely as consulted on. They do not change what firms must do in practice. They should make the rules easier to understand and apply. This forms part of our wider work to simplify the Handbook.

1.21 The conflicts of interest rules take effect immediately. The client categorisation rules take effect on 1 December 2026. Firms will have until 31 May 2028 to reassess existing elective professional clients where required. During this transitional period, firms may categorise clients under either the existing rules or the new rules.

Who this applies to

1.22 This PS will be of interest to:

- Authorised firms
- Cryptoasset firms
- Consumer organisations and individual consumers
- Industry groups/trade bodies
- Common platform firms
- Insurance intermediaries conducting insurance distribution activity (in relation to conflicts of interest only)
- Insurers conducting insurance distribution activity (in relation to conflicts of interest only)
- Alternative Investment Fund Managers (AIFMs)
- Managers of Undertakings for Collective Investment in Transferable Securities (UCITS)
- Markets in Financial Instruments Directive (MiFID) optional exemption ('Article 3') firms
- Pension trustees
- Third country firms

Chapter 2

Client categorisation

2.1 This chapter explains our final changes to the client categorisation rules. We are moving the rules into a clearer new chapter, COBS 3A, and strengthening how firms assess whether clients can be treated as professional. We are removing the mandatory quantitative test except for local authorities, introducing separate expertise and wealth routes, and adding safeguards on informed consent, communications and record-keeping. We are also requiring most existing elective professional clients to be reassessed during an 18-month transition period.

Elective professional client categorisation

2.2 Our rules give greater protections for retail clients than for professional clients. A key part of client categorisation is deciding when a firm can allow a client to opt out of those retail protections. Clients who choose to opt out are called elective professional clients. Under the current rules in COBS 3, firms must make an adequate assessment of the client's expertise, experience and knowledge. For MiFID business, firms must also check that clients, other than local public authorities, meet the quantitative test by satisfying 2 of the 3 criteria in COBS 3.5.3R(2).

Quantitative test

2.3 We proposed to remove the mandatory quantitative test from the elective professional assessment for MiFID business, except for local authorities. We recognise that the existing thresholds are no longer fit for purpose. They can be too narrow and firms can misuse them. Instead, we proposed to keep the requirement for firms to consider a client's capacity to bear losses as part of the qualitative assessment.

2.4 We asked:

Question 1: **Do you agree with deletion of the mandatory quantitative criteria from the qualitative assessment, (other than for local authorities)?**

2.5 Almost all respondents strongly supported deleting the quantitative thresholds. They agreed that many of the thresholds were too rigid and could prevent genuinely sophisticated clients from being categorised as professional. Several respondents said trading frequency is often not a reliable measure of experience because it may not reflect sensible long-term investment strategies. Other respondents said removing the thresholds could help prevent firms relying too heavily on quantitative criteria, rather than making a robust assessment of a client's expertise.

2.6 Four respondents disagreed. They were concerned that removing fixed thresholds could reduce consistency across the industry and increase the risk of misuse by firms with poor practices. They also said a judgement-based assessment would be more subjective.

Our response

We have gone ahead with removing the quantitative criteria (other than for local authorities).

We consider that the new rules on what firms need to consider as part of the expertise assessment will give firms an effective framework for assessing clients. They will also help us supervise firms and reduce the risk of subjective judgements. This approach addresses our concern that some firms have taken a 'tick-box' approach to categorising clients as elective professional clients. We explain this further in the section on the qualitative assessment.

Wealth route to elective professional categorisation

2.7 We proposed to introduce a new wealth-based route for very wealthy individuals to opt out of retail protections. The proposed threshold was at least £10 million in net investable assets. This route allows firms to categorise clients above that threshold as elective professional clients without an assessment of their expertise. This does not mean that firms should categorise any client with more than £10 million in wealth as professional. The client must request and consent to the categorisation. Other client protection rules, such as the client's best interests rule, would continue to apply. This route does not prevent firms from categorising clients with less than £10 million in wealth as professional, which they can do under the expertise route, where that is appropriate.

2.8 We asked:

Question 2: **Do you agree with the proposal to introduce a new alternative for clients above a certain wealth threshold to opt out of retail protections, subject to informed consent and wider FCA client protection rules?**

Question 3: **Do you agree that the threshold for this assessment, set at £10 million, is an appropriate level to balance client protection with reducing regulatory burden on firms?**

2.9 Most respondents agreed with introducing an alternative wealth-based route for elective professional client categorisation. They agreed that substantial wealth can indicate that a client doesn't need retail protections. They said this route would give very wealthy clients a pragmatic way to opt out of retail protections where those protections do not serve their interests. Respondents also said it would support wider participation in capital markets and private assets, and help advance our secondary international competitiveness and growth objective.

2.10 Some respondents suggested adding an income-based route alongside the wealth threshold. They said net assets are not the only wealth-based route to assess whether a client needs retail protections. They also said an income route would align with some other jurisdictions and with the high net worth tests in the Promotion of Collective Investment Schemes Order and financial promotions rules.

2.11 Respondents who disagreed were concerned that the route would treat wealth as a proxy for expertise. They also said the proposed safeguards may not be enough to prevent misuse. Some respondents broadly supported a wealth threshold but suggested additional safeguards, such as a limited qualitative assessment or checks that the client understands the implications of opting out.

2.12 Respondents had mixed views on the level of the threshold. Some agreed with the proposed £10 million threshold of net investable assets. They noted that it is high enough to balance protection for most clients while still providing a practical alternative for high net worth clients to opt out of retail protections where they do not serve them.

2.13 Most respondents disagreed with the £10 million threshold. They said it was too high and not proportionate, particularly compared with regimes in Hong Kong, Singapore and the US, and with the Berne Financial Services Agreement. Respondents suggested alternatives ranging from £1 million to £7.5 million, with most favouring £5 million.

2.14 Some respondents raised concerns that the definition of 'investable assets' was unnecessarily narrow. Respondents also requested clarification on how firms should monitor that a client continues to meet this threshold.

Our response

We have made the rules introducing a wealth-based route for elective professional client categorisation. We are keeping the proposed £10 million threshold, but are broadening the definition of assets that will qualify.

The wealth route allows a client to be categorised as an elective professional without an assessment of their expertise. This creates a risk that a client without professional investment expertise may lose retail protections. So, we have set the threshold at a deliberately high level. It reflects our judgement about the residual risk we are prepared to accept where an expertise assessment does not apply.

The threshold does not treat wealth as a measure of expertise. Meeting it does not mean that professional categorisation will be appropriate as a default. But substantial net investable assets provide a stronger indication that a client has sufficient resources that they may not need retail protections.

We considered respondents' suggestions for thresholds between £1 million and £7.5 million. A lower threshold would materially expand the group able to opt out of retail protections without demonstrating professional capability. Respondents did not provide evidence that the resulting increase in risk would be justified by the additional access or reduction in regulatory burden.

Clients below £10 million may still qualify through the expertise route. So, the threshold does not determine who is capable of being treated as professional. It determines who may use the new route without an assessment of expertise.

We recognise the importance of considering how this threshold compares with other jurisdictions. But we are still of the view that those regimes are not directly comparable with our approach. So, we do not think it is appropriate to benchmark our threshold against the jurisdictions respondents referred to. We are not aware of any other relevant jurisdiction that provides the same level of flexibility to opt clients out of protections across such a broad range of products and services.

Some respondents appeared to think the wealth threshold would form part of the qualitative assessment. To avoid ambiguity, we have separated the wealth route from the expertise route in the rules as part of our general restructuring of the rules. This should help firms understand what each route requires.

We consider that the wealth route and threshold will complement the expertise route. The route should help UK firms compete effectively with firms in other jurisdictions. Clients using the wealth route should have the resources to access specialist support on whether opting out is right for them.

We have changed the definition of 'net investable assets'. The policy intention is to limit the wealth route to very wealthy individuals. We recognise that very wealthy people often hold a wide range of assets. These may include property investments and physical investments, such as art or classic cars. These assets were not within the proposed definition.

The investments included in our proposed definition are often more liquid and easier to value than property or physical investments. But some investments included in the proposed definition, such as shareholdings in private companies, can be illiquid and hard to value.

We consider that any assessment of wealth should be net of borrowing. It should also exclude the value of a person's primary residence. So, we have amended the definition of 'investable assets' to include a wider range of investments, while excluding the value of the person's primary residence. We have also changed the wording of the rule, so that the requirement is to take reasonable steps to establish, rather than to verify, that the client has £10 million.

We acknowledge that it may be difficult in practice to monitor whether a client continues to meet the wealth threshold. We do not expect firms to monitor this continuously. But we would expect a firm to review a client's categorisation if it becomes aware that the client has had a material change in circumstances affecting their wealth that reasonably could have taken the client's wealth below £10 million. We set out our revised position on this in response to Q13.

Expertise route to elective professional categorisation

2.15 We proposed new requirements to make clearer how firms should assess a client's expertise. Firms must make a considered and robust assessment of whether a client meets the professional client threshold. This included setting out relevant factors that firms must consider when assessing a client's expertise. We also proposed rules making clear that firms must not rely on self-certification.

2.16 We asked:

Question 4: **Do the proposed Relevant Factors allow firms flexibility in demonstrating how they have determined a client has acquired the capability to be treated as a professional client? Are there any other factors that firms should be required to consider?**

Question 5: **Do our proposed rules and Handbook guidance give firms sufficient clarity on how to conduct an adequate assessment of a client's capability to be treated as a professional client?**

Question 6: **Do you agree that financial resilience as a Relevant Factor should be outcome based, without any minimum financial threshold?**

Question 7: **Do you agree with our proposal to continue to allow opting out in relation to specific products and services, or generally in relation to all products and services?**

2.17 Most respondents agreed with introducing relevant factors. They welcomed the extra flexibility and the move to a more proportionate assessment of a client's expertise. Respondents agreed that a rigid or overly prescriptive approach would not capture all the experience and sophistication relevant to some products and services.

2.18 Most respondents also agreed with including financial resilience as a relevant factor and keeping this outcome-based, rather than reintroducing any thresholds. But some questioned how they should make judgements about financial capacity.

2.19 Some respondents argued that firms may take an overly cautious approach because the proposed rules rely more on firms' judgement. They said this could mean the benefits of the approach are not fully realised.

2.20 Other respondents said the flexibility could lead to inconsistency across the industry. They also said firms with poor systems and controls could misuse it.

2.21 Some respondents agreed that the proposed framework gave enough clarity on our expectations. Others said the rules were not clear enough and asked for more guidance on the standards for each relevant factor, especially assessing knowledge and understanding.

2.22 Several respondents challenged the guidance on discounting trading history in speculative illiquid securities. They said this experience should not be specifically discounted because it may be relevant to categorisation for some products.

2.23 Other respondents challenged the proposed prohibition on relying on self-certification. They said self-certification can be a useful way to gather information for a categorisation assessment.

2.24 Almost all respondents agreed with retaining the option to opt out for specific products or services, or generally for all products and services. One respondent argued that categorisation should always be product-specific to reduce the risk of consumer harm.

Our response

We have revised the final rules and guidance to make them clearer and easier to follow.

We have dealt with areas of uncertainty by making the rules flow more logically. In doing so we have taken opportunities to simplify the rules and guidance to improve clarity and to remove potentially inconsistent expectations. We have restructured the rules to:

1. split the elective professional client rules into general requirements, the wealth route, the expertise route and rules for local public authorities
2. move the factors into the expertise route section, immediately after the assessment rule
3. set out the components of the factors more clearly
4. make clear that the factors are part of the assessment, not a prescribed process

We have gone ahead with setting out factors firms must consider as part of the expertise assessment.

We considered whether to set minimum standards for any of the factors. We recognise that an assessment based on judgement will not produce identical processes or outcomes in every case. The rules cover a wide range of products and services, so some variation is appropriate. This allows firms to tailor the assessment to their business.

But the rules still set overarching standards. They do not allow firms to set their own threshold for professional client status. A firm must have reasonable assurance that the client has the expertise, experience and knowledge to make the relevant decisions and assess the risks properly. Firms must consider all the factors, take account of the information they gather and keep evidence of how they reached their decision.

The factors are not separate tests that clients must pass. They are areas that may provide evidence of a client's overall capability. Weak evidence in one area may be outweighed by strong evidence in another. A client may have gained enough experience in different ways. But a firm cannot rely on strength in one factor if other information shows that the client does not meet the professional client threshold.

We do not prescribe a fixed assessment process. The information a firm needs will depend on the client and the scope of the proposed categorisation. Firms will not be allowed to rely on the client's self-certification that they meet the standard. But this does not stop them from collecting factual information from clients, which they will almost certainly need to do. It prevents firms from treating a client's own statement of capability as enough.

Firms may use digital processes for assessments. Our concern is not the use of online tools. But we want to prevent firms from inviting a client to certify that they meet the factors, without the firm properly assessing the evidence and reaching its own view.

Experience of high-risk, leveraged, illiquid or cryptoasset investments may be relevant. But in our view making those investments does not, on its own, show professional capability. Firms should take care not to overestimate a client's expertise, where their experience is mainly focused on these sorts of investments.

Financial resilience is a factor in determining if a client should be considered professional, not a separate assessment. To make it clearer how financial resilience fits into the assessment, we have included it in the client's understanding of risk. We have not introduced a minimum financial threshold. A client's loss-bearing capacity depends on their overall circumstances, including assets, liabilities and liquidity. A fixed threshold could produce arbitrary outcomes and would reintroduce a quantitative test into the expertise route. We expect firms to consider the client's ability to assess investment risk and their strategy and financial capacity to bear losses in relation to that risk, if it crystallises.

We have kept both general and product-specific categorisation. The scope of the assessment must support the scope of the categorisation. Experience limited to a particular product or market may support limited categorisation. But it will not necessarily support categorisation across all the products and services a firm offers.

We have reviewed and rephrased the Handbook guidance in light of the feedback. We do not think further prescriptive or sector-specific guidance would be proportionate. It could encourage firms to focus on prescribed indicators rather than the required outcome. It may also not work well across different sectors. This does not prevent trade associations or other bodies from developing industry guidance for particular sectors.

In restructuring the rules, we identified some technical issues. We consider that these changes clarify the existing effect rather than change it and that they will help firms by simplifying the requirements and removing potentially inconsistent expectations. We will keep this under review.

The glossary definition of 'client' cross-refers to the definition in COBS 3. But it paraphrases it and sets it out in a different order. This could create legal uncertainty. We have decided the relevant part of the definition can simply point to the rule in COBS 3A. We have also amended the glossary definitions of 'retail client' and 'customer' to make them easier to understand. This does not affect the substance of the definitions which remains unchanged.

The current rule on scope is quite hard to understand. Currently guidance explains what it means. The rules on client categorisation apply in situations where there is a difference in what a firm is required to do, depending on which category a client is in. We have clarified the rule to articulate this better. Some areas of the Handbook continue to have different categories of clients.

The client categorisation rules determine which regulatory requirements and protections apply to a client. So a firm already needs to decide which category a client falls into before it can identify the relevant rules it needs to comply with. But the current rules do not state this obligation expressly. We have added an express requirement to categorise each client to make the operation of the rules clearer and to remove any uncertainty. This clarifies the existing effect of the framework rather than changing it. We have also added guidance confirming that a firm may choose to categorise any client as a retail client. Retail categorisation is not subject to the client meeting any criteria or conditions.

We have made consequential changes to the Handbook where it cross-refers to these rules elsewhere. We have included a table alongside the instrument to show where the rules in COBS 3 have moved to in the new rules.

Local authorities/Local Government Pension Schemes (LGPS)

2.25 We proposed to retain the current provisions in COBS 3.5.3BR to COBS 3.5.3ER. These set out the elective professional client categorisation process for local authorities and LGPS.

2.26 We asked:

Question 8: **Do you agree with our proposal to maintain the current qualitative and quantitative assessment for local authorities?**

2.27 Respondents had mixed views. Several agreed that there was no reason to amend the rules at this stage, especially given planned changes to LGPS. Others said we should simplify the process because it creates unnecessary burden for firms.

2.28 Some respondents said LGPS should be treated as per se professional clients. Others argued that local authorities should be subject to the new elective professional client categorisation rules.

Our response

We have separated out the rules into a different section but we maintain the consultation approach for local authorities and LGPS. We do not consider it proportionate to make further substantive changes to the regime at this time. Respondents did not provide evidence of significant market failures, and changes to LGPS may affect how relevant these rules are for the sector. But we will keep the rules under review and make changes if needed.

Informed consent

2.29 We proposed to require firms to obtain a client's informed consent, by signature, before categorising them as an elective professional client. We also proposed guidance on firms' communications with clients, to clarify how firms should make sure the client's consent is informed.

2.30 We asked:

Question 9: **Do you agree with the proposed requirement that firms must obtain the client's informed consent to opting out of retail protections and being treated as a professional client?**

Question 10: **Do our proposed minimum disclosure requirements to inform the client's consent, including reliance on the firms existing Consumer Duty obligations, pose any particular challenges?**

2.31 Almost all respondents agreed with requiring clients' informed consent. They said this is an essential safeguard to help clients understand the implications of opting out of retail protections. Most respondents also agreed with requiring a signature. Respondents who disagreed questioned whether this was necessary. They said it appeared to overlap with existing requirements and argued that a tick-box should be enough to show that a client has acknowledged the risks of opting out. They also said this would better align with the approach in other areas of the Handbook.

2.32 Some respondents asked for more guidance on what constitutes informed consent. Others asked us to set out standard wording for the required risk warning.

2.33 Some respondents expressed concerns about how the Consumer Duty might apply to them in the process, noting that they do not have permissions to deal with retail clients. They asked what standards they should follow when deciding whether a client should be treated as professional. Other respondents said relying on the Duty generates uncertainty about what they are in practice required to do, and could be disproportionate. They asked for more clarity on our expectations.

2.34 Respondents had mixed views on the minimum disclosure requirements. Many agreed with the principle, but cited practical challenges with implementing the rules as drafted. The most common concern was that firms might need to list every retail client protection that could be lost to avoid legal risk.

Our response

We have gone ahead with the informed consent proposals largely as consulted on. We consider informed consent a critical safeguard. It helps make sure clients understand the implications of opting out of retail protections.

Some respondents said the signature requirement was unnecessary. To be clear, our rules do not require a wet signature. We have clarified that an electronic signature is acceptable. Many types of electronic signature are recognised, so this should not be an onerous requirement. But we would not consider a tick box adequate.

In response to feedback on the Consumer Duty, we are adding a separate rule within the client categorisation rules. This sets out Duty-aligned standards clarifying our expectations of firms when they are considering whether to categorise a client as an elective professional client.

This new rule does not extend the scope of the Duty or, for example, require firms to introduce additional governance arrangements. Firms in scope of the Duty should be able to meet these standards with their existing arrangements for complying with the Duty. We have switched off the private right of action in respect of breaches of this rule, reflecting the position for the equivalent obligations under the Duty.

We acknowledge that the draft rule on disclosure of protections created practical issues for firms. We intended the rule to make sure clients understand the consequences of giving up retail client protections. We understand that it may not be practical for firms to list the purpose of every retail protection.

So, we have modified the rule. Firms must explain that categorisation as an elective professional client means the client will no longer benefit from the protections they would have as a retail client. Firms must also explain the retail client protections that the client will forego, in a way designed to promote understanding of the potential risks or drawbacks.

Communications with clients prior to categorisation

2.35 We proposed to allow firms to tell clients about the option to request to opt out of retail protections, where this would help the client decide whether it may be right for them. We included safeguards to make sure firms do not use these communications to induce clients to opt out of protections.

2.36 These safeguards included requiring firms to have a reasonable basis for believing the client is likely to meet the conditions for professional client status. They also prohibited practices designed to incentivise, induce or pressure clients into opting out.

2.37 We asked:

Question 11: **Do you agree with our proposals to allow firms to initiate discussions with clients about opting out of retail permissions, where they have a reasonable basis for believing the client will meet the professional client threshold, and to the proposed conditions for such communications?**

Question 12: **Will our proposals for change, taken together, allow firms to have appropriate engagement with clients about opting out, without communicating financial promotions about specific professionalonly products before a firm has met the conditions for categorising a client as elective professional?**

2.38 Most respondents supported allowing firms to initiate discussions about opting clients out of retail protections. They agreed this would be a more pragmatic approach and that it would allow firms to engage meaningfully with sophisticated clients while protecting those clients.

2.39 Respondents who disagreed said the proposals were unnecessarily restrictive, particularly for firms that offer execution or transactional services rather than ongoing advisory services. One respondent was concerned that the proposed rule would not give firms additional clarity. They said it could prevent legitimate contact between firms and clients where the client may want to consider seeking elective professional client status.

