

Glossary

- (d) The Chartered Institute for Securities and Investment;
- (e) The Chartered Institute of Bankers in Scotland;
- (f) The ifs School of Finance; [Note: The ifs School of Finance acts through its Institute of Financial Services]
- (g) The Institute of Chartered Accountants in England and Wales;
- (h) The Pensions Management Institute.

(B) In the FCA Handbook

any of the following bodies recognised by the FCA the purpose of providing the independent verification required under ■ TC 2.1.27 R

- (a) CFA Society of the UK;
- (b) The Chartered Insurance Institute;
- (c) The Institute of Financial Planning;
- (d) The Chartered Institute for Securities and Investment;
- (e) The Chartered Institute of Bankers in Scotland;
- (f) The ifs University College; [Note: The ifs University College acts through its Institute of Financial Services]
- (g) The Institute of Chartered Accountants in England and Wales;
- (h) The Pensions Management Institute.

accumulating with-profits policy

FCA PRA

a *with-profits insurance contract* which has a readily identifiable current benefit, whether or not this benefit is currently realisable, which is adjusted by an amount explicitly related to the amount of any *premium* payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit or a policy with similar characteristics.

accumulation unit

FCA PRA

a *unit* in respect of which income is credited periodically to *capital property* under ■ COLL 6.8.3 R (Income allocation and distribution).

ACD

FCA PRA

authorised corporate director.

acknowledgement letter fixed text

FCA

(in ■ CASS 11) the text in the template acknowledgement letters in ■ CASS 11 Annex 1 that is not in square brackets.

acknowledgement letter variable text

FCA

(in ■ CASS 11) the text in the template acknowledgment letters in ■ CASS 11 Annex 1 that is in square brackets.

ACS

FCA PRA

an *authorised contractual scheme.*

Act

FCA **PRA**

acting as the depositary of an authorised contractual scheme

FCA

acting as the depositary or sole director of an open-ended investment company

FCA **PRA**

acting as trustee of an authorised unit trust scheme

FCA **PRA**

acting as trustee or depositary of a UCITS

FCA **PRA**

acting as trustee or depositary of an AIF

FCA **PRA**

actuarial body

FCA **PRA**

actuarial function

FCA **PRA**

the Financial Services and Markets Act 2000.

the *regulated activity*, specified in article 51(1)(bb) of the *Regulated Activities Order* (Establishing etc. a collective investment scheme), of acting as the depositary of an *authorised contractual scheme*.

the *regulated activity*, specified in article 51(1)(c) of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of acting as the depositary or sole director of an *open-ended investment company*.

the *regulated activity*, specified in article 51(1)(b) of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of acting as a *trustee* of an *authorised unit trust scheme*.

the *regulated activity*, specified in article 51ZB of the *Regulated Activities Order* which is, in summary, acting as:

- (a) a trustee of an *authorised unit trust scheme*; or
- (b) a depositary of an *open-ended investment company*; or
- (c) a depositary of an *authorised contractual scheme*;

where that company or *scheme* is a UCITS.

the *regulated activity*, specified in article 51ZD of the *Regulated Activities Order*, which is, in summary, acting as:

- (a) a depositary of an AIF falling within article 51ZD(2) of the *Regulated Activities Order*;
- (b) the *trustee* of an *authorised unit trust* which is an AIF that does not fall within article 51ZD(2) of the *Regulated Activities Order*;
- (c) the depositary of an *open-ended investment company* or of an *authorised contractual scheme* which is an AIF that does not fall within article 51ZD(2) of the *Regulated Activities Order*.

the Institute of Actuaries or the Faculty of Actuaries.

(in the *PRA Handbook*) *PRA controlled function* CF12 in the *table of PRA controlled functions*, described more fully in ■ SUP 4.3.13 R and ■ SUP 10B.8.1 R

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<p><i>actuarial health insurance</i></p> <p>FCA PRA</p>	<p>(in the context of the <i>rules</i> in ■ INSPRU 1.1 concerning the calculation of the <i>general insurance capital requirement</i>), health insurance which meets all the conditions set out in ■ INSPRU 1.1.72 R.</p>
<p><i>actuarial investigation</i></p> <p>FCA PRA</p>	<p>an investigation to which ■ IPRU-INS rule 9.4 applies.</p>
<p><i>actuarial valuation date</i></p> <p>FCA PRA</p>	<p>the date as at which the <i>mathematical reserves</i> are calculated.</p>
<p><i>actuary</i></p> <p>FCA PRA</p>	<p>a fellow of an <i>actuarial body</i> or (in connection with <i>general insurance business</i>) a Fellow of the Casualty Actuarial Society who is a member of an <i>actuarial body</i>.</p>
<p><i>actuating purpose</i></p> <p>FCA PRA</p>	<p>a purpose which motivates or incites a <i>person</i> to act.</p>
<p><i>additional tier 1 capital</i></p> <p>FCA</p>	<p>as defined in article 61 of the <i>EU CRR</i>.</p>
<p><i>additional tier 1 instrument</i></p> <p>FCA</p>	<p>a capital instrument that qualifies as an additional tier 1 capital instrument under article 52 of the <i>EU CRR</i>.</p>
<p><i>adequate public disclosure</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) disclosure made in accordance with the procedure laid down in Articles 102(1) and 103