Our response

We have retained the safeguards against clients being induced or pressured to give up retail protections. But we have revised the approach to communications before categorisation. We have not retained a separate requirement for firms to have a reasonable basis for believing that a client is likely to qualify before initiating a discussion about elective professional categorisation.

The rules do not prevent firms from discussing potential elective professional categorisation with existing or prospective clients. But firms must not seek to entice, offer any incentive or inducement to, or put any form of pressure on a client to request that categorisation. They must not present it as giving the client an elevated status. These safeguards apply to communications with potential clients as well as existing clients. We have also applied them to communications with an existing elective professional client where the client has asked to be recategorised as a retail client.

We set out in guidance that communicating financial promotions on specific products or services that the firm only makes available to professional clients could breach these safeguards. Suggesting a client request elective professional categorisation specifically to gain access to products or services unavailable to retail clients would, in our view, breach them. Firms must consider their communications against these safeguards and any other applicable requirements, including the financial promotion rules.

Our guidance also gives examples of language that presents categorisation as elevated status. These include referring to it as 'opting up', an upgrade or promotion, or describing it as reflecting superior standing, importance, exclusivity or success.

Other safeguards

2.40 We proposed further safeguards to make the client categorisation process more robust. We did not propose periodic reassessment for all elective professional clients. Instead, we proposed to make clear that firms must reassess any client they reasonably suspect no longer meets the conditions for categorisation. We also proposed to rely on existing systems, controls and governance rules.

2.41 We asked:

Question 13: **Do you agree with our proposal not to require periodic reassessment of all elective professional clients, but to make clear firms must reassess any client they should reasonably suspect no longer meets the conditions for the categorisation?**

Question 14: **Taken together, do our proposals adequately balance protecting consumers from being inappropriately categorised, with reducing obstacles to clients accessing the products and services that meet their needs and risk profile?**

Question 15: **Do you agree with our proposed approach to rely on existing client safeguarding and governance rules (e.g. 'client's best interests' rule, fair clear and not misleading rules, SYSC rules and the Consumer Duty) rather than introduce additional new safeguards specifically for the elective professional categorisation process? Would the Consumer Duty be sufficient rather than any of our proposed new rules?**

2.42 Most respondents agreed that we should not require periodic reassessment of all elective professional clients. Some respondents argued for some form of periodic reassessment, aligned with other processes such as know your customer (KYC) reviews, while allowing firms flexibility on frequency. Respondents were concerned about the proposed guidance on reassessing a client where the firm had not interacted with them for 2 years. They said this would not be relevant in all circumstances.

2.43 Several respondents asked us to make clear whether firms would need to monitor clients' assets on an ongoing basis to check that they continue to meet the wealth threshold.

2.44 Most respondents agreed that our overall approach appropriately balanced consumer protection with reducing barriers to clients accessing products and services that meet their objectives and risk profile.

2.45 Respondents broadly agreed with relying on existing safeguarding and governance rules. Those who had reservations were concerned that the current rules had not always prevented poor practice.

Our response

We have gone ahead with our proposal not to require periodic reassessment.

We have made it clearer that firms do not need to monitor the value of a client's assets continuously to check if they meet the £10 million wealth threshold. Under the wealth route, they must review the client's position where they become aware of material adverse changes that reasonably could have taken the client below the threshold, and recategorise the client where they know the criterion is no longer met. Under the expertise route, firms must take reasonable care to ensure categorisation remains appropriate as they become aware of relevant changes in the client's circumstances.

A client might experience a material change in financial circumstances, that could prompt reassessment, for a number of reasons: for example, following a divorce, or where a client's wealth is mainly based on a single asset, such as a shareholding in a private business, that materially falls in value. In circumstances such as these, we would expect a firm selling a new product or service to a client to assess whether the client continues to meet the threshold.

We have not retained the proposed guidance on reassessing a client after no interaction for 2 years. We recognise that this was too inflexible. In some cases, it may be reasonable for the firm to have little interaction with a client. For example, the client may have invested in a private fund with a 10-year life. In other cases, a lack of interaction may be more unexpected. The rule gives firms flexibility to carry out a level of monitoring appropriate to the activities they carry out for the client. We explain in guidance that while it is generally reasonable for a firm to rely on a professional client to keep it informed about changes in their circumstances, we would expect a firm that has not had contact with the client for a prolonged period of time to make enquiries of the client about changes in circumstances.

We proposed transitional provisions for handling clients who are recategorised. Since this situation is not limited to the transition to the new rules, we have put rules on recategorisation into the core Handbook requirements.

If a firm decides that an existing client no longer meets the conditions for elective professional client status, and the firm does not do business with retail clients, the client does not necessarily have to dispose of existing investments immediately. Our rules allow the firm to continue treating the client as a professional client during a reasonable period of transition to end the relationship in an orderly way. We have also clarified that doing so would not put the firm in breach of a limitation to its permissions.

In ending the relationship, firms should act consistently with their obligations to the client, including acting in the client's best interests. Where immediate termination of a service or disposal of a product would not be possible or would cause foreseeable harm, the firm should engage with the client, where possible, to determine the best course of action.

Any continued treatment as an elective professional client should be limited to administering an existing position or carrying out an orderly wind-down. It does not allow the firm to provide new professional-only products or services to a client who no longer meets the conditions for professional status.

Per se professional client categorisation

2.46 We proposed changes to simplify the per se professional categorisation process. These included:

- removing the list of different types of entity in COBS 3.5.2R(1). This was intended to make clear that any entity authorised or regulated in the UK or a third country to operate in financial markets can be treated as a per se professional client. Firms would not need to identify which specific sub-criteria the client meets. This would include special purpose vehicles (SPVs) controlled by authorised firms.
- removing distinctions between MiFID and non-MiFID business. Firms seeking to categorise a client as a per se professional client, where the client does not meet any other per se professional criteria, would apply the existing MiFID thresholds for large undertakings. We also proposed to remove the distinction between large undertakings that can elect to be treated as eligible counterparties for MiFID and non-MiFID business.

2.47 We asked:

Question 16: **Do you think that our proposals to remove the list of types of entities in COBS 3.5.2R(1) simplify the per se professional criteria? If not, should we retain the list or make any amendments to the list?**

Question 17: **Do you agree this category should include SPVs, and if so, do you agree with our proposed definition of an SPV for this purpose?**

Question 18: Do you agree with our proposals to remove the distinctions in thresholds for categorising large undertakings and trustees other than pension trustees for MiFID and nonMiFID business?

Question 19: Do you currently categorise clients under the criteria we propose to remove (COBS 3.5.2R(3)(a)-(d))? If so, do you see any challenges in applying the MiFID criteria?

Question 20: Do you agree that pension trustees should currently continue to be treated as per se professional clients for nonMiFID business? If not, what do you think the criteria should be for categorising those trustees? Should it be a monetary threshold, and if so what, or something else, such as single vs master trust?

2.48 Most respondents agreed that removing the list of entities in COBS 3.5.2R(1) would make the rule simpler and clearer to apply. Some respondents disagreed. They said removing the list may not add clarity and could lead firms to interpret the criteria too narrowly. Two respondents asked for guidance to clarify that pension funds and trustees should still be considered per se professional clients for MiFID business.

2.49 Almost all respondents agreed with expressly including SPVs as per se professional clients. They said this aligns with existing market practice and would simplify processes. Two respondents suggested extending this to SPVs operated by elective professional clients. Many respondents raised concerns about the proposed definition. Some were concerned by the limitation to SPVs controlled by authorised firms and by the reference to 'bodies corporate'. Others said limiting the definition to regulated or ancillary activities could unintentionally exclude some types of SPV.

2.50 Most respondents supported removing the distinction between MiFID and non-MiFID thresholds. Several said the distinctions serve no useful purpose and create administrative burden. Some raised concerns that removing the current non-MiFID criteria could mean some organisations no longer meet the per se professional requirements. Many respondents reported little or no use of the non-MiFID criteria. But some were concerned that clients could lose professional status without any change in their level of sophistication.

2.51 Most respondents who commented on pension trustees agreed that they should continue to be treated as professional clients for non-MiFID business. They said pension trustees operate within robust governance arrangements, often manage significant assets and are supported by professional advisers. Respondents also said continuity under the existing framework was important. Several respondents noted changes in the pension market and said we should keep this area under review. Some highlighted different levels of expertise among pension trustees and questioned whether scheme size is the right way to assess sophistication.

Our response

We have retained a list of the types of authorised or regulated entity covered by the per se professional client rules. This deals with concerns that removing the list could make the rules less clear. The list includes pension funds and their management companies.

We have revised the conditions for investment vehicles to qualify as per se professional clients. These conditions now expressly cover bodies corporate, trusts and partnerships. The vehicle must be established and controlled by one or more persons who are, or include, a per se professional client or an eligible counterparty. It must also be operated for investment rather than commercial purposes. These conditions are set out directly in the categorisation rules, rather than through a separate definition of 'SPV'.

This approach is not limited to vehicles established or managed for purposes connected with regulated or ancillary activities. We have not extended the definition to include vehicles established and controlled by elective professional clients.

We are removing the different size thresholds for large undertakings for MiFID and non-MiFID business. Firms will apply a single set of thresholds where the client does not meet another per se professional criterion. We are also removing the distinction between MiFID and non-MiFID business in the conditions for categorising undertakings as elective eligible counterparties.

We will retain the current approach to categorising pension trustees as per se professional clients for non-MiFID business. We recognise that this area may need further consideration. This includes how the client should be identified, whether scheme size is an appropriate indicator of expertise, and the relevance of professional trustees. We may also need to reconsider the distinction between MiFID and non-MiFID business. Given the significant changes underway in the pensions market, we may revisit these requirements in due course.

Policy, procedures and record-keeping

2.52 We also consulted on changes to firms' client categorisation policies, procedures and record-keeping. These changes were designed to align with our other proposals, clarify our expectations and address historical supervisory concerns.

2.53 We asked:

Question 21: **Do you agree with our proposals to clarify the record-keeping requirements for client categorisation?**

2.54 Respondents strongly supported clarifying the record-keeping requirements. They generally agreed that firms should keep clear records of the information they get from clients, any verification they carry out and the reasons for their categorisation decisions. Many respondents said the proposals would codify existing good practice. They said this would improve consistency, transparency, auditability and supervisory oversight, and help firms demonstrate compliance and resolve disputes.

2.55 A small number of respondents raised concerns about proportionality and implementation. Some said enhanced requirements should focus on elective professional client assessments, rather than creating unnecessary record-keeping obligations for per se professional clients whose status is already clear. Others asked us to make clear the level of verification expected, particularly for SPVs and other complex structures. Some suggested allowing firms to rely on existing records or guidance-based expectations, rather than prescriptive rules, to avoid duplication and unnecessary administrative burden.

Our response

We have largely retained the substance of the rules as consulted with some simplification. We have moved some elements of the consulted rules that relate to record-keeping into this section. We consider the requirements proportionate and consistent with good practice. Clear records will help firms show how they reached categorisation decisions and help us supervise the rules effectively.

Application

2.56 We consulted on changes to clarify record-keeping expectations for clients categorised for financial promotions purposes. We also proposed to clarify how the rules apply to funds without a separate legal personality.

2.57 We asked:

Question 22: **Do you agree our proposal to remove the disapplication of COBS 3.8 for firms not carrying out designated investment business, as set out in COBS 3.1.3R, will make the record-keeping obligations for these firms clearer?**

Question 23: **Do you agree with our proposal to clarify COBS 3.2.3R(4)?**

2.58 Most respondents who commented on record-keeping for clients categorised for financial promotions purposes supported the proposal. They agreed that applying the same record-keeping requirements across firms would make the framework clearer, more consistent and easier to navigate. Respondents generally considered that all firms carrying out client categorisation should keep appropriate records. Several said the change was a sensible clarification, rather than a substantive new obligation. Some respondents also said the drafting could be made clearer by removing double negatives. A small minority raised proportionality concerns.

2.59 Most respondents supported the proposed clarification on funds without legal personality. They said it reflects existing market practice and gives greater legal certainty. They also said it avoids impractical look-through assessments of underlying investors. A minority questioned whether the change was needed, suggesting that the existing rules already work clearly in practice.

Our response

We have made the rules as consulted. We have reviewed the drafting and made changes where needed to improve readability, including by removing double negatives where this can be done without changing the effect of the rule.

Client classification beyond the Handbook

2.60 We also asked about the possible impact of differences between our proposed changes and related legislative regimes, including the Public Offers and Admissions to Trading Regulations (POATRs), Private Intermittent Securities and Capital Exchange System (PISCES) and Alternative Investment Fund Managers Directive (AIFMD).

2.61 We asked:

Question 24: **How might the differences between our proposed changes to client categorisation and the other regimes affect you?**

2.62 Many respondents raised concerns about differences between our proposed COBS rules and the investor classifications used in legislation. They said firms might need to operate parallel processes and that the same client could be treated as professional under COBS but not qualify as a professional or qualified investor under another regime. Respondents said this could increase operational complexity, limit some of the benefits of our reforms and create confusion for firms and clients.

2.63 Respondents particularly referred to the classifications used under AIFMD, POATRs, PISCES and the financial promotions regime. But there were different views on the sequencing. Some asked us to delay implementation until those regimes were aligned. Others supported us proceeding with the COBS reforms while considering the interactions with legislative provisions with the Treasury.

Our response

We recognise that firms may face additional complexity if the client categories in our Handbook are different from those used in legislation. A client categorised as professional under COBS may not meet the separate conditions applying under another regime. Firms may need to apply different classifications to the same person for different regulatory purposes.

Our final rules amend the FCA Handbook. They do not change the investor categories used in legislation, including for public offers, alternative investment fund marketing, PISCES and financial promotions.

Transitional arrangements

2.64 We proposed transitional arrangements to give firms time to implement the new regime. We also proposed a one-off reassessment of existing elective professional clients. This was intended to make sure historically miscategorised clients do not undermine the integrity of the new regime. We proposed to require firms to complete this reassessment within 12 months of the rules coming into force. We also asked whether the changes could require any firms to vary their Part 4A permissions.

Question 25: **Do you agree that a one off re-categorisation of existing elective professional clients is the right way to ensure the integrity of the elective professional regime going forward and achieve our goal of resetting how firms differentiate between retail and professional clients?**

Question 26: **If you are an authorised firm, do you anticipate our proposed changes could lead to you seeking to vary your part 4A permissions?**

2.65 Respondents had mixed views on the proposal to recategorise existing clients. Those in favour said a one-off review was necessary to make sure all existing elective professional clients meet the strengthened standards and informed consent requirements. They considered this an important reset. They said it would improve confidence in client classifications, address weak historical categorisation practices and help firms apply the new framework consistently. Several respondents who supported the proposal said firms would need enough time to implement it. Some suggested an 18-month transition period instead of 12 months.

2.66 Most respondents opposed mandatory recategorisation of all existing elective professional clients. They said it would be disproportionate, operationally burdensome and of limited regulatory benefit. Many favoured grandfathering existing clients or adopting a risk-based, trigger-led approach to reassessment. Respondents were particularly concerned about the impact of potential recategorisation on long-term or illiquid investments, the cost of contacting and reassessing large client populations, and uncertainty about how firms should treat clients who no longer qualify as professional clients. For example, selling investments could crystallise losses, tax liabilities or cause other consumer harm.

2.67 Some respondents said they wanted to be able to start categorising clients under the new regime as soon as possible.

2.68 Most respondents who expressed a view did not anticipate seeking a variation of their Part 4A permissions. Some firms that only deal with professional clients said that seeking retail permissions may not be the preferred solution where an existing client no longer qualifies as professional. They noted the systems, controls and expertise required to serve retail clients. Some respondents also asked for clarity on how firms should manage clients who lose professional status under the revised regime.

Our response

We have retained the requirement for firms to reassess existing elective professional clients, but we are not requiring firms to reassess per se professional clients, eligible counterparties, or elective professional clients who are local authorities.

We have extended the transitional period from 12 months to 18 months. This will give firms more time to identify affected clients, obtain the information they need and complete reassessments in an orderly way.

We have sought to address respondents' concerns about the costs and practicalities of reassessing existing elective professional clients through changes to the transitional provisions. Firms will need to reassess existing elective professional clients during the 18-month transitional period where they are providing an ongoing service, other than a purely administrative service. They must also ensure that the client has given informed consent that meets the new requirements, obtaining fresh consent where necessary.

For other existing elective professional clients, firms will not need to carry out a reassessment during the transitional period simply because the client remains on their books or the firm is carrying out purely administrative activities relating to existing business. For example, a firm may need to process payments or distributions, provide information about an existing holding, or administer an existing contractual commitment. These activities will not, by themselves, require the firm to reassess the client. But after the transitional period, firms must reassess those clients, and ensure that the informed consent requirements are met, before providing a new service or undertaking new transactions with or for them.

We will not require firms to reassess local authorities previously categorised as elective professional clients. We are not making substantive changes to the requirements here, so we do not think this is necessary.

We have also removed the requirement for firms to reassess clients categorised as per se professionals under the current regime. We do not think it would be proportionate to require firms to review existing per se professional clients.

If a client does not respond to a request for information, the firm cannot assume that the client meets the new requirements. If a firm is unable to complete the reassessment by the end of the transition period, it must not provide new business on the assumption that the client is still an elective professional.

To allow firms to implement the rules more quickly, if they wish to do so, we have made the rules effective from 1 December 2026.

Chapter 3

Conflicts of interest

3.1 This chapter sets out our final approach to conflicts of interest and personal account dealing. We are simplifying and rationalising the SYSC 10 rules, including removing unnecessary distinctions between different activities, without changing their scope or the practical expectations of firms. We are also amending COBS 11.7 to reflect its original policy intention. We will consider further changes to the personal account dealing rules separately.

Conflicts of interest

3.2 We proposed to simplify SYSC 10 by removing minor unnecessary distinctions between rules that apply to different types of activity. We did not propose to change the current scope or application of the rules for firms.

3.3 We asked:

Question 27: **Do you agree with our proposed terminology changes? Do any of the proposed choices of terminology create any difficulties?**

Question 28: **Do you agree with the proposed rationalisation of the conflicts of interest rules? Do our proposed changes make our rules on conflicts of interest easier to understand and navigate?**

3.4 Almost all respondents supported the terminology changes and rationalisation. They agreed that the changes would make the requirements clearer.

3.5 A small number of respondents raised drafting points. They were concerned that some of the drafting changes and accompanying guidance could introduce material new obligations.

Our response

We have gone ahead with the proposals as consulted on. These changes are not intended to change the practical expectations of firms. Where we have applied a more detailed rule to all firms, we have done this to give clarity and consistency on how firms should comply with the high-level requirements in SYSC 10. We have not done this to extend new requirements to firms.

We note that some respondents were concerned that the requirement to be structured and organised to minimise the risk of a client's interests being prejudiced by conflicts of interest could set a higher standard. We consider that this is implied by the existing requirement. We do not think this implies that structural segregation is the only approach to managing

conflicts of interest. We would not expect firms to behave differently simply to meet this part of the rule.

Firms will not need to update their policies and processes to reflect the changes before their next scheduled review.

In reviewing the draft rules, we identified that the draft instrument did not delete SYSC 3.3.5R to SYSC 3.3.16R, as discussed in paragraph 4.17 of the consultation paper. We have amended this in the final rules. The draft rules consulted on extending SYSC 10 to insurers for insurance distribution activities, with no practical change intended for firms. The consultation paper also clearly explained our intention to delete these provisions. So, we consider that deleting these rules should have no impact on firms and can be done without further consultation.

Personal account dealing

3.6 We proposed to amend a personal account dealing rule to deal with a technical drafting issue. The current drafting did not appear to reflect the policy intention of the rules. We also sought views on the broader rationalisation of the MiFID and non-MiFID rules.

3.7 We asked:

Question 29: **Do you agree with our proposal to amend the COBS 11.7 rules?**

Question 30: **What is your view on whether the COBS 11.7A rules should be combined with the COBS 11.7 rules, using the revised language we propose in this CP? Should life policies also be excluded from the COBS 11.7A rules?**

3.8 All respondents agreed with our proposed amendments to COBS 11.7. They said the changes would better reflect the original policy intention.

3.9 All respondents also agreed with combining the COBS 11.7 and COBS 11.7A rules. They said this would remove unnecessary regulatory divergence. Some respondents noted that care would be needed to avoid unintentionally changing the scope for any firms.

3.10 One respondent agreed with excluding life policies from COBS 11.7A. They said this would improve consistency across the market. Most respondents did not express a view or said they would need more detail before forming a view.

Our response

We have gone ahead with the amendments to COBS 11.7 as consulted on, to reflect the original policy intention. We will consider the other feedback as part of future work.

Chapter 4

Cost benefit analysis (CBA)

4.1 In CP25/36, we consulted on changes to reset how firms distinguish between retail and professional clients. We also consulted on rationalising and simplifying complex conflicts of interest rules.

4.2 Table 1 below summarises the costs and benefits we estimated in CP25/36 for each set of proposals.

Table 1: CP25/36 summary of impacts

Proposal	One-off costs (£m)	Monetised benefits over 10-year appraisal period (£m)	Main benefits to firms	Number of firms affected	Net present value (NPV) of monetised impacts over the 10-year appraisal period (£m)
Conflicts of interest	£5.1m familiarisation costs	£27.2m	Time savings from firms being able to navigate the simplified and rationalised rules more easily.	47,560	+£22.1m
Client categorisation	£32.3m for reviewing and re-categorising clients	Not monetised	Reduced risk of firms mis-categorising clients. Removing barriers for very experienced or wealthy investors may also create additional business opportunities.	1,518	-£32.3m*
Overall Equivalent Annual Net Direct Cost to Business (EANDCB)		£4.5m per year			

* The client categorisation NPV reflects the quantified costs only. The expected benefits were not monetised and are therefore not included in the NPV.

4.3 For the conflicts of interest rules, we expected the main benefit to be time savings for firms from being able to navigate the simplified and rationalised rules more easily. The £27.2m figure reflects the total value of those benefits over the 10-year appraisal period. We expected firms to incur only one-off familiarisation costs of £5.1m, resulting in a positive NPV.

4.4 For client categorisation, we expected the main benefit to firms to be a lower risk of miscategorising clients. Removing barriers for very experienced or wealthy investors could also create more business opportunities for firms. We expected firms would incur costs from reviewing and recategorising clients, but we expected these costs to be a oneoff and that any ongoing additional costs from the proposal would be minimal.

4.5 In CP25/36 we asked:

Question 31: **Do you have any comments on our CBA?**

4.6 Of the 67 respondents to CP25/36, 7 gave specific feedback on our cost estimates, estimated time savings or broader CBA approach.

4.7 Two respondents agreed with the direction of travel and considered the CBA proportionate and well justified. Other respondents commented that we had underestimated the cost to firms of reassessing and re-categorising elective professional clients. One respondent raised further concerns that our CBA did not:

- Attempt to quantify the number of clients likely to be miscategorised under the new rules, or the harm from mis-categorisation.
- Consider redress costs.
- Consider costs to consumers from inappropriate categorisation, losses from unsuitable investments or reduced protections such as loss of redress rights.

Our response

Client categorisation

The paragraphs below set out our rationale for why we do not consider it proportionate to make changes to our estimates of the costs and benefits of the client categorisation proposal in light of consultation feedback received.

Cost of reassessing and re-categorising elective professional clients

Regarding the cost of reassessing and re-categorising elective professional clients, several respondents commented that the costs of reassessing and re-categorising existing elective professional clients may be higher than estimated. We explicitly considered these review and re-categorisation costs in the CBA published in CP25/36 and included a substantial one-off cost estimate to reflect the need for firms to review their existing client base. Having considered the consultation feedback, we have not received evidence demonstrating that firms would incur materially higher costs than those already captured in our analysis.

We therefore do not consider that a material revision to our cost estimates is required.

Risk of mis-categorisation

On the risks of mis-categorisation and resulting consumer harm, we considered these risks when designing the policy and they are a key reason for the safeguards included in the final framework. In particular, the strengthened qualitative assessment, the requirement for firms to make a considered judgement of a client's knowledge, expertise and experience, and the obligation to review existing elective professional categorisations, are all intended to reduce the risk of inappropriate categorisation. We therefore consider that the concerns raised do not indicate additional harms beyond those already considered in the CBA, nor do they justify a material change to our assessment of the proposal's impacts.

Redress costs

One respondent commented that the CBA, and more broadly the CP, omits mention of redress costs pertaining to potential mis-categorisation. We recognise that inappropriate client categorisation could, in some situations, contribute to consumer harm and subsequent redress. However, we do not consider this to be a significant risk given the policy intention, and as such this has not been included in the CBA.

Other changes from CBA

We have revised our estimate of the one-off review and re-categorisation costs associated with our client categorisation profile after detecting a double counting issue.

In CP25/36, we estimated these costs:

Table 2: Summary of one-off review and re-categorisation costs by firm size

	CP25/36			
	Small-firm rate	Medium-firm rate	Large-firm rate	Revised
Hourly compliance rate (A)	£52	£63	£68	£68
Time per client (B)	3 hours	3 hours	3 hours	3 hours
Professional client population (C)	57,780	57,780	57,780	57,780
Estimated cost (A × B × C)	£9.0m	£10.9m	£11.8m	£11.8m
Total estimate	**£31.7m across the three calculations**			**£11.8m**

Note that Table 2 above is different to Table 8 in the CBA in CP25/36. After further review, we considered that we may have overestimated costs initially by double counting. We now recognise that each professional client in the universe of professional clients would belong to either a small, medium or large firm, rather than to all 3 categories at the same time as our original CBA assumed.

To rectify this, we have assumed that all clients belong to large firms. This removes the risk of double counting but is conservative as we choose the costliest tier of firms. This gives an updated one-off review and re-categorisation cost of £11.8 million. Table 3 shows the revised costs and benefits. The £12.3 million one-off cost for client categorisation is the sum of the £11.8 million review and re-categorisation cost, £0.4 million for familiarisation and gap analysis, and £0.1 million for training costs. We estimated these costs using the same standardised cost model as in CP25/36. We do not consider that this, or any other changes we have made in response to feedback, requires us to change the compatibility statement.

Table 3: Revised summary of costs and benefits

Proposal	One-off costs (£m)	Ongoing benefits (£m)	Number of firms affected	NPV of monetised impacts over the 10-year appraisal period (£m)
Conflicts of interest	£5.1m	£27.2m	47,560	+£22.1m
Client categorisation	£12.3m	-	1,518	-£12.3m
Overall EANDCB	£2.1m per year			

Annex 1

List of respondents

We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is as follows:

Adempi

Arlingclose Limited

Association of UK payments and fintech companies

British Insurance Brokers' Association

Robert Browne

Capita Pension Solutions Limited (CPSL)

CFA UK & CFA Institute

Coutts

Enterprise Investment Scheme Association

Executive Compliance Limited

Hargreaves Lansdown

Hymans Robertson LLP

INREV

The Investment Association

LaSalle Investment Management

Markerstudy Insurance Services

MUFG Corporate Markets Trustees (UK) Limited

RQC Group

Kerem Stricker

Wealth Club Ltd

Annex 2

Measuring success

1. Under the Financial Services and Markets Act (FSMA) 2023, we are required to keep our rules in our Handbook under review. For more information, please see the Rule Review Framework on our website.
2. On client categorisation, we intend to monitor the effectiveness of the rules through our supervisory work. That includes reviewing complaints made to the FCA regarding firm practices. We are exploring the possibility of collating client categorisation data through a regulatory return form, which could be used to develop monitoring metrics.
3. The changes to conflicts of interest are a rationalisation exercise with no change in substance and so, we do not propose to monitor these on a proactive basis.
4. Other measures of success may include the perceived effectiveness of our intervention within the wholesale markets regulation metrics in our annual report and through other feedback tools for industry stakeholders.

Annex 3

Abbreviations used in this paper

Abbreviation	Description
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
CBA	Cost benefit analysis
COBS	Conduct of business sourcebook
CP	Consultation Paper
EANDCB	Equivalent Annual Net Direct Cost to Business
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
KYC	Know your customer
LGPS	Local Government Pension Scheme
MiFID	Markets in Financial Instruments Directive
NPV	Net present value
PISCES	Private Intermittent Securities and Capital Exchange System
POATRs	Public Offers and Admissions to Trading Regulations
PS	Policy Statement
SPV	Special purpose vehicle
SYSC	Senior Management Arrangements, Systems and Controls sourcebook
UCITS	Undertakings for Collective Investment in Transferable Securities

Appendix 1

COBS 3 and COBS 3A destination table

APPENDIX 1

COBS 3 to COBS 3A destination table

COBS 3	COBS 3A	Subject matter
COBS 3.1	COBS 3A.1	Application
COBS 3.2	COBS 3A.2	Client (including meaning of 'client', who is the client)
COBS 3.3	COBS 3A.3	General requirements (including re. notifications, categorising a client as a client who benefits from a higher degree of protection, and ending business with a recategorised client)
COBS 3.4	COBS 3A.4	Retail clients (including child trust fund provisions)
COBS 3.5	COBS 3A.5	Professional clients, including per se professional clients
	COBS 3A.6	Elective professional clients: general (procedural requirements, including re informed consent)
	COBS 3A.7	Elective professional clients: wealth route
	COBS 3A.8	Elective professional clients: expertise route
	COBS 3A.9	Elective professional clients: local authority and municipalities
COBS 3.6	COBS 3A.10	Eligible counterparties
COBS 3.7	COBS 3A.3	(as above)
COBS 3.8	COBS 3A.11	Policies, procedures and records
COBS TP 1	-	-
	COBS TP 1A	Transitional provisions

Appendix 2

Made rules (legal instrument)

Client Categorisation Instrument 2026

Powers exercised

A. The Financial Conduct Authority ('the FCA') makes this instrument in the exercise of the following powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ('the Act'), including as applied by paragraph 3 (FCA rules) of Part 1 (Application and modification of the 2000 Act) of Schedule 6 (Application and modification of legislation) to the Payment Services Regulations 2017 (SI 2017/752) and paragraph 2A (Authority rules) of Part 1 (Application and modification of legislation) of Schedule 3 (Application and modification of legislation) to the Electronic Money Regulations 2011 (SI 2011/99):

(a) section 137A (The FCA's general rules);

(b) section 137R (Financial promotion rules);

(c) section 137T (General supplementary powers); and

(d) section 139A (Power of the FCA to give guidance); and

(2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 December 2026, except for Part 2 of Annex D.

D. Part 2 of Annex D comes into force on 25 October 2027, at the same time as the Cryptoassets (Conduct and Firm Standards) Instrument 2026.

Amendments to the Handbook

E. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
General Provisions (GEN)	Annex C
Conduct of Business sourcebook (COBS)	Annex D
Client Assets sourcebook (CASS)	Annex E
Product Intervention and Product Governance sourcebook (PROD)	Annex F
Consumer Redress Schemes sourcebook (CONRED)	Annex G
Product Disclosure sourcebook (DISC)	Annex H

Amendment to the Glossary (Cryptoassets) Instrument 2026 (FCA 2026/35)

F. From the commencement date, Annex B of this instrument amends changes to the Glossary definitions of 'client' and 'customer' made by the Glossary (Cryptoassets) Instrument 2026 (FCA 2026/35). The Glossary (Cryptoassets) Instrument 2026 was made on 25 June 2026 and will come into force, as amended by Annex B to this instrument, on 25 October 2027.

Notes

G. In the Annexes to this instrument, the instructions (indicated by '**Instruction:**') set out the nature of the amendments being made to the legislative text. The notes (indicated by '**Editor's note:**' or '**Note:**') are included for the convenience of readers, but do not form part of the legislative text.

Citation

H. This instrument may be cited as the Client Categorisation Instrument 2026.

By order of the Board

19 November 2026

Annex A

Amendments to the Glossary of definitions

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Instruction: Amend the following definitions as shown.

Editor's note: Further changes to the definition of 'client' will take place on 25 October 2027, 3 April 2028 and 29 June 2028 (see FCA 2026/35, FCA 2026/52, FCA 2026/2026 and FCA 2026/69). See also Annex B, which amends the changes to the Glossary definition of 'client' made by FCA 2026/35.]

client

~~(A) in the *PRA Handbook*:~~

~~(1) (except in *PROF* and except in relation to a *home finance transaction*) has the meaning given in *COBS 3.2*, that is (in summary and without prejudice to the detailed effect of *COBS 3.2*) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*, or in the case of *MiFID or equivalent third country business*, an *ancillary service*;~~

~~(a) every client is a *customer* or an *eligible counterparty* ;~~

~~(b) "client" includes:~~

~~(i) a potential client;~~

~~(ii) a client of an *appointed representative* of a *firm* with or for whom the *appointed representative* acts or intends to act in the course of business for which the *firm* has accepted responsibility under section 39 of the *Act* (Exemption of appointed representatives) or, where applicable, a client of a *tied agent* of a *firm*;~~

(iii) a *fund* even if it does not have separate legal personality;

(iiiA) any *person* to whom *collective portfolio management* services are provided, irrespective of whether or not it is *authorised*;

(iv) if a *person* ("C1"), with or for whom the *firm* is conducting or intends to conduct *designated investment business*, is acting as agent for another *person* ("C2"), either C1 or C2 in accordance with the *rule* on agent as client *COBS 2.4.3R*;

(v) for a *firm* that is *establishing, operating or winding up a personal pension scheme*, a member or beneficiary of that scheme;

(c) "client" does not include:

(i) a trust beneficiary not in (b)(vi);

(ii) a *corporate finance contact*;

(iii) a *venture capital contact*.

(2) [deleted]

(3) (in *PROF*) (as defined in section 328(8) of the *Act* (Directions in relation to the general prohibition)) (in relation to *members* of a profession providing financial services under Part XX of the *Act* (Provision of Financial Services by Members of the Professions)):

(a) a *person* who uses, has used or may be contemplating using, any of the services provided by the *member* of a profession in the course of carrying on *exempt regulated activities* (including, where the *member* of the profession is acting in his capacity as a trustee, a *person* who is, has been or may be a beneficiary of the trust); or

~~(b) a *person* who has rights or interests which are derived from, or otherwise attributable to, the use of any such services by other *persons*; or~~

~~(c) a *person* who has rights or interests which may be adversely affected by the use of any such services by *persons* acting on his behalf or in a fiduciary capacity in relation to him.~~

~~(4) (in relation to a *regulated mortgage contract*, except in *PROF*) the individual or trustee who is the borrower or potential borrower under that contract.~~

~~(5) (in relation to a *home purchase plan*, except in *PROF*) the *home purchaser* or potential *home purchaser*.~~

~~(6) (in relation to a *home reversion plan*, except in *PROF*):~~

~~(a) the *reversion occupier* or potential *reversion occupier*; or~~

~~(b) an individual who is an *unauthorised reversion provider* and who is not, or would not, be required to have *permission* to *enter into a home reversion plan*.~~

~~(7) (in relation to a *dormant account* transferred to a *dormant account fund operator*) a *person* entitled to the *balance* in the *dormant account* held with a *bank* or *building society* which was transferred to a *dormant account fund operator*.~~

~~(8) (in relation to a *regulated sale and rent back agreement*, except in *PROF*):~~

~~(a) the individual or trustee who is the *SRB agreement seller* or potential *SRB agreement seller*; or~~

~~(b) an individual who is an *unauthorised SRB agreement provider* or potential *unauthorised SRB agreement provider* and who does not have, or would not be required to have, *permission* to *enter into a regulated sale and rent back agreement*.~~

~~(B) In the *FCA Handbook*:~~

(1) ~~(except in *PROF*, in *MIFIDPRU 5*, in relation to a *credit-related regulated activity*, in relation to *regulated funeral plan activity*, in relation to a *home finance transaction* and in relation to *insurance risk transformation* and activities directly arising from *insurance risk transformation*) has the meaning given in *COBS 3.2*, that is (in summary and without prejudice to the detailed effect of *COBS 3.2*) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*, or in the case of *MiFID or equivalent third country business*, an *ancillary service*:~~ (except as otherwise specified below) has the meaning given in *COBS 3A.2*.

~~(a) every client is a *customer* or an *eligible counterparty*;~~

~~(b) "client" includes:~~

~~(i) a potential client;~~

~~(ii) a client of an *appointed representative* of a *firm* with or for whom the *appointed representative* acts or intends to act in the course of business for which the *firm* has accepted responsibility under section 39 of the *Act* (Exemption of appointed representatives) or, where applicable, a client of a *tied agent* of a *firm*;~~

~~(iii) a *fund* even if it does not have separate legal personality;~~

~~(iv) any *person* to whom *collective portfolio management services* are provided, irrespective of whether or not it is *authorised*;~~

~~(v) if a *person* ("C1"), with or for whom the *firm* is conducting or intends to conduct *designated investment business*, is acting as agent for another *person* ("C2"), either C1 or C2 in~~

~~accordance with the *rule* on agent as client *COBS 2.4.3R*;~~

~~(vi) for a *firm* that is *establishing, operating or winding up a personal pension scheme*, a member or beneficiary of that scheme;~~

~~(c) "client" does not include:~~

~~(i) a trust beneficiary not in (b)(v);~~

~~(ii) a *corporate finance contact*;~~

~~(iii) a *venture capital contact*;~~

(1A) in relation to *payment services* or *electronic money*, has the meaning in (1) and, in addition ~~to (1)~~, includes a *person* to whom a *payment service provider* or *electronic money issuer* provides, intends to provide or has provided:

(a) a *payment service*;

(b) a service in the course of issuing *electronic money*; or

(c) a service connected to a service in (a) or (b).

…

Editor's note: Further changes to the definition of 'customer' will take place on 25 October 2027 (see FCA 2026/35). See also Annex B, which amends the changes to the Glossary definition of 'customer' made by FCA 2026/35.

customer

~~(A) in the *PRA Rulebook*:~~

~~(1) (except in relation to *ICOBS*, *MCOB 3* and *CASS 5*) a *client* who is not an *eligible counterparty* for the relevant purposes.~~

~~(2) (in relation to *MCOB 3*) a *person* in (1) or a *person* who would be such a *person* if he were a *client*.~~

~~(3) (in relation to *ICOBS*) a *person* who is a *policyholder*, or a prospective *policyholder* but (except in *ICOBS 2* (general matters), and (in respect of that chapter) *ICOBS 1* (application)) excluding a *policyholder* or prospective *policyholder* who does not make the arrangements preparatory to him concluding the *contract of insurance*.~~

~~(4) (in relation to *CASS 5*) a *client*.~~

~~(B) in the *FCA Handbook*:~~

(1) ~~(except in relation to *SYSC 19F.2*, *ICOBS*, *retail premium finance*, a *credit-related regulated activity*, *regulated claims management activity*, *regulated funeral plan activity*, *regulated pensions dashboard activity*, *MCOB 3A*, an *MCD credit agreement*, *CASS 5*, *PRIN* in relation to *MiFID or equivalent third country business DISP 1.1.10-BR*, *PROD 1.4* and *PROD 4*) and in relation to *payment services* and issuing *electronic money* (where not a regulated activity)~~ (except as otherwise specified below) a *client* who is not an *eligible counterparty* for the relevant purposes.

…

durable medium

…

(3) In relation to *rules* in ~~*COBS 3,*~~ *COBS 6.1ZA* (other than *COBS 6.1ZA.22R*), *COBS 6.2B*, *COBS 8A*, *COBS 11.2A*, *COBS 14.3A*, *COBS 16A.3*, *COBS 16A.4* and *COBS 16A.5* insofar as they apply to *MiFID, equivalent third country or optional exemption business*:

…

…

elective eligible counterparty

a *client* categorised ~~as an elective eligible counterparty~~ in accordance with ~~*COBS 3.6* (Eligible counterparties)~~ *COBS 3A.10.5R*.

elective professional client

a *client* categorised ~~as an elective professional client in accordance with *COBS* *3.5* (Professional clients)~~ under *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route) or, in respect of a local public authority or municipality *client*, under *COBS 3A.9* and, in each case, in accordance with the general requirements of *COBS 3A.6*.

eligible counterparty

(1) ~~(for the purposes other than those set out in (2), including in relation to the definition of *non-retail financial instrument*)~~ ~~(in accordance with *COBS 3.6.1R*)~~ (except where (2) applies) as set out in *COBS 3A.10.1R*, a *client* that is either a *per se eligible counterparty* or an *elective eligible counterparty*.

(2) (~~for the purposes of~~ in *PRIN*, in relation to activities other than *designated investment business*, *insurance risk transformation* and activities directly arising from *insurance risk transformation*) a *client* categorised as an *eligible counterparty* in accordance with *PRIN 1 Annex 1*.

financial promotion

…

(2) (in relation to ~~*COBS 3.2.1R(3)*~~ *COBS 3A.2.1R(3)* and *COBS 4.3.1R*) (in addition to (1)) a marketing communication within the meaning of the *UK* provisions which implemented *MiFID* made by a *firm* in connection with its *MiFID, equivalent third country or optional exemption business*.

…

(4) (in *ICOBS* and in relation to a *life policy*, in ~~*COBS 3.2.1R(3)*~~ *COBS* 3A.2.1R(3) and *COBS 4.3.1R*), in addition to (1), any

marketing communication within the meaning of the *UK* provisions which implemented article 17(2) of the *IDD*.

…

per se eligible counterparty

~~a *client* categorised as a per se eligible counterparty in accordance with *COBS 3.6*~~ any of the *clients* identified in *COBS 3A.10.3R*.

per se professional client

~~a *client* categorised as a per se professional *client* in accordance with *COBS 3.5*~~ any of the *clients* identified in *COBS 3A.5.2R*.

professional client

as set out in *COBS 3A.5.1R*, a ~~*client* that is either a~~ *per se professional client* or an *elective professional client* ~~(see *COBS 3.5.1R*)~~.

~~[Note: article 4(1)(10) of MiFID]~~

retail client

(1) ~~(in *SECN* and other than in relation to the provision of basic advice on stakeholder products or to *credit-related regulated activities*)~~ (except as otherwise specified below) in accordance with ~~*COBS 3.4.1R*~~ *COBS 3A.4.1R*, a *client* who is neither a *professional client* ~~or~~ nor an *eligible counterparty*; or

~~[Note: article 4(1)(11) of *MiFID*]~~

(2) (~~other than in *SECN* and~~ in relation to the provision of *basic advice* ~~on a *stakeholder product*~~ and in accordance with article 52B of the *RAO*) any *person* who is advised by a *firm* on the merits of opening or buying a *stakeholder product* where the advice is given in the course of a business carried on by that *firm* and it is received by a *person* not acting in the course of a business carried on by ~~him~~ them; or

(3) (~~other than in *SECN* and~~ in relation to *credit-related regulated activity* and *regulated claims management activity*) a *customer*.

Annex B

Amendments to the Glossary (Cryptoassets) Instrument 2026 (FCA 2026/35)

Instruction: The amendments to the definitions of 'client' and 'customer' introduced by the Glossary (Cryptoassets) Instrument 2026 (FCA 2026/35) are deleted. The deleted amendments are shown below for reference but are not struck through.

client

…

(B) In the *FCA Handbook*:

(1) (except in *PROF*, in *MIFIDPRU 5*, in relation to a *credit-related regulated activity*, in relation to *regulated funeral plan activity*, in relation to a *home finance transaction* ~~and~~, in relation to *insurance risk transformation* and activities directly arising from *insurance risk transformation*, and in relation to *issuing a qualifying stablecoin* in *PRIN* and *SYSC 15A*) has the meaning given in *COBS 3.2*, that is (in summary and without prejudice to the detailed effect of *COBS 3.2*) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*, or in the case of *MiFID or equivalent third country business*, an *ancillary service*:

…

…

(12) …

(13) (in *PRIN* and *SYSC* 15A in relation to *issuing a qualifying stablecoin*):

(a) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*; and

(b) where not otherwise included in (a), the *holder* of a *qualifying stablecoin* which is issued by a *qualifying stablecoin issuer*.

customer

…

(B) in the *FCA Handbook*:

(1) (except in relation to *SYSC 19F.2*, *ICOBS*, *retail premium finance*, a *credit-related regulated activity*, *regulated funeral plan activity*, *regulated pensions dashboard activity*, *MCOB 3A*, an *MCD credit agreement*, *CASS 5*, for the purposes of *PRIN* in relation to *MiFID or equivalent third country business* and *issuing a qualifying stablecoin*, *DISP 1.1.10-BR*, *PROD 1.4* and *PROD 4*) and in relation to *payment services* and *issuing electronic money* (where not a *regulated activity*) a *client* who is not an *eligible counterparty* for the relevant purposes.

…

(10) …

(11) (in *PRIN in relation to issuing a qualifying stablecoin*) a *client* who is not an *eligible counterparty* for the relevant purposes.

Instruction: The deleted amendments to the definitions of 'client' and 'customer' are replaced in the Glossary (Cryptoassets) Instrument 2026 (FCA 2026/35) with the following amendments. FCA 2026/35 was made on 25 June 2026 and will come into force, as amended, on 25 October 2027.

client

…

(12) …

(13) (in *PRIN* and *SYSC 15A* in relation to issuing a *qualifying stablecoin*):

(a) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*; and

(b) where not otherwise included in (a), the *holder* of a *qualifying stablecoin* which is issued by a *qualifying stablecoin issuer*.

customer

…

(10) …

(11) (in *PRIN* in relation to *issuing a qualifying stablecoin*) a *client* who is not an *eligible counterparty* for the relevant purposes.

Annex C

Amendments to the General Provisions (GEN)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text.

GEN TP 5 Transitional provisions applying across the FCA Handbook and Technical Standards relating to the UK's exit from the EU

GEN TP 5

…

Table 2: Transitional provisions applying across the FCA Handbook and Technical Standards

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
…					
2	Row 1 of this table	G	For example, a *firm* may continue to treat a *client* as an *elective eligible counterparty* pursuant to ~~*COBS 3.6.4R*~~ *COBS 3A.10.5R* where~~,~~ prior	From *IP completion day*	*IP completion day*

			to *IP completion day*, it had categorised that *client* as such in deference to the status of that undertaking under the law or measures of the *EEA State* of that ~~client's~~ *client's establishment* ~~in accordance with *COBS 3.6.7R*~~.		
…					

Annex D

Amendments to the Conduct of Business sourcebook (COBS)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: comes into force on 1 December 2026

COBS 1 Application

COBS 1.1 General application

…

Structured deposits: further provisions

…

COBS 1.1.1AE | R

(1) The *rules* which apply to a *firm* in *COBS 1.1.1AR(1)* when selling, or advising a *client* in relation to, a *structured deposit*:

~~(1)~~ (a) are those in:

(i) the sections or provisions of this sourcebook specified in the table at (2) below which constitute *UK law on markets in financial instruments*; and

(ii) *COBS 3A* (Client categorisation); and

(b) in each case, as those *rules* otherwise apply to the *firm* in relation to *MiFID, equivalent third country or optional exemption business*.

(2) The table referred to in (1) is as follows:

COBS chapter	Description
…	

~~*COBS 3*~~	~~Client categorisation~~
…	

…

COBS 1 Annex 2 Application to TP firms and Gibraltar-based firms (see COBS 1.1.1CR)

> **Editor's note:** Further changes to COBS 1 Annex 2 will take place on 2 June 2027 (see FCA 2026/71) and 25 October 2027 (see FCA 2026/44).

Part 1: TP firms

…		
2	**Application of COBS**	
2.1	R	…
2.2	G	The *client* categorisation *rules* in *COBS 3A* replace the *rules* previously in *COBS 3* and therefore apply to *TP firms* by virtue of *GEN 2.2.27R(1)(b)*.
…		

Part 2: Gibraltar-based firms

…		
2	**Application of COBS**	
2.1	R	In addition to those *rules* applying by virtue of *GEN 2.3.1R*, a *Gibraltar-based firm* must also comply with:

		…		
		(2)	(to the extent that the *rule* does not already apply to such a *Gibraltar-based firm* as a result of *GEN 2.3.1R*) the provisions in:	
			(a)	…
			(aa)	*COBS 3A* (Client categorisation);
			…	
			(k)	*COBS 19.10* (Drawdown, investment pathways and cash warnings) in relation to business carried on from an establishment in the *United Kingdom*; ~~and~~
			(ka)	*COBS TP 1A.1R* to *COBS TP 1A.7G* (Transitional provisions relating to elective professional client categorisation); and
			(l)	*COBS TP 2* paragraphs 2.8G to 2.8J (Other Transitional Provisions) in relation to business carried on from an establishment in the *United Kingdom*~~.~~; and
		…		

Instruction: COBS 3 (Client categorisation) is deleted in its entirety. The deleted text is not shown but the chapter is marked '[deleted]' as shown below.

COBS 3 ~~Client categorisation~~ [deleted]

Instruction: The amendments to COBS 3.6.2R that are set out in the Cryptoassets (Conduct and Firm Standards) Instrument 2026 (FCA 2026/44) and that are due to take effect on 25 October 2027 are revoked as a result of the deletion of COBS 3.

Instruction: Insert the following new chapter, COBS 3A, after COBS 3 ([deleted]). All the text is new and is not underlined.

COBS 3A Client categorisation

COBS 3A.1 Application

COBS 3A.1.1 | R

The *rules* in this chapter apply to a *firm* in respect of the carrying on of any activity subject to a *rule* where the application of that *rule*, or the nature or extent of the obligation on the *firm* under that *rule*, depends on whether a *person* is a *client*, a *retail client*, a *professional client* or an *eligible counterparty,* as set out in this chapter.

COBS 3A.1.2 | G

(1) This chapter provides a general definition of 'client' that may also apply in respect of *rules* in other sourcebooks.

(2) The term 'client' as defined in this chapter may be subject to adaptation where it is used in other sourcebooks, whether directly or within other *Glossary* terms. In particular:

(a) a separate approach to client categorisation is set out in the definition of a *retail client* for a *firm* that gives *basic advice*;

(b) the *rules* on the provision of *targeted support* do not differentiate between different categories of *client* (see *COBS 9B.3.4R*); and

(c) for the purposes of the meaning of *retail customer* in *Consumer Duty rules* and the meaning of *end client* in *PROD 3*, a *person* may be a *client* notwithstanding that the *firm* does not directly provide a service to that *person*.

COBS 3A.2 Clients

General definition

COBS 3A.2.1 | R

(1) A *person* to whom a *firm* provides, intends to provide or has provided:

(a) a service in the course of carrying on a *regulated activity*; or

(b) in the case of *MiFID or equivalent third country business*, an *ancillary service*,

is a *client* of that *firm*.

(2) A *client* includes a potential *client*.

(3) In relation to the *financial promotion rules*, a *person* to whom a *financial promotion* is or is likely to be *communicated* is a *client* of the *firm* that *communicates* or *approves* the *financial promotion*.

(4) A client of an *appointed representative* is a *client* of the *firm* for whom that *appointed representative* acts or intends to act in the course of business for which that *firm* has accepted responsibility under the *Act* (see section 39 of the *Act*).

COBS 3A.2.2 | G

A *corporate finance contact* or a *venture capital contact* is not a *client* under the first limb of the general definition. This is because a *firm* does not provide a service to such a contact. However, it will be a *client* under *COBS 3A.2.1R(3)* for the purposes of the *financial promotion rules* if the *firm communicates* or *approves* a *financial promotion* that is or is likely to be *communicated* to such a contact.

Who is the client?

COBS 3A.2.3 | R

(1) If a *firm* provides services to a *person* who is acting as an agent, the identity of its *client* will be determined in accordance with the *rule* on agents as clients (see *COBS 2.4.3R*).

(2) In relation to a *firm* establishing, operating or winding up a *personal pension scheme* or a *stakeholder pension scheme*, a member or beneficiary of that scheme is a *client* of the *firm*.

(3) If a *firm* that does not fall within (2) provides services to a *person* who is acting as the trustee of a trust, that *person,* rather than the underlying beneficiaries of the trust, will be the *firm*'s *client*.

(4) If a *firm* provides, or intends to provide, services to a *fund*, the *fund*, rather than the underlying *participants* or investors (as applicable), is the *firm's client* in relation to those services, even if the *fund* does not have separate legal personality.

[**Note:** See also *COBS 18.5.3R*, *COBS 18.5A.5R*, *COBS 18.5B.4R* and *COBS 18.6A.3R*.]

COBS 3A.3 General requirements

COBS 3A.3.1 | R

A *firm* must categorise a *client* as a *retail client*, a *professional client*, or an *eligible counterparty* before providing a service to the *client*.

COBS 3A.3.2 | G

(1) A *firm* may choose to categorise any *client* as a *retail client* as this categorisation is not subject to the *client* meeting any criteria or conditions.

(2) Where a *client* is categorised as a *retail client*, the *firm* needs to comply with any *rules* applicable to services provided to, and communications with, a *retail client*.

Notifying a client of their categorisation

COBS 3A.3.3 | R

The notification obligations in the remainder of this section apply to a *firm* in relation to the carrying on of:

(1) *designated investment business*; or

(2) in the case of *MiFID or equivalent third country business*, the provision of an *ancillary service* that does not constitute *designated investment business*.

COBS 3A.3.4 | R

(1) Where a *firm* has, in accordance with this chapter, categorised a new *client* or recategorised an existing *client*, it must notify the *client* of their categorisation as a *retail client*, a *professional client* or an *eligible counterparty*, as applicable.

(2) A *firm* must notify a *professional client* or an *eligible counterparty* of their right under *COBS 3A.3.6R* to request recategorisation as a *client* who benefits from a higher level of protection.

(3) The information in (1) and (2) must be provided to a *client* in a *durable medium* prior to the provision of services or, in the case of a recategorisation, prior to the provision of further services.

Categorising (or recategorising) a client as a client who benefits from a higher degree of protection

COBS 3A.3.5 | R

A *firm* may, at its own initiative, categorise a *client* as:

(1) a *professional client*, where that *client* might otherwise be categorised under the *rules* of this chapter as an *eligible counterparty*; or

(2) a *retail client*, where the *client* might otherwise be categorised under the *rules* of this chapter as a *professional client* or as an *eligible counterparty*.

COBS 3A.3.6 | R

(1) A *firm* must, upon the *client's* request and without undue delay, recategorise a *professional client* or an *eligible counterparty* as a *client* that benefits from a higher degree of protection.

(2) The recategorisation in (1) may be limited to specific services, products or transactions, if the *client* requests and agrees to this in writing, or else it must apply in general.

(3) For the purposes of (1), a *firm* must treat an *elective professional client* who withdraws consent for their current categorisation as having requested recategorisation as a *retail client*.

COBS 3A.3.7 | G

The notification obligation in *COBS 3A.3.4R(1)* is also applicable where a *firm* recategorises an *elective professional client* as a *retail client* at its own initiative in accordance with *COBS 3A.7.5R* and *COBS 3A.8.11R*.

Ending business with a client recategorised as a retail client

COBS 3A.3.8 | R

(1) The requirements in (2) apply where a *firm* which does not provide services to *retail clients* has recategorised a *professional client* or an *eligible counterparty* as a *retail client* in accordance with the requirements of this chapter.

(2) The *firm* must:

(a) inform the *client* that the *firm* will cease to provide them with services;

(b) inform the *client* about options for closing any positions, where relevant; and

(c) take reasonable steps to wind down and terminate arrangements with the *client*, including any closing of positions, in a way that:

(i) is timely and consistent with the *firm's* obligations under the *client's best interest rule* and applicable best execution requirements;

(ii) minimises disruption to services received by the *client*; and

(iii) minimises, as far as reasonably possible, any adverse impacts of the winding down and termination of arrangements on the *client's investments*.

(3) A *firm* may, during a reasonable period of transition while sunsetting the *client's* arrangements with the *firm* in compliance with (2), continue to treat the *client* as though the *client* had remained in their previous categorisation.

(4) A *firm* that does not hold *retail client permissions* does not act in breach of the limitations on its permissions by reason of (3) if it complies with (2).

COBS 3A.4 Retail clients

COBS 3A.4.1 | R

A *retail client* is a *client* who is neither a *professional client* nor an *eligible counterparty*.

COBS 3A.4.2 | G

As set out in *COBS 9B.3.4R*, a *firm* is required to treat its *client* as a *retail client* in relation to the provision of a *targeted support service*, even if the *client* would otherwise be categorised as a *professional client* or an *eligible counterparty* for other purposes.

Child trust funds

COBS 3A.4.3 | R

(1) If a *firm* provides services relating to a *CTF* (except for a *personal recommendation* relating to a contribution to a *CTF*), the *firm's client* is a *retail client* even if they would otherwise be

categorised as a *professional client* or an *eligible counterparty* under this chapter.

(2) If a *firm* provides services relating to a contribution to, or interest, in a *CTF* (except for a *personal recommendation* relating to a contribution to a *CTF* or in relation to the *communication* or *approval* of a *financial promotion*), the *firm's* only *client* is:

(a) the *registered contact*, if there is one; or

(b) otherwise, the *person* to whom the statement must be sent in accordance with regulation 10 of the *CTF Regulations*.

COBS 3A.5 Professional clients, including per se professional clients

COBS 3A.5.1 | R

A *professional client* is a *client* that is either a *per se professional client* under *COBS 3A.5.2R* or an *elective professional client* under *COBS 3A.6.1R*.

Per se professional clients

COBS 3A.5.2 | R

Each of the following is a *per se professional client* unless and to the extent that it is an *eligible counterparty* or is given a different categorisation under this chapter:

(1) an entity required to be authorised or regulated to operate in the financial markets, whether in the *UK* or in an *overseas* jurisdiction;

(2) a large undertaking that meets two of the following size requirements on a company basis:

(a) a balance sheet total of £20,000,000;

(b) a net turnover of £40,000,000;

(c) own funds of £2,000,000;

(3) in relation to business that is not *MiFID or equivalent third country business*, a trustee of an *occupational pension scheme* or *SSAS*, or a trustee or *operator* of a *personal pension scheme* or *stakeholder pension scheme* where the scheme has (or has had at any time during the previous two years):

(a) at least 50 members; and

(b) assets under management of at least £10,000,000 (or its equivalent in any other currency at the relevant time);

(4) a national or regional government, including a public body that manages public debt at national or regional level, a central bank, an international or supranational institution (such as the World Bank, the International Monetary Fund, the European Central Bank or the European Investment Bank) or another similar international organisation;

(5) an institutional investor that is one of the following:

(a) an entity whose main activity is to invest in *designated investments*;

(b) a *body corporate*, trust or partnership that is:

(i) established and controlled by one or more *persons* who are or include a *per se professional client* or an *eligible counterparty*; and

(ii) operated for investment rather than commercial purposes; or

(c) an entity dedicated to the securitisation of assets or other financing transactions.

COBS 3A.5.3 | R

The entities in *COBS 3A.5.2R(1)* include:

(1) a *credit institution*;

(2) an *investment firm*;

(3) any other authorised or regulated financial institution;

(4) an insurance company;

(5) a collective investment scheme or the management company of such a scheme;

(6) a pension fund or the management company of a pension fund; and

(7) a commodity or commodity derivatives dealer or a local.

COBS 3A.6 Elective professional clients: general

COBS 3A.6.1 | R

An *elective professional client* is a *client* categorised under *COBS 3A.7* (the wealth route) or *COBS* 3A.8 (the expertise route) or, in respect of a local public authority or municipality *client*, under *COBS 3A.9*, and in accordance with the general requirements of this section.

COBS 3A.6.2 | R

A *firm* must not categorise a *client* as an *elective professional client* unless:

(1) the *client* has expressly requested in writing to be treated as an *elective professional client*, either generally or in respect of a particular product, service or transaction; and

(2) the *firm's* categorisation of the *client* as an *elective professional client* complies with:

(a) the requirements of *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route), as relevant to the *client*; or

(b) where the *client* is a local public authority or municipality, the requirements of *COBS 3A.9*.

COBS 3A.6.3 | G

A *firm* should take care to ensure its steps in assessing whether a *client* should be categorised as an *elective professional client*, and its conclusion following the relevant assessment(s), are consistent with its obligations to the *client* under the *client's best interests rule*.

Additional general requirements: wealth and expertise routes

COBS 3A.6.4 | R

(1) In undertaking the *elective professional client* categorisation process set out in *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route), a *firm* must:

(a) act in good faith towards the *client*; and

(b) only categorise the *client* as an *elective professional client* if it reasonably considers that doing so:

(i) will enable and support the *client* to pursue their financial objectives; and

(ii) will not cause the *client* foreseeable harm.

(2) A contravention of (1) does not give rise to a right of action by a *private person* under section 138D of the *Act.*

Obtaining informed consent from the client

COBS 3A.6.5 | R

(1) The obligation in (2) applies where:

(a) a *firm* has completed the assessment in *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route), as applicable, following the request from the *client*; and

(b) the *firm* has concluded that the *client* is categorisable as an *elective professional client*.

(2) The *firm* must not conclude the categorisation exercise, and must not treat the *client* as an *elective professional client*, until

the informed consent requirements in *COBS 3A.6.6R* and *COBS 3A.6.7R* have been satisfied.

COBS 3A.6.6 | R

(1) The *firm* must provide the *client* with the following in a *durable medium*:

(a) a clear and prominent warning that the *client* is opting out of protections applicable in respect of *retail clients*; and

(b) an explanation of the *retail client* protections the *client* will forego as a result of the categorisation.

(2) After complying with (1), the *firm* must:

(a) allow a reasonable period for the *client* to consider the warning and the explanation before proceeding with the categorisation;

(b) satisfy itself that the *client* understands the protections being given up; and

(c) ask the *client* to confirm in writing whether they wish to proceed with the categorisation as an *elective professional client*.

(3) If the *client* confirms that they wish to proceed, the *firm* must obtain the *client's* signed consent to being treated as an *elective professional client*, either generally or in respect of a particular product, service or transaction, in accordance with the *client's* request.

(4) If the *client* does not confirm that they wish to proceed or does not provide the signed consent, the *firm* must not categorise or treat the *client* as an *elective professional client*.

COBS 3A.6.7 | R

(1) The *firm* must ensure the explanation in *COBS 3A.6.6R(1)(b)*:

(a) clearly sets out the relevant information; and

(b) is designed to promote the *client*'s engagement and understanding of the potential risks or drawbacks of categorisation as an *elective professional client*.

(2) For the purpose of *COBS 3A.6.6R(3)*, the requirement that the *firm* obtain signed consent from the *client* may be satisfied by a signature provided by the *client* via electronic means, subject to (3).

(3) The allowable electronic signatures in (2) do not include a clickwrap signature or other checkbox-based electronic signatures.

Communicating with a client about potential categorisation as an elective professional client

COBS 3A.6.8 | R

A *firm* must not:

(1) seek to entice, offer any incentive or inducement to, or put any form of pressure on, a *client* to request categorisation as an *elective professional client*; or

(2) present categorisation as an *elective professional client* as amounting to the *client* having an elevated status.

COBS 3A.6.9 | G

(1) In communicating with a *client* in respect of potential categorisation as an *elective professional client*, a *firm* should be mindful of its obligations towards the *client* under *COBS 3A.6.8R*.

(2) An example of conduct that could be contrary to *COBS 3A.6.8R(1)* is *communicating* to the *client* a *financial promotion* on specific financial products or services that the *firm* only makes available to *professional clients* is.

(3) The following are examples of types of conduct that would, in the *FCA's* view, be contrary to *COBS 3A.6.8R*:

(a) suggesting that the *client* request categorisation as an *elective professional client* so that the *client* may access products or services not available to *retail clients*;

(b) referring to *elective professional client* categorisation as 'opting up', an upgrade, or promotion; or

(c) characterising categorisation as an *elective professional client* as reflecting a *client's* superior standing or importance, or as a badge of exclusivity or success.

Ensuring categorisation remains appropriate

COBS 3A.6.10 | G

(1) *COBS 3A.7.5R* and *COBS 3A.8.11R* require a *firm* to take reasonable care to ensure that a *client's* categorisation as an *elective professional client* remains appropriate in light of changes to the *client's* circumstances.

(2) In the *FCA's* view, it is generally reasonable for a *firm* to rely on a *professional client* to keep the *firm* informed about changes to their circumstances, as long as the *firm* has clearly communicated that expectation to the *client*.

(3) Nevertheless, a *firm* is unlikely to comply with *COBS 3A.7.5R* or *COBS 3A.8.11R* where it does not make enquiries of an *elective professional client* about changes in circumstances where it would be reasonable for the *firm* to do so – for example, if the *firm* has not had contact with the *client* for a prolonged period of time.

COBS 3A.7 Elective professional clients: wealth route

Application and purpose

COBS 3A.7.1 | R

(1) This section applies where:

(a) the *client* has requested categorisation as an *elective professional client*, in accordance with *COBS 3A.6.2R(1)*; and

(b) the *firm* considers that the wealth route, rather than the expertise route in *COBS 3A.8*, is the relevant route for the *client*; and

(c) the *client* is not a local authority or municipality.

(2) The *firm* must assess whether the *client's* wealth meets the criterion for categorisation under this section but is not required to assess the *client*'s expertise.

The wealth assessment

COBS 3A.7.2 | R

(1) A *firm* may only categorise a *client* as an *elective professional client* under this section if the *client* meets the wealth criterion in (2) at the time of the assessment.

(2) The *client* must have at least £10,000,000 in investable assets.

COBS 3A.7.3 | R

For the purposes of this section, the value of a *client's* investable assets:

(1) is the total value of all of the *client's investments*, including *cash* and any other assets, after deduction of the value of any loans or other liabilities;

(2) does not include the value of any property which is the *client's* primary residence; and

(3) must be assessed on a fair market value basis.

COBS 3A.7.4 | R

The *firm* must take reasonable steps to assess whether the *client* meets the wealth criterion in *COBS 3A.7.2R(2)* and not simply rely on

the *client*'s representations about their assets or the value of their assets.

Considering whether a client's categorisation remains appropriate

COBS 3A.7.5 | R

(1) Where the *firm* is aware – or, where (2) applies, concludes – that the *client* no longer meets the wealth criterion in *COBS 3A.7.2R(2)*, it must recategorise the *client* as a *retail client*.

(2) The *firm* must reassess the *client's* categorisation under this section where it becomes aware of material adverse changes in the *client's* financial position that reasonably could have resulted in the *client* no longer having investable assets of at least £10,000,000.

(3) For avoidance of doubt, this *rule* does not require the *firm* to undertake ongoing monitoring of the value of the *client's* investable assets.

COBS 3A.7.6 | G

(1) *COBS 3A.7.5R* requires the *firm* to react reasonably to information about a *client's* financial setbacks or depletion of assets that could mean the *client* no longer meets the wealth criterion for categorisation as an *elective professional client* under this section.

(2) The material adverse changes in *COBS 3A.7.5R(2)* would include personal, investment or business events causing the *client* a severe loss of wealth – for example, those that might follow due to job loss, divorce, bankruptcy, serious ill health or large investment losses.

(3) Where the *firm* has recategorised a *client* as a *retail client* as a result of the requirements of *COBS 3A.7.5R*, the *firm* may, if the *client* requests it, assess whether the *client* can be categorised as an *elective professional client* under the expertise route, in

accordance with the requirements of *rules* in *COBS 3A.6* and *COBS 3A.8*.

COBS 3A.8 Elective professional clients: expertise route

Application and purpose

COBS 3A.8.1 | R

(1) This section applies where:

(a) the *client* has requested categorisation as an *elective professional client* as required by *COBS 3A.6.2R(1)*;

(b) the *firm* considers that the expertise route, rather than the wealth route in *COBS 3A.7*, is the relevant route for the *client*; and

(c) the *client* is not a local authority or municipality.

(2) A *firm* must carry out an assessment in accordance with the *rules* in this section which provides the *firm* with reasonable assurance that the *client* has the expertise, experience and knowledge necessary to make their own investment decisions and properly assess the risks relating to the products, services or transactions in respect of which the *client* is to be treated as an *elective professional client*.

The expertise assessment

COBS 3A.8.2 | R

A *firm* considering categorising a *client* as an *elective professional client* under this section must:

(1) obtain sufficient information from the *client* about their investment experience and knowledge and understanding of *investments* and investment risk, as set out in *COBS 3A.8.3R*;

(2) assess that information reasonably and in the round, taking into consideration the products, services or transactions in respect of

which the *client* is to be treated as an *elective professional client*; and

(3) only categorise the *client* as an *elective professional client* if the *firm* concludes, based on the assessment in (2), that the *client* has the requisite expertise for categorisation under this section.

COBS 3A.8.3 | R

For the purposes of *COBS 3A.8.2R(1)*, the *firm* must obtain information about the following matters:

(1) the *client's* level of investment experience, including:

(a) the *client's* professional experience, including any experience arising from an occupation in the financial services or another relevant sector;

(b) the *client's* personal trading and investment history, including:

(i) the types of services and *investments* the *client* has used or invested in;

(ii) the nature and size of transactions in *investments* carried out by the *client*; and

(iii) the period during which the *client* has acquired experience by investing their own assets;

and

(c) the extent to which the *client's* professional experience and/or personal trading and investment history has enabled the *client* to gain experience in financial products, services or transactions that are comparable, in nature and complexity, to those in respect of which the *client* is to be treated as an *elective professional client*; and

(2) the *client's* knowledge of *investments* – in particular, their understanding of, and ability to effectively assess, investment risk, including:

(a) their knowledge and understanding of risk diversification;

(b) their ability to assess different investment strategies in light of their investment objectives;

(c) their knowledge and understanding of the features and risks of any complex or high-risk investments, services or transactions in respect of which the *client* is to be treated as an *elective professional client*; and

(d) whether the *client's* tolerance of investment risk is consistent with their financial capacity to bear potential losses arising from the envisaged transactions.

COBS 3A.8.4 | G

Examples of features and risks of complex or high-risk investments, services or transactions in *COBS 3A.8.3R(2)(c)* include leveraged risk, title transfer collateral arrangements, and volatility and margin requirements.

COBS 3A.8.5 | R

In carrying out its assessment under this section, a *firm* must:

(1) undertake reasonable checks and form its own judgement, without placing undue reliance on:

(a) the *client's* representations about their investment experience; or

(b) the *client's* opinion of their own knowledge and understanding of investment risk;

(2) not rely on information which the *firm* knows, or ought reasonably to know, is materially incomplete, inaccurate or out of date; and

(3) take into account any other relevant information reasonably available to the *firm* which may indicate that the *client* should not be categorised as an *elective professional client* under this section.

COBS 3A.8.6 | G

(1) Examples of relevant information for the purposes of *COBS 3A.8.5R(3)* include the *client's* trading history or communications with the *firm*, in either case where these suggest the *client* lacks the kind of circumspection and expertise that would be reasonably expected of a *professional client*.

(2) If the *firm* holds information of the kind in (1) about the *client*, categorising the *client* as an *elective professional client* might be contrary to the *firm*'s obligations under *COBS 3A.6.4R* and the *client's best interests rule*, notwithstanding that the *firm's* assessment of the information in *COBS 3A.8.3R*, on its own, may suggest that the *client* has the requisite expertise.

Guidance on the assessment of expertise

COBS 3A.8.7 | G

(1) A *firm* should take care not to overestimate the expertise of a *client* whose personal trading or investment history is more narrowly focused on particular *investments* – in particular, *speculative illiquid securities*, investment in cryptoassets, leveraged products, or *investments* subject to *COBS 22.4*, *COBS 22.5* or *COBS 22.6*.

(2) A *firm* should also have regard to whether a *client's* personal trading history, however significant, may be suggestive of a lack of expertise – for example, where the *client* has failed to sustain a profitable position or adequately mitigate losses in the course of frequent trading with their own assets.

Additional requirements

COBS 3A.8.8 | R

Where a *client* has been categorised as an *elective professional client* only in respect of specific products or services, or specific types of products or services, the *firm* must not treat them as an *elective professional client* in respect of other products or services, or types of

products or services, without undertaking the assessment in this section in relation to the newly envisaged transactions.

COBS 3A.8.9 | R

If the *client* is a *person* other than a natural person, the assessment under this section must be performed in relation to the *person(s)* authorised to carry out transactions on its behalf.

COBS 3A.8.10 | G

An *elective professional client* should not be presumed to possess market knowledge and experience comparable to a *per se professional client.*

Considering whether a client's categorisation remains appropriate

COBS 3A.8.11| R

(1) A *firm* must take reasonable care to ensure that the *client's* categorisation under this section remains appropriate in light of changes in the *client's* circumstances.

(2) Where the *firm* considers that the *client* no longer has the requisite expertise to warrant categorisation as an *elective professional client* under this section, it must recategorise the *client* as a *retail client*.

COBS 3A.8.12 | G

Examples of changes in circumstances relevant to the obligation in *COBS 3A.8.11R* include, in particular:

(1) a decline or reduction in the *client's* mental capacity or some other form of impairment to the *client's* ability to make considered investment decisions or to understand investment risk; and

(2) in the case of a *client* that is a *person* other than a natural person, the departure of a *person* authorised to carry out transactions on the *client's* behalf.

COBS 3A.9 Elective professional clients: local public authorities or municipalities

Application and purpose

COBS 3A.9.1 | R

(1) This section applies where a *client* that is a local public authority or municipality has requested categorisation as an *elective professional client*, in accordance with *COBS 3A.6.2R(1)*.

(2) The *firm* must assess the *client* against the conditions set out in this section.

Assessing a local public authority or municipality client

COBS 3A.9.2 | R

(1) A *firm* must not categorise a local public authority or municipality as an *elective professional client* unless the conditions set out at (2) are satisfied.

(2) The *firm* must:

(a) give the *client* a clear warning in a *durable medium* that the *client* is opting out of *retail client* protections;

(b) obtain written confirmation from the *client*, in a separate document from the contract, that the *client* understands the consequences of losing such protections and wishes to proceed with the categorisation as an *elective professional client*, either generally or in respect of a particular product, service or transaction, in accordance with the *client's* request;

(c) carry out an assessment which provides the *firm* with reasonable assurance that the *person* authorised to carry out transactions on behalf of the *client* has the expertise, experience and knowledge necessary to make its own investment decisions and properly assess the risks involved in relation to the products, services or transactions in

respect of which the *client* is to be treated as an *elective professional client*; and

(d) ensure the additional conditions in *COBS 3A.9.3R* or *COBS 3A.9.6R*, as applicable, are satisfied.

Additional conditions: UK local public authorities and municipalities

COBS 3A.9.3 | R

(1) In relation to a local public authority or municipality in the *UK*, the conditions in (2) and (3) must be satisfied.

(2) The size of the *client's* portfolio of *deposits* and *designated investments* must exceed £10,000,000.

(3) At least one of the following must apply to or in respect of the *client*:

(a) the *client* has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;

(b) the *person* authorised to carry out transactions on behalf of the *client* works or has worked in the financial sector for at least one year in a professional position requiring knowledge of the provision of services envisaged; or

(c) the *client* is an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 (Pension Funds) to the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) or, in relation to Scotland, within the meaning of the version of Schedule 3 (Pension Funds) to the Local Government Pension Scheme (Scotland) Regulations 2014 (SI 2014/164) in force on 1 January 2018, and is acting in that capacity.

Activities relating to pension schemes and other municipal business

COBS 3A.9.4 | R

(1) This *rule* applies where the *firm* is categorising a local public authority or municipality in the *UK* for the purposes of providing services in relation to that *client's*:

(a) business in the course of, or connected to, its administration of a *pension scheme*; and

(b) other business as a local public authority or municipality.

(2) A *firm* must ensure the conditions in *COBS 3A.9.2R(2)* and *COBS 3A.9.3R* are met separately and independently in relation to the *client's* business under (1)(a) and (1)(b).

COBS 3A.9.5 | G

Depending on the outcome of the assessments required as a result of *COBS 3A.9.2R(2)* and *COBS 3A.9.3R*, a *firm* may be required to categorise a local public authority or municipality in the *UK* differently in relation to the two sorts of business described at *COBS 3A.9.4R(1)(a)* and *COBS 3A.9.4R(1)(b)*.

Additional conditions: overseas local public authorities and municipalities

COBS 3A.9.6 | R

In relation to an *overseas* local public authority or municipality, at least two of the following conditions must be met:

(1) the *client* has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;

(2) the size of the *deposits* and *designated investments* exceeds £500,000; and

(3) the *person* authorised to carry out transactions on behalf of the *client* works or has worked in the financial sector for at least one year in a professional position requiring knowledge of the provision of services envisaged.

COBS 3A.10 Eligible counterparties

COBS 3A.10.1 | R

(1) An *eligible counterparty* is a *client* that is either a *per se eligible counterparty* or an *elective eligible counterparty*.

(2) A *client* can only be an *eligible counterparty* in relation to *eligible counterparty business*.

COBS 3A.10.2 | G

The proviso in *COBS 3A.10.1R*(2) is modified by:

(1) *PRIN 1 Annex 1R* for the purposes of *PRIN*; and

(2) *COBS 18.6A.3R*, which disapplies it in relation to *insurance risk transformation* and activities directly arising from *insurance risk transformation*.

Per se eligible counterparties

COBS 3A.10.3 | R

Each of the following is a *per se eligible counterparty*, including an equivalent entity that is not from the *UK*, unless and to the extent it is given a different categorisation under this chapter:

(1) an *investment firm*;

(2) a *credit institution*;

(3) an insurance company;

(4) a *collective investment scheme* authorised under the *UK* provisions which implemented the *UCITS Directive*, or its management company;

(5) a pension fund or its management company;

(6) another financial institution authorised or regulated under the law of the *United Kingdom*;

(7) a national government or its corresponding office, including a public body that deals with public debt at national level;

(8) a central bank; and

(9) a supranational organisation.

COBS 3A.10.4 | G

For the purpose of *COBS 3A.10.3R(6)*, a financial institution includes regulated institutions in the securities, banking and insurance sectors.

Elective eligible counterparties

COBS 3A.10.5 | R

(1) A *firm* may categorise a *client* as an *elective eligible counterparty* if the *client* requests such categorisation, provided the conditions set out at (2) and (3) are satisfied.

(2) The *client* must be an undertaking and a *per se professional client*, but not including a *client* that is only a *per se professional client* because it is an institutional investor under *COBS 3A.5.2R(5)*.

(3) The *firm* must:

(a) give the *client* a clear written warning in a *durable medium* that the *client* is opting out of *professional client* protections; and

(b) obtain written confirmation from the *client* that the *client*:

(i) understands the consequences of losing such protections; and

(ii) wishes to proceed with the categorisation as an *elective eligible counterparty*, either generally or in respect of a particular product, service or transaction, in accordance with the *client's* request.

COBS 3A.11 Policies, procedures and records

Policies and procedures

COBS 3A.11.1 | R

(1) A *firm* must establish, implement and maintain appropriate written internal policies and procedures for categorising its *clients*.

(2) In relation to *elective professional client* categorisation, a *firm* must ensure and be able to demonstrate to the *FCA* that its procedures for undertaking the assessments in *COBS 3A.7* (the wealth route) and in *COBS 3A.8* (the expertise route) are adequate, effective and consistently applied.

(3) The obligations in (1) and (2) apply to a *firm* in relation to the carrying on of:

(a) *designated investment business*; or

(b) in the case of *MiFID or equivalent third country business*, the provision of an *ancillary service* that does not constitute *designated investment business*.

Records

COBS 3A.11.2 | R

(1) A *firm* must make a contemporaneous record in relation to each *client* of:

(a) any information or warning provided and each request received from the *client*;

(b) the categorisation established for the *client* under this chapter, including sufficient information to support that categorisation;

(c) evidence of despatch to the *client* of any information required to be provided under this chapter and, if such information differs from the relevant standard disclosure, a copy of the actual information provided; and

(d) a copy of any agreement entered into with the *client* under this chapter.

(2) In addition to (1), where a *client* has been categorised as an *elective professional client* under *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route), the *firm* must make a contemporaneous record in relation to each *client* of:

(a) the information obtained and relied on by the *firm* that supports the categorisation;

(b) the *firm's* assessment (or reassessment, as applicable) of that information; and

(c) the *firm's* rationale for its conclusion about the *client's* categorisation.

COBS 3A.11.3 | R

The records required under *COBS 3A.11.2R* must be retained for the following periods:

(1) in relation to a *pension transfer*, *pension conversion*, *pension opt-out* or *FSAVC*, indefinitely; or

(2) in any other case, for at least five years after the *firm* ceases to carry on business with or for that *client*.

COBS 3A.11.4 | G

If a *firm* provides the same standard disclosure to more than one *client*, it need not maintain a separate copy of it for each *client*, provided it retains the standard disclosure and evidence of despatch of the disclosure to each *client*.

Instruction: Amend the following as shown.

COBS 4 Communicating with clients, including financial promotions

COBS 4.1 Application

Who? What?

…

COBS 4.1.6 | G

Approving a *financial promotion* without *communicating* it (which includes causing it to be communicated) is not *MiFID, equivalent third country or optional exemption business*. *Communicating* a *financial promotion* to a *person*, such as a *corporate finance contact* or a *venture capital contact*, who is not a *client* within the meaning of ~~*COBS 3.2.1R(1)*~~ *COBS 3A.2.1R(1)*, ~~*COBS 3.2.1R(2)*~~ *COBS 3A.2.1R(2)* or ~~*COBS 3.2.1R(4)*~~ *COBS 3A.2.1R(4)* in respect of the *MiFID, equivalent third country or optional exemption business* to which the *financial promotion* relates, is also not *MiFID, equivalent third country or optional exemption business*. Further *guidance* on what amounts to *MiFID business* may be found in *PERG 13*.

…

COBS 4.12B Promotion of non-mass market investments

…

Exemptions from the restrictions on the promotion of non-mass market investments

COBS 4.12B.7 | R

…

(5)

Title of Exemption	Promotion to:	Promotion of non-mass market investment which is:
…		

The following Notes explain certain words and phrases used in the table above.	
…	
~~Note 4~~	~~In deciding whether a promotion is permitted under the rules of this section or under section 238 of the *Act*, *firms* may use the client categorisation regime that applies to business other than *MiFID or equivalent third country business*. (This is the case even if the *firm* will be carrying on a *MiFID* activity at the same time as or following the promotion.)~~

…

COBS 9B Targeted support

…

COBS 9B.3 General provisions

…

Client categorisation

…

COBS 9B.3.5 | G

(1) The effect of *COBS 9B.3.4R* is that, in relation to its provision of a *targeted support service*, a *firm* must apply other parts of the *Handbook* on the basis that the *client* is a *retail client*.

(2) *COBS 9B.3.4R* does not prevent a *firm* from categorising a *client* differently for other purposes (~~*COBS 3.7.7G*~~).

…

COBS 11 Dealing and managing

…

COBS 11.7 Personal account dealing

…

Disapplication of rule on personal account dealing

COBS 11.7.5 | R

This section does not apply to the following kinds of *personal transaction*:

…

(2) *personal transactions* in *units* or *shares* in ~~collective undertakings that comply with the conditions necessary to enjoy the rights conferred by the *UCITS Directive* or are subject to supervision under the law of an *EEA State* which requires an equivalent level of risk spreading in their assets~~ a *UCITS scheme*, a *non-UCITS retail scheme* or a *recognised scheme*, where the *relevant person* and any other *person* for whose account the transactions are effected, are not involved in the management of that ~~undertaking~~ *scheme*;

…

COBS 18 Specialist Regimes

…

COBS 18.6 Lloyd's

…

COBS rules that apply to Lloyd's market activities

COBS 18.6.2 | R

Only ~~*COBS 3*~~ *COBS 3A* (Client categorisation) and the *financial promotion rules* apply when a *firm* is carrying out *Lloyd's market activities*.

…

COBS 18.6A Insurance Special Purpose Vehicles (ISPVs)

…

COBS rules that apply to insurance risk transformation and activities directly arising from insurance risk transformation

COBS 18.6A.2 | R

~~*COBS 3*~~ *COBS 3A* applies (subject to *COBS 18.6A.3R*) when a *firm* is carrying on *insurance risk transformation* and/or activities directly arising from *insurance risk transformation*.

Definitions and modifications

COBS 18.6A.3 | R

When a *firm* is carrying on *insurance risk transformation* and/or activities directly arising from *insurance risk transformation*:

(1) The general definition of *client* in ~~*COBS 3.2.1R*~~ *COBS 3A.2.1R* is modified as set out in *COBS 18.6A.3R(2)* below.

…

(3) ~~*COBS 3.6.1R(2)*~~ *COBS 3A.10.1R(2)* does not apply. A *client* can be an e*ligible counterparty* in relation to *insurance risk transformation* and activities directly arising from *insurance risk transformation*.

COBS 18.6A.4 | G

For the avoidance of doubt, the remainder of ~~*COBS 3.2*~~ *COBS 3A.2* and ~~*COBS 3.6*~~ *COBS 3A.10* applies.

…

COBS 18.8A OPS firms

…

Client categorisation

COBS 18.8A.4 | R

~~*COBS 3*~~ *COBS 3A* (Client categorisation) applies to an *OPS firm* but only for the purpose of determining the *client* categorisation of an *occupational pension scheme* or *welfare trust*.

…

> **Instruction:** COBS TP 1 (Transitional Provisions relating to Client Categorisation) is deleted in its entirety. The deleted text is not shown but the transitional provisions are marked '[deleted]' as shown.

COBS TP 1 ~~Transitional Provisions relating to Client Categorisation~~ [deleted]

> **Instruction:** Insert the following new transitional provisions, COBS TP 1A, after COBS TP 1 ([deleted]). All the text is new and is not underlined.

COBS TP 1A Transitional provisions relating to client categorisation

Application

COBS TP 1A.1 | R

(1) During the transitional period in (2), a *firm* may categorise *clients* in accordance with either:

(a) the *rules* in *COBS 3* as they stood on 30 November 2026; or

(b) the updated *rules* in *COBS 3A.*

(2) The transitional period begins on 1 December 2026 and ends on 31 May 2028.

COBS TP 1A.2 | R

(1) The obligation in (2) applies where a *firm* provides an ongoing service, not including a purely administrative service, to a *client*

categorised as an *elective professional client* under *COBS 3 rules* before or during the transitional period in *COBS TP 1A.1R(2)*.

(2) A *firm* must review the categorisation of each of its existing *elective professional clients* in light of sufficient and up-to-date information about each *client* and determine whether their categorisation remains appropriate and compliant with the updated requirements under *COBS 3A.6* and either *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route), as relevant.

(3) Where, following the review in (2), the *firm* concludes that the *client's* categorisation as an *elective professional client* remains appropriate, the *firm* must ensure that it holds an agreement from that *client* that fully complies with the requirements for informed consent in *COBS 3A.6*, seeking fresh agreement from the *client* if necessary.

(4) The *firm* must comply with (2) and (3) by the end of the transitional period in *COBS TP 1A.1R(2).*

(5) The obligations in (2) and (3) do not apply where the *elective professional client* is a local authority or municipality.

COBS TP 1A.3 | R

(1) The obligation in (2) applies from 1 June 2028 where:

(a) a *firm* has categorised a *client* as an *elective professional client* under *COBS 3 rules* before or during the transitional period in *COBS TP 1A.1R(2)*;

(b) the *firm* is not providing the *client* with the ongoing services to which *COBS TP 1A.2R(1)* applies; and

(c) the *firm* intends to, or the *client* has requested or instructed the *firm* to, provide the *client* with a service or undertake new transactions with or for the *client*.

(2) A *firm* must review the categorisation of each of its existing *elective professional clients* in light of sufficient and up-to-date

information about each *client* and determine whether their categorisation complies with the relevant requirements under *COBS 3A.6* and either *COBS 3A.7* (the wealth route) or *COBS 3A.8* (the expertise route), as relevant.

(3) Where, following the review in (2), the *firm* concludes that the *client*'s categorisation as an *elective professional client* remains appropriate, the *firm* must ensure that it holds an agreement in respect of that *client* that fully complies with the requirements for informed consent in *COBS 3A.6*, seeking fresh consent from the *client* if necessary.

(4) The *firm* must comply with (2) and (3) before providing the *client* with the service, or undertaking any new transactions with or for the *client*.

(5) The obligations in (2) and (3) do not apply where the *elective professional client* is a local authority or municipality.

COBS TP 1A.4 | R

The obligation in *COBS 3A.6.8R* applies to a *firm* in respect of the review and the seeking of fresh consent in *COBS TP 1A.2R* and *COBS TP 1A.3R*.

COBS TP 1A.5 | R

(1) Where a *firm's* review under *COBS TP 1A.2R* or *COBS TP 1A.3R* (as applicable) leads it to conclude that its categorisation of a *client* complies with the updated *rules* in *COBS 3A*, the *firm* must make a record of the basis for that conclusion, with reference to the requirements in the relevant *rules* in *COBS 3A*.

(2) Where a *firm's* review under *COBS TP 1A.2R or COBS TP 1A.3R* (as applicable) leads it to conclude that its categorisation of a *client* does not comply with the updated *rules* in *COBS 3A*, the *firm* must:

(a) recategorise the *client* as a *retail client* and notify the *client* of this; and

(b) make a record of the recategorisation and the reason for it.

(3) For avoidance of doubt, (2) also applies where the *firm* does not hold and has not obtained agreement from the *client* to be categorised as an *elective professional client* that complies with the informed consent requirements in *COBS 3A.6*.

(4) The *firm* must take the steps in (2):

(a) in the case of a review under *COBS TP 1A.2R*, by 31 May 2028; or

(b) in case of a review under *COBS TP 1A.3R*, before providing the *client* with a service or undertaking new transactions with or for the *client*.

(5) The *firm* must retain the records created under (1) or (2) for the same periods as set out under *COBS 3A.11.3R*.

COBS TP 1A.6 | R

Where a *firm* which does not provide services to *retail clients* has recategorised a *client* as a *retail client* following a review in *COBS TP 1A.2R* or *COBS TP 1A.3R*, it must follow the process in *COBS 3A.3.8R* for ending business with that *client*.

COBS TP 1A.7 | G

A *firm* is not required under this section to review the categorisation of any of the following *clients* that have been categorised under *COBS 3 rules*:

(1) local authority or municipality *clients* categorised as *elective professional clients*;

(2) *per se professional clients*; or

(3) *eligible counterparties*.

Instruction: Amend the following as shown.

COBS Sch 1 Record keeping requirements

…

COBS Sch 1.3 | G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
…				
~~*COBS 3.8.2R(1)*~~ *COBS 3A.11.3R* and *COBS TP 1A.5R*	~~Standard form notice to *clients* and agreements under *COBS 3*~~ Information and warnings to *clients*, *client* requests and *client* agreements	~~Each standard form notice and agreement~~ A record of any information or warning provided to a *client*, each request received from a *client*, and each agreement entered into with a *client* under *COBS 3A*	~~When standard form is first used~~ At the time of categorisation	~~Relevant period from when the *firm* ceases to carry on business with *clients* under that standard form~~ The retention periods are: (a) indefinitely, in relation to a *pension transfer*, *pension conversion*, *pension opt-out* or *FSAVC*; or (b) at least five years after the *firm* ceases to carry on business with or for that *client*, in any other case (see

				~~*COBS 3.8.2R(3)*~~ *COBS 3A.11.3R*).
~~*COBS 3.8.2R(2)*~~ *COBS 3A.11.3R* and *COBS TP 1A.5R*	*Client* categorisation	(1) Client categorisation and supporting information~~, evidence~~ (2) For an *elective professional client*: *client* categorisation, supporting information, the assessment of that information and the rationale for the conclusions about the categorisation (3) Evidence of dispatch to the *client* of any ~~notice~~ information required to be provided (~~the notice itself~~ where this differs from standard ~~form~~ disclosure, the actual	~~From~~ At the time of categorisation	~~Relevant period from when the *firm* ceases to carry on business with or for that *client*~~ The retention periods are: (a) indefinitely, in relation to a *pension transfer*, *pension conversion*, *pension opt-out* or *FSAVC*; or (b) at least five years after the *firm* ceases to carry on business with or for that *client*, in any other case (see ~~*COBS 3.8.2R(3)*~~ *COBS 3A.11.3R*).

		information provided) and a copy of any agreement entered into		
…				
~~*COBS TP 1*~~ *COBS TP 1A*	*Client* categorisation transitional	Categorisation or recategorisation under ~~TP1~~ *COBS TP 1A*	Date of categorisation/ recategorisation	See ~~*COBS 3.8.2R(2)*~~ *COBS 3A.11.2R(1)* and *(2)*
…				

Part 2: comes into force on 25 October 2027

COBS 3A Client categorisation

…

COBS 3A.10 Eligible counterparties

…

COBS 3A.10.3 | R

Each of the following is a *per se eligible counterparty*, including an equivalent entity that is not from the *UK*, unless and to the extent it is given a different categorisation under this chapter:

…

(8) a central bank; ~~and~~

(9) a supranational organisation~~.~~; and

(10) a *qualifying cryptoasset firm*.

Annex E

Amendments to the Client Assets sourcebook (CASS)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text.

CASS 10 CASS resolution pack

…

CASS 10.3 Existing records forming part of the CASS resolution pack

CASS 10.3.1 | R

A *firm* must include, as applicable, within its *CASS resolution pack* the records required under:

…

(10) ~~*COBS 3.8.2R(2)(a)*~~ *COBS 3A.11.3R* (client categorisation); and

(11) …

…

Annex F

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text.

PROD 3 Product governance: MiFID

…

PROD 3.2 Manufacture of products

General

PROD 3.2.1 | R

A *manufacturer* must:

(1) ensure that the *financial instruments* it *manufactures* are designed to meet the needs of an identified target market of *end clients* within the relevant category of *clients* (see ~~*COBS 3*~~ *COBS 3A* for client categories);

…

Product governance arrangements

…

PROD 3.2.4 | R

For each *financial instrument* the product approval process must:

(1) specify an identified target market of *end clients* within the relevant category of *clients* (see ~~*COBS 3*~~ *COBS 3A* for client categories);

…

Annex G

Amendments to the Consumer Redress Schemes sourcebook (CONRED)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text.

CONRED App 1 Key definitions

CONRED App 1.1 Key definitions

CONRED App 1.1

…		
consumer	(a)	…
	(b)	where the *personal recommendation* was made on or after 1 November 2007, a *retail client* in accordance with ~~*COBS 3.4.1R*~~ *COBS 3A.4.1R*.
…		

Annex H

Amendments to the Product Disclosure sourcebook (DISC)

Instruction: In this Annex, underlining indicates new text and striking through indicates deleted text.

DISC 1A General

DISC 1A.1 Purpose and application

…

Application

…

DISC 1A.1.5 | R

In this sourcebook, a *retail investor* is:

(1) a *person* to whom an *investment* is sold, or who is the recipient of an offer about or *advice* on an *investment*, and who is or would be categorised as a *retail client* under the *rules* in ~~*COBS 3*~~ *COBS 3A*; or

(2) …

…

Exemption: non-retail consumer composite investments

DISC 1A.1.12 | R

The obligations in *DISC* do not apply in respect of a *manufacturer* of a *consumer composite investment* where the *manufacturer* has taken reasonable steps to ensure that:

(1) the offer and any associated communications about the *consumer composite investment* (including the prospectus, if there is one):

(a) feature prominent and clear disclosures to the effect that the *consumer composite investment* is being offered only to investors who are or would be categorised as *professional clients* or *eligible counterparties* under the *FCA's rules* in ~~*COBS 3*~~ *COBS 3A*, and is not intended for *retail investors*; and

(b) are directed only to investors eligible for categorisation as *professional clients* or *eligible counterparties* under the *FCA's rules* in ~~*COBS 3*~~ *COBS 3A*; and

(2) …

…

SIMPLIFYING THE CONFLICTS OF INTEREST RULES INSTRUMENT 2026

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137T (General supplementary powers);
(c) section 139A (Power of the FCA to give guidance);
(d) section 247 (Trust scheme rules); and
(e) section 261I (Contractual scheme rules);

(2) regulation 6 (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and

(3) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 20 November 2026.

Amendments to the FCA Handbook

D. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex A
Conduct of Business sourcebook (COBS)	Annex B
Product Intervention and Product Governance sourcebook (PROD)	Annex C

Notes

E. In the annexes to this instrument, the notes (indicated by "*Editor's note*" or "**Note:**") are included for the convenience of readers, but do not form part of the legislative text.

Citation

F. This instrument may be cited as the Simplifying the Conflicts of Interest Rules Instrument 2026.

By order of the Board
19 November 2026

Annex A

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1 Application and purpose

1.1A Application

1.1A.1 G The application of this sourcebook is summarised at a high level in the following table. The detailed application is cut back in *SYSC* 1 Annex 1 1 and in the text of each chapter.

Type of firm	Applicable chapters
Insurer, *UK ISPV*	Chapters 2, 3, 10 (for *insurers* only in respect of *insurance distribution activities*), 12 to 18, 19F.2, 21, 22, 23, 24, 25, 26, 27, 28, 28A
…	

Firms that *SYSC* 19D applies to should also refer to the Remuneration part of the *PRA Rulebook*.

…

1 Annex 1 Detailed application of SYSC

…

1 Annex 1 Part 2

Part 2	Application of the common platform requirements (SYSC 4 to 10)	
	Who?	
…		
2.6B	R	Subject to *SYSC* 1 Annex 1 2.6CR, the *common platform requirements* do not apply to a *full-scope UK AIFM* of an *unauthorised AIF* except for:

		…	
		(6)	*SYSC* 7.1.7BAG;
		(7)	~~*SYSC* 10.1.1R and *SYSC* 10.1.22R to *SYSC* 10.1.26R~~ *SYSC* 10.1; and
		…	
…			
	What?		
…			
2.9	G	~~The application of the provisions on the conflicts of interest in *SYSC* 10 is set out in *SYSC* 10.1. 4G to *SYSC* 10.1.1AR and *SYSC* 10.2.1R~~ [deleted]	
…			

1 Annex
1 Part 3

[*Editor's note*: further changes to SYSC 1 Annex 1 Part 3 will take place on 25 October 2027 (see FCA 2026/44).]

Part 3	**Tables summarising the application of the common platform requirements to different types of firm**		
…			
Common platform firm			
3.2	G	For a *common platform firm*:	
		(1)	*SYSC* 4 to ~~*SYSC* 10~~ *SYSC* 9 apply in accordance with Column A in Table A below.
		…	
3.2-ZA	G	A *common platform firm* that is a *MIFIDPRU investment firm* should read *SYSC* 4 to ~~*SYSC* 10~~ *SYSC* 9 together with *MIFIDPRU* 7. While *MIFIDPRU investment firms* are not in scope of the requirements in *SYSC* 4.3A.8R and *SYSC* 7.1.18R regarding nomination and risk committees, certain *MIFIDPRU investment firms* are required by *MIFIDPRU* 7.3.1R and *MIFIDPRU* 7.3.5R to establish nomination and risk committees.	

…				
Management company				
3.2A	G	For a *management company*, the *common platform requirements* in *SYSC* 4 to ~~*SYSC* 10~~ *SYSC* 9 apply in accordance with Column A+ in Table A below.		
Full-scope UK AIFM of an authorised AIF				
3.2B	R	For a *full-scope UK AIFM* of an *authorised AIF*, the *common platform requirements* in *SYSC* 4 to ~~*SYSC* 10~~ *SYSC* 9 apply in accordance with Column A++ in Table A below.		
MiFID optional exemption firm and a third country firm				
3.2C	R	For a *MiFID optional exemption firm* and a *third country firm*:		
		(1)	*SYSC* 4 to ~~*SYSC* 10~~ *SYSC* 9 apply as *rules* or as *guidance* in accordance with Table B below in the following way:	
			(a)	where a *rule* is shown modified as 'Guidance', it should be read as *guidance* (as if "should" appeared in that *rule* instead of "must"); and
			(b)	the provision should be applied in a proportionate manner, taking into account the nature, scale and complexity of the *firm's* business.
		…		
…				
Other firms				
…				
3.3	R	For all other *firms*:		
		(1)	*SYSC* 4 to ~~*SYSC* 10~~ *SYSC* 9 apply as *rules* or as *guidance* in accordance with Column B in Table A below in the following way:	
			(a)	where a *rule* is shown modified in Column B as 'Guidance', it should be read as *guidance* (as if "should" appeared in that *rule* instead of "must"); and

			(b)	the provision should be applied in a proportionate manner, taking into account the nature, scale and complexity of the *firm's* business.
		…		
…				

Table A: Application of the common platform requirements in SYSC 4 to ~~SYSC 10~~ SYSC 9

1 Annex 1 Table A	…

[*Editor's note*: further changes to SYSC 1 Annex 1 Table A will take place on 29 June 2028 (see FCA 2026/69).]

The table pertaining to SYSC 10 in SYSC 1 Annex 1 Table A is deleted in its entirety. The deleted text is not shown.

Amend the following as shown.

Table B: Application of the common platform requirements in SYSC 4 to ~~10~~ SYSC 9 to MiFID optional exemption firms and third country firms

1 Annex 1 Table B	…

The table pertaining to SYSC 10 in SYSC 1 Annex 1 Table B is deleted in its entirety. The deleted text is not shown.

Amend the following as shown.

…

3 Systems and controls

…

3.3 Additional requirements for insurance distribution

…

~~Identifying conflicts~~

3.3.5 R ~~A *firm* must take all appropriate steps to identify conflicts of interest that arise between:~~ [deleted]

~~(1) the *firm*, including its managers, employees and *appointed representatives* (or where applicable, *tied agents*), or any *person* directly or indirectly linked to it by *control*, and a *client* of the *firm*; or~~

~~(2) one *client* of the *firm* and another *client*.~~

~~[**Note:** article 28(1) of the *IDD*]~~

3.3.6 R ~~For the purposes of identifying, in accordance with *SYSC* 3.3.5R and *SYSC* 3.3.13R, the types of conflicts of interest that arise in the course of carrying out any *insurance distribution activities* related to *policies* and which entail a risk of damage to the interests of a *client*, a *firm* must assess whether it, a *relevant person* or any *person* directly or indirectly linked to it by *control*, has an interest in the outcome of the *insurance distribution activities*, which meets the following criteria:~~ [deleted]

~~(1) it is distinct from the *client's* or potential *client's* interest in the outcome of the *insurance distribution activities*;~~

~~(2) it has the potential to influence the outcome of the *insurance distribution activities* to the detriment of the *client*.~~

~~A *firm* must proceed in the same way for the purposes of identifying conflicts of interest between one *client* and another.~~

3.3.7 R ~~For the purposes of the assessment in *SYSC* 3.3.6R, a *firm* must take into account, by way of minimum criteria, the following situations:~~ [deleted]

~~(1) the *firm*, a *relevant person* or any *person* directly or indirectly linked to it by *control* is likely to make a financial gain, or avoid a financial loss, to the potential detriment of the *client*;~~

~~(2) the *firm*, a *relevant person* or any *person* directly or indirectly linked to it by *control* has a financial or other incentive to favour the interest of another *client* or group of *clients* over the interest of the *client*;~~

~~(3) the *firm*, a *relevant person* or any *person* directly or indirectly linked by *control* to the *firm* is substantially involved in the management or development of *policies*, in particular where such a *person* has an influence on the pricing of those *policies* or their distribution costs.~~

~~[**Note:** article 3 of the *IDD Regulation*]~~

~~Managing conflicts~~

3.3.8 R ~~A *firm* must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest identified under *SYSC* 3.3.5R from adversely affecting the interests of its *clients*.~~ [deleted]

~~[**Note:** article 27 of the *IDD*]~~

~~Proportionality~~

3.3.9 R ~~The arrangements in *SYSC* 3.3.8R must be proportionate to the activities performed, the *policies* sold and the type of *insurance distributor* the *firm* is or uses.~~ [deleted]

~~[**Note:** article 27 of the *IDD*]~~

~~Conflicts policy~~

3.3.10 R ~~(1)~~ ~~For the purposes of *SYSC* 3.3.8R and *SYSC* 3.3.9R, a *firm* must establish, implement and maintain an effective conflicts of interest policy set out in writing and appropriate to its size and organisation and the nature, scale and complexity of its business.~~ [deleted]

~~(2)~~ ~~Where the *firm* is a member of a group, the policy must also take into account any circumstances, of which the *firm* is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group.~~

~~[**Note:** article 4(1) of the *IDD Regulation*]~~

~~Contents of policy~~

3.3.11 R ~~The conflicts of interest policy required in *SYSC* 3.3.10R must include the following content:~~ [deleted]

~~(1)~~ ~~with reference to the specific *insurance distribution activities* carried out, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more *clients*;~~

~~(2)~~ ~~procedures to be followed and measures to be adopted in order to manage such conflicts and prevent them from damaging the interests of the *client*.~~

~~[**Note:** article 4(2) of the *IDD Regulation*]~~

3.3.12 R ~~(1)~~ ~~The procedures and measures required in *SYSC* 3.3.11R(2) must be appropriate to the size and activities of the *firm* and of the group to which it may belong, and to the risk of damage to the interests of the *client*.~~ [deleted]

~~(2) The procedures to be followed and measures required in *SYSC* 3.3.11R(2) must include, where appropriate, the following:~~

~~(a) effective procedures to prevent or control the exchange of information between *relevant persons* engaged in activities involving a risk of conflict of interest where the exchange of that information may damage the interests of one or more *clients*;~~

~~(b) the separate supervision of *relevant persons* whose principal functions involve carrying out activities on behalf of, or providing services, to *clients* whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the *firm*;~~

~~(c) the removal of any direct link between payments, including *remuneration*, to *relevant persons* engaged in one activity and payments, including *remuneration*, to different *relevant persons* principally engaged in another activity, where a conflict of interest may arise in relation to those activities;~~

~~(d) measures to prevent or limit any *person* from exercising inappropriate influence over the way in which *insurance distribution activities* are carried out by the *firm* or its managers or employees or any *person* directly or indirectly linked to it by *control*;~~

~~(e) measures to prevent or control the simultaneous or sequential involvement of a *relevant person* in separate *insurance distribution activities* where such involvement may impair the proper management of conflicts of interest;~~

~~(f) a gifts and benefits policy which determines clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.~~

~~(3) Where the *firm* can demonstrate that the measures and procedures referred to in (1) and (2) are not appropriate to ensure that the *insurance distribution activities* are carried out in accordance with the best interest of the *client* and are not biased due to conflicting interests of the *firm*, an *insurance intermediary* or another *client*, the *firm* must adopt adequate alternative measures and procedures for that purpose.~~

~~[**Note:** article 5 of the *IDD Regulation*]~~

~~Disclosure of conflicts~~

3.3.13 R ~~(1) If arrangements made under *SYSC* 3.3.8R are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a *client* will be prevented, the *firm* must:~~ [deleted]

~~(a) clearly disclose to the *client* the general nature or sources of the conflicts of interest (or both); and~~

~~(b) include sufficient detail in the disclosure, taking into account the nature of the *client*, to enable that *client* to take an informed decision with respect to the *insurance distribution activities* in the context of which the conflict of interest arises.~~

~~(2) The disclosure must be made:~~

~~(a) in a *durable medium*; and~~

~~(b) in good time before the conclusion of the *contract of insurance*.~~

~~[**Note:** article 28(2) and (3) of the *IDD*]~~

3.3.14 R ~~(1) A *firm* must avoid over-reliance on disclosure to ensure that disclosure to *clients*, under *SYSC* 3.3.13R is a measure of last resort that can be used only where the effective organisational and administrative arrangements established by the *firm* to prevent or manage conflicts of interest in accordance with *SYSC* 3.3.8R and *SYSC* 3.3.9R are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the *client* will be prevented.~~ [deleted]

~~(2) For the purposes of a disclosure of conflicts of interest a *firm* must:~~

~~(a) provide a specific description of the conflict of interest in question;~~

~~(b) explain the general nature and sources of the conflict of interest;~~

~~(c) explain the risks to the *client* that arise as a result of the conflict of interest and the steps undertaken to mitigate those risks;~~

~~(d) clearly state that the organisational and administrative arrangements established by the *firm* to prevent or manage the conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the *client* will be prevented.~~

~~[**Note:** article 6 of the *IDD Regulation*]~~

~~Review of conflicts policy~~

3.3.15 R ~~For the purposes of *SYSC* 3.3.8R, a *firm* must assess and periodically review, on an at least annual basis, the conflicts of interest policy established in accordance with *SYSC* 3.3.10R and take all appropriate measures to address any deficiencies.~~ [deleted]

~~[**Note:** article 7(1) of the *IDD Regulation*]~~

Record keeping

3.3.16 R ~~(1)~~ ~~A *firm* must keep and regularly update a record of the situations in which a conflict of interest entailing a risk of damage to the interests of a *client* has arisen or, in the case of an ongoing service or activity may arise.~~ [deleted]

~~(2)~~ ~~A *firm* must ensure its senior management receives on a frequent basis, and at least annually, written reports on the situations referred to in (1).~~

~~[**Note:** article 7(2) of the *IDD Regulation*]~~

…

10 Conflicts of interest

10.1 Application

~~Application to funeral plan distribution~~

10.1.-5 G ~~This section applies to a *firm* carrying on *funeral plan distribution* in accordance with the tables in Part 3 of *SYSC* 1 Annex 1.~~ [deleted]

~~Application to insurance intermediaries~~

10.1.-4 G ~~(1)~~ ~~Subject to *SYSC* 10.1.-3R, this section applies to a *firm* carrying on *insurance distribution activities* in accordance with the tables in Part 3 of *SYSC* 1 Annex 1. Certain *rules* are disapplied where the *firm* is subject to the provisions in *SYSC* 10.1A (see *SYSC* 10.1.-3R).~~ [deleted]

~~(2)~~ ~~Where a provision in this section applies to an *insurance intermediary*, it applies in relation to the carrying on of *insurance distribution activities*.~~

10.1.-3 R ~~The *rules* and *guidance* in the table below do not apply to a *firm* when carrying on *insurance distribution* in relation to *insurance-based investment products* where the *rules* in *SYSC* 10.1A apply instead.~~ [deleted]

~~**Subject**~~	~~**Rule or guidance**~~

~~Types of conflict~~	~~*SYSC* 10.1.4R, *SYSC* 10.1.4AG, *SYSC* 10.1.4BR, *SYSC* 10.1.4CR(1), (2) and (5) and *SYSC* 10.1.5G.~~
~~Record of conflicts~~	~~*SYSC* 10.1.6R, *SYSC* 10.1.6AG, *SYSC* 10.1.6AAR and *SYSC* 10.1.6BG~~
~~Disclosure of conflicts~~	~~*SYSC* 10.1.8R(1)(b), (2)(b) to (2)(d) and *SYSC* 10.1.9AR~~
~~Conflicts policy~~	~~*SYSC* 10.1.10R~~
~~Contents of policy~~	~~*SYSC* 10.1.11R, *SYSC* 10.1.11AG, *SYSC* 10.1.11AAR and *SYSC* 10.1.11BG~~

~~Application to a common platform firm~~

10.1.-2 G ~~For a *common platform firm*:~~ [deleted]

~~(1)~~ ~~[deleted]~~

~~(2)~~ ~~the *rules* and *guidance* in the table below apply:~~

~~**Subject**~~	~~**Applicable rule or guidance**~~
~~Application~~	~~*SYSC* 10.1.-4R, *SYSC* 10.1.-3R~~
~~General application~~	~~*SYSC* 10.1.1R~~
~~Requirements only apply if a service is provided~~	~~*SYSC* 10.1.2G~~
~~Identifying conflicts~~	~~*SYSC* 10.1.3R~~
~~Types of conflicts~~	~~*SYSC* 10.1.4R, *SYSC* 10.1.5G~~
~~Records of conflicts~~	~~*SYSC* 10.1.6R, *SYSC* 10.1.6AAR~~
~~Managing conflicts~~	~~*SYSC* 10.1.7R~~
~~Disclosure of conflicts~~	~~*SYSC* 10.1.8R, *SYSC* 10.1.9G, *SYSC* 10.1.9AR~~

~~Conflicts policy~~	~~*SYSC* 10.1.10R, *SYSC* 10.1.12G~~
~~Contents of policy~~	~~*SYSC* 10.1.11R, *SYSC* 10.1.11AAR, *SYSC* 10.1.11ABR~~

~~(3) *SYSC* 10.1.7AR (Proportionality – insurance distribution activities), *SYSC* 10.1.8R (Disclosure of conflicts) and *SYSC* 10.1.11ABR (Contents of policy) also apply in relation to the carrying on of *insurance distribution activities*.~~

~~Application to a MiFID optional exemption firm and to a third-country firm~~

10.1.-1 G ~~For a *MiFID optional exemption firm* and a *third country firm*, the rules and guidance in this chapter apply to them as if they were *rules* or as *guidance* in accordance with *SYSC* 1 Annex 1 3.2CR(1).~~ [deleted]

General application

10.1.1 R (1) This section applies to a *firm* which provides services to its *clients* in the course of carrying on *regulated activities* or *ancillary activities* or providing *ancillary services* ~~(but only where the *ancillary services* constitute *MiFID business*)~~.

(2) This section ~~also~~ applies to a ~~*UK UCITS management company*.~~ *full-scope UK AIFM* in relation to:

(a) an *authorised AIF*; and

(b) an *unauthorised AIF* which is managed from an establishment in the *UK*.

(3) This section applies to a *third country firm*.

(4) This section applies to an *insurer* only in respect of its *insurance distribution activities*.

(5) This section does not apply to a *managing agent*, *UK ISPV* or the *Society*.

~~[**Note:** The provisions in *SYSC* 10.1 also implement articles 27 and 28 of the *IDD*, articles 74(1) and 88 of *CRD* and as applied under the discretion in the third paragraph of article 95(2) of the *UK CRR*, *BCD* article 22 and *BCD* Annex V paragraph 1]~~

10.1.1A R ~~This section also applies to:~~ [deleted]

~~(1) a *full-scope UK AIFM* of:~~

~~(a) a *UK AIF*; and~~

~~(b) [deleted]~~

~~(c) a *non-UK AIF*; and~~

~~(2) [deleted]~~

The amendments to SYSC 10.1.1AR that are set out in the Cryptoassets (Conduct and Firm Standards) Instrument 2026 (FCA 2026/69) and that are due to take effect on 29 June 2028 are revoked as a result of the deletion of SYSC 10.1.1AR.

Amend the following as shown.

~~Requirements only apply if a service is provided~~

10.1.2 G (1) ~~The requirements in this section only apply where a service is provided by a *firm*.~~ The status of the *client* to whom the service is provided (as a *retail client*, *professional client* or *eligible counterparty*) is irrelevant for this purpose.

(2) ~~For the avoidance of doubt, a reference to "service" in this section includes all *insurance distribution activities*.~~ [deleted]

(3) For a *UK UCITS management company*, references to a *client* in *SYSC* 10.1.4R and in the other *rules* in this section should be construed as referring to any *UCITS scheme* managed by that *firm* or which it intends to manage, and with or for the benefit of which the relevant activity is to be carried on.

~~SRD requirements~~

10.1.2A R ~~The requirements in this section apply to an *SRD asset manager* with regard to its engagement activities covered by the *SRD*.~~ [deleted]

~~[**Note:** article 3g(3) of *SRD*]~~

Proportionality

10.1.2B G *Firms* should apply the requirements in this chapter in a manner that is proportionate to the nature, scale and complexity of their business and the nature and range of services provided to *clients*, without prejudice to compliance with specific requirements set out in this chapter.

Identifying conflicts

10.1.3 R A *firm* must take all appropriate steps to identify and to prevent or manage conflicts of interest between:

(1) the *firm*, including its managers, employees and *appointed representatives* (or where applicable, *tied agents*), or any *person*

directly or indirectly linked to them by *control*, and a *client* of the *firm*; ~~or~~

(2) one *client* of the *firm* and another *client*; and

(3) where the *firm* is a *full-scope UK AIFM*:

(a) the *AIFM*, including its managers, employees or any *person* directly or indirectly linked to the *AIFM* by control, and an *AIF* managed by the *AIFM* or the investors in that *AIF*;

(b) an *AIF* managed by the *firm* or the investors in that *AIF*, and another *AIF* managed by the *firm* or the investors in that other *AIF*;

(c) an *AIF* managed by the *firm* or the investors in that *AIF*, and another *client* of the *AIFM*;

(d) an *AIF* or the investors in that *AIF*, and a *UK UCITS* managed by the *AIFM* or the *unitholders* in that *UCITS*; or

(e) a *fund* managed by the *firm* (or the investors in that *fund*) and another *client* of the *firm*,

that arise or may arise in the course of the *firm* ~~providing any service~~ conducting activities referred to in *SYSC* 10.1.1R including those caused by the receipt of inducements from third parties or by the *firm's* own remuneration and other incentive structures.

~~[**Note:** article 23(1) of *MiFID* and articles 27 and 28(1) of the *IDD*]~~

Types of conflicts

10.1.4 R For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may damage the interests of a *client*, a *firm* must take into account, as a minimum, whether the *firm* or a *relevant person*, or a *person* directly or indirectly linked by *control* to the *firm*:

(1) is likely to make a financial gain, or avoid a financial loss, ~~at the expense~~ to the potential detriment of the *client* and, in relation to a *full-scope UK AIFM*, an *AIF* or its investors;

(2) has an interest in the outcome of a service provided to the *client* or of a transaction carried out on behalf of the *client*, which is distinct from the *client's* interest in that outcome;

(2A) in the case of a *management company* providing *collective portfolio management* services for a *UCITS scheme*, (2) also applies where the service is provided to, or the transaction is carried out on behalf of, a *client* other than the *UCITS scheme*;

(2B) in the case of a *full-scope UK AIFM*, (2) also applies where the service or activity is provided to an *AIF*, the investors of an *AIF* or another *client*, and to a transaction which is carried out on behalf of an *AIF* or another *client*;

(3) has a financial or other incentive to favour the interest of another *client* or group of *clients* over the interests of the *client*;

(4) carries on the same business as the *client*; or in the case of a *management company* or a *full-scope UK AIFM*, carries on the same activities for the *UCITS scheme* or *AIF*, and for another *UCITS scheme*, *AIF* or *client* or *clients* which are not *UCITS schemes* or *AIFs*;

(5) ~~(except in the case of a *common platform firm or MiFID optional exemption firm*) receives or will receive from a *person* other than the *client* an inducement in relation to a service provided to the *client*, in the form of monies, goods or services, other than the standard commission or fee for that service; or~~ [deleted]

(6) ~~(in the case of a *common platform firm* or a *MiFID optional exemption firm*)~~ receives or will receive from a *person* other than the *client* an inducement in relation to a service provided to the *client*, in the form of monetary or non-monetary benefits or services~~.~~;

(7) for a *full-scope UK AIFM*, (6) also applies to an inducement which the *AIFM* receives or will receive from a *person* other than the *AIF* or its investors in relation to collective portfolio management activities provided to the *AIF*; or

(8) in the case of *insurance distribution activity*, is substantially involved in the management or development of *contracts of insurance*, in particular where such a person has an influence on the pricing of those *contracts of insurance* or their distribution costs.

The conflict of interest may result from the *firm* or *person* providing a service referred to in *SYSC* 10.1.1R or engaging in any other activity or, in the case of a *management company*, whether as a result of providing *collective portfolio management* services or otherwise.

~~[**Note:** article 17(1) of the *UCITS implementing Directive*]~~

10.1.4A G ~~Other *firms* (except *common platform firms*, *MiFID optional exemption firms*, *third country firms*, *UCITS management companies* and *insurance intermediaries*) should take account of the *rule* on the types of conflicts (see *SYSC* 10.1.4R) in accordance with *SYSC* 1 Annex 1 3.3R.~~ [deleted]

10.1.4B R ~~For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of carrying on *insurance distribution activities* or funeral plan distributions *funeral plan distributions* and whose existence may damage the interests of a *client* ("A"), a *firm* must assess whether:~~ [deleted]

~~(1) the *firm* or a *relevant person*, or a *person* directly or indirectly linked by *control* to the *firm*; or~~

~~(2) (in the case of conflicts between A and another *client*) the other *client*,~~

~~has an interest in the outcome of the *insurance distribution activities* or *funeral plan distribution*, which meets the following criteria:~~

~~(3) it is distinct from A's interest in the outcome of the *insurance distribution activities* or *funeral plan distributions*; and~~

~~(4) it has the potential to influence the outcome of the activities to the detriment of A.~~

10.1.4C R ~~For the purpose of carrying out the assessment in *SYSC* 10.1.4BR, a *firm* must take into account, as a minimum, whether the *firm* or a *relevant person*, or a *person* directly or indirectly linked by *control* to the *firm*:~~ [deleted]

~~(1) is likely to make a financial gain, or avoid a financial loss, at the expense of the *client*;~~

~~(2) has a financial or other incentive to favour the interest of another *client* or group of *clients* over the interest of the *client*;~~

~~(3) carries on the same business as the *client*;~~

~~(4) receives or will receive from a *person* other than the *client* an inducement in relation to a service provided to the *client*, in the form of monies, goods or services, other than the standard commission or fee for that service; or~~

~~(5) is substantially involved in the management or development of *policies*, in particular where such a *person* has an influence on the pricing of those policies or their distribution costs.~~

10.1.5 G The circumstances which should be treated as giving rise to a conflict of interest cover cases where there is a conflict between the interests of the *firm* or certain *persons* connected to the *firm* or the *firm's group* and the duty the *firm* owes to a *client*; or between the differing interests of two or more of its *clients*, to whom the *firm* owes in each case a duty. It is not enough that the *firm* may gain a benefit if there is not also a possible disadvantage to a *client*, or that one *client* to whom the *firm* owes a duty may make a gain or avoid a loss without there being a concomitant possible loss to another such *client*.

Record of conflicts

10.1.6 R (1) A *firm* must keep and regularly update a record of the kinds of service or activity carried out by or on behalf of that *firm* in which a conflict of interest entailing a material risk of damage~~, or for a *common platform firm or a MiFID optional exemption firm*, a risk of~~

~~damage,~~ to the interests of one or more *clients* may arise or has arisen ~~or, in the case of an ongoing service or activity, may arise~~.

(2) For a *full-scope UK AIFM*, the duty in (1) also applies to conflicts of interest entailing a material risk of damage to the interests of an *AIF* or its investors.

(3) A *firm* must ensure that its *senior management* receives on a frequent basis, and at least annually, written reports on all situations referred to in (1) and, where relevant, (2).

~~[**Note:** article 20(1) of the *UCITS implementing Directive*]~~

10.1.6A G ~~Other *firms* (other than *common platform firms*, *MiFID optional exemption firms*, *third country firms* and *insurance intermediaries*) should also take account of the *rule* on records of conflicts (see *SYSC* 10.1.6 R) in accordance with *SYSC* 1 Annex 1 3.3R).~~ [deleted]

10.1.6A A R ~~A *firm* must ensure that its *senior management* receives on a frequent basis, and at least annually, written reports on all situations referred to in *SYSC* 10.1.6R.~~ [deleted]

10.1.6B G ~~Where *SYSC* 10.1.6AAR applies as *guidance* to a *firm* in accordance with *SYSC* 1 Annex 1.3.3R, a *firm* should read *SYSC* 10.1.6AAR as if "should" appeared in that rule instead of "must".~~ [deleted]

Managing conflicts

10.1.7 R (1) A *firm* must be structured and organised to minimise the risk of a *client's* interests being prejudiced by conflicts of interest.

(2) A *firm* must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest as defined in *SYSC* 10.1.3R from adversely affecting the interests of its *clients* (including, in the case of a *full-scope UK AIFM*, investors). This includes segregating, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other, or which may generate systematic conflicts of interest.

(3) If arrangements made by a *firm* under this *rule* are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a *client* will be prevented, the *firm* must clearly disclose the general nature or sources of conflicts of interest, or both, to the *client* before undertaking business for the *client* in accordance with *SYSC* 10.1.8R(2). This paragraph does not apply to a *full-scope UK AIFM* or a *UCITS management company* (see *SYSC* 10.1.8R(4), (5) and (6)).

(4) In relation to *insurance distribution activities*, a *firm* must also comply with *SYSC* 19F (Remuneration and performance

management), which provides that disclosure is not permitted as a remedy for conflicts relating to remuneration practices.

(5) A *collective portfolio management investment firm* which manages investments other than for an *AIF* or *UCITS* which it manages must obtain approval from its *client* before it invests all or part of the *client's* portfolio in *units* or *shares* of an *AIF* or *UCITS* it manages.

~~[**Note:** article 16(3) of *MiFID* and article 27 of the *IDD*]~~

10.1.7-A G While disclosure of specific conflicts of interest is required by *SYSC* 10.1.7R(3), over-reliance on disclosure without adequate consideration of how conflicts may appropriately be managed is not permitted. Disclosure should be treated as a measure of last resort to be used only where the effective organisational and administrative arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to *client* interests will be prevented.

~~Proportionality – insurance distribution activities~~

10.1.7A R ~~Where a *firm* carries on *insurance distribution activities*, the arrangements in *SYSC* 10.1.7R must be proportionate to the activities performed, the *policies* sold and the type of *insurance distributor* the *firm* is or uses.~~ [deleted]

~~[**Note:** article 27 of the *IDD*]~~

Disclosure of conflicts

10.1.8 R (1) ~~If arrangements made by a *firm* under *SYSC* 10.1.7R are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a *client* will be prevented, the *firm* must clearly disclose the following to the *client* before undertaking business for the *client*:~~ [deleted]

~~(a) the general nature or sources of conflicts of interest, or both; and~~

~~(b) the steps taken to mitigate those risks.~~

(2) ~~The~~ Except for a *management company* or a *full-scope UK AIFM*, the disclosure in *SYSC* 10.1.7R(3) must:

(a) be made in a *durable medium*;

(b) clearly state that the organisational and administrative arrangements established by the *firm* to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the *client* will be prevented;

(c) include a specific description of the conflicts of interest that arise in the provision of services, taking into account the nature of the *client* to whom the disclosure is being made;

(d) explain the risks to the *client* that arise as a result of the conflicts of interest; ~~and~~

(da) disclose the steps taken to mitigate those risks; and

(e) include sufficient detail, taking into account the nature of the *client*, to enable that *client* to take an informed decision with respect to the service in the context of which the conflict of interest arises.

(3) ~~This *rule* does not apply to the extent that *SYSC* 10.1.21 R applies.~~ [deleted]

(4) Where a *full-scope UK AIFM's* arrangements under *SYSC* 10.1.7R are not sufficient to ensure, with reasonable confidence, that risks of damage to the *fund* or investors in the *fund* are prevented, the *firm* must promptly inform its *senior personnel* or other competent internal body in order to take any necessary decision or action to ensure the *firm* acts in the best interests of the *fund* or investors in the *fund*.

(5)

(a) A *full-scope UK AIFM* must disclose the following information to the *AIF's* investors:

(i) if arrangements made by a *firm* under *SYSC* 10.1.7R are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of investors in the *AIF* will be prevented, the general nature or sources of conflicts of interest, or both; and

(ii) its assessment of whether its operating conditions may involve any other material conflicts of interest.

(b) The disclosures in (a) must be made:

(i) in a *durable medium*; or

(ii) by means of a website, provided that:

(A) the investor has been notified of the address of the website and the place on the website where the information may be accessed;

(B) the investor has consented to the provision of information by such means;

(C) the information is up to date; and

(D) the information is accessible continuously by means of that website for such period of time as the investor may reasonably need to inspect it.

(6) Where a *management company's* arrangements under *SYSC* 10.1.7R are not sufficient to ensure, with reasonable confidence, that risks of damage will be prevented, the *firm* must:

(a) promptly inform its *senior personnel* or other competent internal body in order for them to take any necessary decision to ensure that, in all cases, the *firm* acts in the best interests of the *UCITS scheme* and of its *unitholders*; and

(b) report situations referred to in this paragraph to the *unitholders* of the *UCITS scheme* it manages by any appropriate *durable medium* and give reasons for its decision.

~~[**Note:** 23(2) and (3) of *MiFID* and article 28(2) and (3) of the *IDD*]~~

…

10.1.9 G ~~*Firms* should aim to identify and manage the conflicts of interest arising in relation to their various business lines and their *group's* activities under a comprehensive *conflicts of interest policy*. In particular, the disclosure of conflicts of interest by a *firm* should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements under *SYSC* 10.1.7R. While disclosure of specific conflicts of interest is required by *SYSC* 10.1.8R, an over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is not permitted.~~ [deleted]

10.1.9A R ~~A *firm* must treat disclosure of conflicts pursuant to *SYSC* 10.1.8R as a measure of last resort to be used only where the effective organisational and administrative arrangements established by the *firm* to prevent or manage its conflicts of interest in accordance with *SYSC* 10.1.3R and *SYSC* 10.1.7R are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the *client* will be prevented.~~ [deleted]

Conflicts policy

10.1.10 R (1) A *firm* must establish, implement and maintain an effective *conflicts of interest policy* that is set out in writing and is appropriate to the size and organisation of the *firm* and the nature, scale and complexity of its business.

(2) Where the *firm* is a member of a *group*, the policy must also take into account any circumstances, of which the *firm* is or should be

aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the *group*.

(3) The *conflicts of interest policy* must:

(a) identify, by reference to the specific services and activities carried out by or on behalf of the *firm*, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more *clients* (including, where relevant, investors);

(b) specify procedures to be followed and measures to be adopted by a *firm* in order to prevent or manage such conflicts; and

(c) where the *firm* is a *full-scope UK AIFM* or *UK UCITS management company*, include circumstances arising from the *firm's* use of delegates, sub-delegates, *external valuers* or counterparties.

~~[**Note:** article 18(1) of the *UCITS implementing Directive*]~~

Contents of policy

10.1.11 R (1) ~~The *conflicts of interest policy* must include the following content:~~ [deleted]

~~(a) it must identify in accordance with *SYSC* 10.1.3R, *SYSC* 10.1.4R, *SYSC* 10.1.4BR and *SYSC* 10.1.4CR (as applicable), by reference to the specific services and activities carried out by or on behalf of the *firm*, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage, or for a *common platform firm* or a *MiFID optional exemption firm* a risk of damage, to the interests of one or more *clients*; and~~

~~(b) it must specify procedures to be followed and measures to be adopted by a *firm* in order to manage, or for a *common platform firm* or *MiFID optional exemption firm* to prevent or manage, such conflicts.~~

(2) The procedures and measures provided for in ~~paragraph (1)(b)~~ *SYSC* 10.1.10R(3)(b) must:

(a) be designed to ensure that *relevant persons* engaged in different business activities involving a conflict of interest of the kind specified in ~~paragraph (1)(a)~~ *SYSC* 10.1.10R(3)(a) carry on those activities at a level of independence appropriate to the size and activities of the *firm* and of the *group* to which either of them respectively belongs, and to

the materiality of the risk of damage to the interests of *clients* (including, where relevant, investors);

(aa) ~~(for an *insurance intermediary* or a *firm* carrying on *funeral plan distribution*)~~ for *firms* conducting *insurance distribution activities* or *funeral plan distribution*, be designed to ensure that ~~the *insurance distribution activities* or *funeral plan distribution*~~ such activities are carried out in accordance with the best interests of the *client* and are not biased due to conflicting interests ~~of the *insurance intermediary*, the *firm* carrying on *funeral plan distribution* or another *client*~~; and

(b) include, for a *firm*, where appropriate, the following, and for a *management company*, a *UK AIFM* or a *residual CIS operator*, such of the following as are necessary and appropriate for the ~~*management company*~~ *firm* to ensure the requisite degree of independence:

(i) effective procedures to prevent or control the exchange of information between *relevant persons* engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more *clients*;

(ii) the separate supervision of *relevant persons* whose principal functions involve carrying out activities on behalf of, or providing services to, *clients* whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the *firm*;

(iii) the removal of any direct link between the remuneration of *relevant persons* principally engaged in one activity and the remuneration of, or revenues generated by, different *relevant persons* principally engaged in another activity, where a conflict of interest may arise in relation to those activities;

(iv) measures to prevent or limit any *person* from exercising inappropriate influence over the way in which a *relevant person* carries out services or activities;

(v) measures to prevent or control the simultaneous or sequential involvement of a *relevant person* in separate services or activities where such involvement may impair the proper management of conflicts of interest; and

(vi) ~~(for *insurance intermediaries* or *firms* carrying on *funeral plan distribution*)~~ a gifts and benefits policy

which determines clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.

(3) ~~If the adoption or the practice of one or more of those measures and procedures does not ensure the requisite level of independence, a *management company* must adopt such alternative or additional~~ A *firm* should adopt any other measures and procedures as are necessary and appropriate for the purposes of ~~paragraph (1)(b)~~ *SYSC* 10.1.10R(3)(b).

(4) ~~If one or more of the measures and procedures in paragraph (2) is not appropriate for the purposes of paragraph (2)(aa), an *insurance intermediary* or a *firm* carrying on *funeral plan distribution* must adopt such alternative measures and procedures as are necessary and appropriate.~~ [deleted]

(5) ~~The procedures and measures provided for in paragraph (1)(b) must be appropriate to the size and activities of an *insurance intermediary* or a *firm* carrying on *funeral plan distribution*, the *group* to which it may belong and to the risk of damage to the interests of the *client*.~~ [deleted]

~~[**Note:** articles 18(2), 19(1) and 19(2) of the *UCITS implementing Directive*]~~

10.1.11A G ~~Other *firms (except common platform firms*, *UCITS management companies*, *MiFID optional exemption firms*, *third-country firms*, *insurance intermediaries* and *firms* carrying on *funeral plan distribution*) should take account of the *rules* relating to *conflicts of interest policies* (see *SYSC* 10.1.10R and *SYSC* 10.1.11R) in accordance with *SYSC* 1 Annex 1 3.3R.~~ [deleted]

10.1.11AA R A *firm* must assess and periodically review, on at least an annual basis, the *conflicts of interest policy* established in accordance with *SYSC* 10.1.10R and *SYSC* 10.1.11R ~~(or for a *common platform firm* or *MiFID optional exemption firm*, *SYSC* 10.1.8R, *SYSC* 10.1.9AR to *SYSC* 10.1.11R)~~ and ~~should~~ must take all appropriate measures to address any deficiencies (such as over reliance on disclosure of conflicts of interest).

10.1.11AB R ~~A *common platform firm* and a *MiFID optional exemption firm*, in relation to its *insurance distribution activities*, must:~~ [deleted]

~~(1) take into account the factors set out in *SYSC* 10.1.4BR(4) and *SYSC* 10.1.4CR(5) when complying with *SYSC* 10.1.4R; and~~

~~(2) include the measure set out in *SYSC* 10.1.11R(2)(b)(vi) in the list of measures to be adopted, where necessary, when complying with *SYSC* 10.1.11R(2).~~

~~Contents of policy~~

10.1.11 G B ~~A *firm* (other than a *common platform firm*, an *insurance intermediary* and a *firm* carrying on *funeral plan distribution*) should read *SYSC* 10.1.11AAR as if "should" appeared in that rule instead of "must".~~ [deleted]

10.1.12 G ~~In drawing up a *conflicts of interest policy* which identifies circumstances which constitute or may give rise to a conflict of interest, a *firm* should pay special attention to the activities of investment research and advice, proprietary trading, portfolio management and corporate finance business, including underwriting or selling in an offering of securities and advising on mergers and acquisitions. In particular, such special attention is appropriate where the *firm* or a *person* directly or indirectly linked by *control* to the *firm* performs a combination of two or more of those activities.~~ [deleted]

…

~~Application of conflicts of interest rules to non-common platform firms when producing investment research or non-independent research~~

10.1.16 R ~~The *rules* relating to:~~ [deleted]

~~(1) types of conflict (see *SYSC* 10.1.4 R);~~

~~(2) records of conflicts (see *SYSC* 10.1.6 R); and~~

~~(3) *conflicts of interest policies* (see *SYSC* 10.1.10 R and *SYSC* 10.1.11 R);~~

~~also apply to a *firm* which is not a *common platform firm* when it produces, or arranges for the production of, *investment research* that is intended or likely to be subsequently disseminated to *clients* of the *firm* or to the public, and when it produces or disseminates *non-independent research*, in accordance with *COBS* 12.2.~~

~~Additional requirements for a management company~~

10.1.17 R ~~A *UK UCITS management company*, when identifying the types of conflict of interests for the purposes of *SYSC* 10.1.4 R, must take into account:~~ [deleted]

~~(1) the interests of the *firm*, including those deriving from its belonging to a *group* or from the performance of services and activities, the interests of the *clients* and the duty of the *firm* towards the *UCITS scheme* it manages; and~~

~~(2) where it manages two or more *UCITS schemes*, the interests of all of them.~~

~~[**Note:** article 17(2) of the *UCITS implementing Directive*]~~

10.1.18 G ~~For a *UK UCITS management company*, references to client in *SYSC* 10.1.4R and in the other *rules* in this section should be construed as referring~~

~~to any *UCITS scheme* managed by that *firm* or which it intends to manage, and with or for the benefit of which the relevant activity is to be carried on.~~ [deleted]

~~Structure and organisation of a management company~~

10.1.19 R ~~A *UK UCITS management company* must be structured and organised in such a way as to minimise the risk of a *UCITS scheme's* or *client's* interests being prejudiced by conflicts of interest between the *UK UCITS management company* and its *clients*, between two of its *clients*, between one of its *clients* and a *UCITS scheme*, or between two such *schemes*.~~ [deleted]

~~[**Note:** articles 12(1)(b) and 14(1)(d) of the *UCITS Directive*]~~

~~Avoidance of conflicts of interest for a management company~~

10.1.20 R ~~A *UK UCITS management company* must try to avoid conflicts of interest and, when they cannot be avoided, ensure that the *UCITS schemes* it manages are fairly treated.~~ [deleted]

~~[**Note:** articles 12(1)(b) and 14(1)(d) of the *UCITS Directive*]~~

~~Disclosure of conflicts of interest for a management company~~

10.1.21 R ~~(1) Where the organisational or administrative arrangements made by a *UK UCITS management company* for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the *UCITS scheme* it manages or of its *Unitholders* will be prevented, the *senior personnel* or other competent internal body of the *firm* must be promptly informed in order for them to take any necessary decision to ensure that in all cases the *firm* acts in the best interests of the *scheme* and of its *Unitholders*.~~ [deleted]

~~(2) A *UK UCITS management company* must report situations referred to in (1) to the *Unitholders* of the *UCITS scheme* it manages by any appropriate *durable medium* and give reasons for its decision.~~

~~[**Note:** articles 20(2) and 20(3) of the *UCITS implementing Directive*]~~

~~Collective portfolio management investment firms~~

10.1.22 R ~~A *collective portfolio management investment firm* which manages investments other than for an *AIF* or *UCITS* for which it has been appointed as manager, must obtain approval from its *client* before it invests all or part of the *client's* portfolio in *units* or *shares* of an *AIF* or *UCITS* it manages.~~ [deleted]

~~[**Note**: article 12(2)(a) of the *UCITS Directive* and article 12(2)(a) of *AIFMD*]~~

Additional requirements for an AIFM

10.1.23 R An *AIFM* must take all reasonable steps to identify conflicts of interest that arise, in the course of managing *AIFs*, between: [deleted]

(1) the *AIFM*, including its managers, *employees* or any person directly or indirectly linked to the *AIFM* by *control*, and an *AIF* managed by the *AIFM* or the investors in that *AIF*; or

(2) an *AIF* or the investors in that *AIF*, and another *AIF* or the investors in that *AIF*; or

(3) an *AIF* or the investors in that *AIF*, and another *client* of the *AIFM*; or

(4) an *AIF* or the investors in that *AIF*, and a *UCITS* managed by the *AIFM* or the investors in that *UCITS*; or

(5) two *clients* of the *AIFM*.

[**Note**: article 14(1) first paragraph of *AIFMD*]

10.1.24 R An *AIFM* must take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, manage, monitor and (where applicable) disclose those conflicts of interest in order to prevent them from adversely affecting the interests of the *AIFs* and their investors, and to ensure that the *AIFs* it manages are fairly treated. [deleted]

[**Note**: article 12(1)d of *AIFMD*]

10.1.25 R An *AIFM* must: [deleted]

(1) maintain and operate effective organisational and administrative arrangements, with a view to taking all reasonable steps designed to identify, prevent, manage and monitor conflicts of interest in order to prevent them from adversely affecting the interests of the *AIFs* and their investors;

(2) segregate, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic conflicts of interest; and

(3) assess whether its operating conditions may involve any other material conflicts of interest and disclose them to the *AIF's* investors.

[**Note**: article 14(1) second and third paragraphs of *AIFMD*]

10.1.26 R If the organisational arrangements made by the *AIFM* to identify, prevent, manage and monitor conflicts of interest are not sufficient to ensure, with

~~reasonable confidence, that risks of damage to investors' interests will be prevented, the *AIFM* must:~~ [deleted]

~~(1) clearly disclose the general nature or sources of conflicts of interest to the investors before undertaking business on their behalf; and~~

~~(2) develop appropriate policies and procedures.~~

~~[**Note**: article 14(2) of *AIFMD*]~~

Subordinate measures for alternative investment fund managers

10.1.27 G Articles 30 to 37 of the *AIFMD level 2 regulation* provide detailed rules supplementing the provisions of article 14 of *AIFMD*.

SYSC 10.1A is deleted in its entirety. The deleted text is not shown but the section is marked '[deleted]' as shown below.

10.1A ~~Insurance-based investment products – Conflicts of interest~~ [deleted]

Insert the following new transitional provisions, SYSC TP 15, after SYSC TP 14 (Miscellaneous transitional provisions relating to the Senior Managers and Certification Regime). The text is all new and is not underlined.

TP 15 Conflicts of interest (full-scope UK AIFMs)

TP 15

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions: coming into force
1	The amendments made to *SYSC* 10 (by the Simplifying the Conflicts of Interest and Categorisation Rules Instrument 2026)	R	The amendments made to *SYSC* 10 do not apply to a *full-scope UK AIFM*.	From 20 November 2026 until the date on which the revocation of articles 30 to 36 of the *AIFMD level 2 regulation* takes effect	20 November 2026
2	The amendments	R	A *full-scope UK AIFM* is not subject	From 20 November 2026	20 November 2026

	made to *SYSC* 10 (by the Simplifying the Conflicts of Interest and Categorisation Rules Instrument 2026)		to the amendments made by the Simplifying the Conflicts of Interest and Categorisation Rules Instrument 2026 to *SYSC* 10 until the date on which the revocation of articles 30 to 36 of the *AIFMD level 2 regulation* takes effect. Until that date, *SYSC* 10 applies to a *full-scope UK AIFM* as it had effect immediately before 20 November 2026, and articles 30 to 36 of the *AIFMD level 2 regulation* continue to apply.	until the date on which the revocation of articles 30 to 36 of the *AIFMD level 2 regulation* takes effect	

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, striking through indicates deleted text.

2 Conduct of business obligations

…

2.3A Inducements relating to MiFID, equivalent third country or optional exemption business and insurance-based investment products

…

Rules on inducements

…

2.3A.7 E A *firm* which fails to comply with *COBS* 2.3A.5R is to be regarded as not fulfilling its obligations in relation to:

(1) conflicts of interest (see ~~*SYSC* 3.3 (for *insurers* and *managing agents*) and~~ *SYSC* 10 ~~(for other *firms*)~~); and

…

…

9B Targeted support

…

9B.8 Charging and remuneration

…

Other relevant requirements

9B.8.13 G *Firms* are reminded of their obligations:

(1) relating to the identification and management of conflicts of interest under ~~*SYSC* 3.3 (for *insurers*) and~~ *SYSC* 10 ~~(for other *firms*)~~;

…

Annex C

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Product governance: IDD and pathway investments

4.1 General

Other requirements for insurance distribution activities

4.1.1 R This chapter does not affect the application of other requirements in the *FCA Handbook* applying to *firms* in relation to their *insurance distribution activities* including but not limited to:

…

(4) identification and management of conflicts of interest (*SYSC* 10.1 for ~~intermediaries or *SYSC* 3.3 for insurers~~ *insurance distributors*); and

…

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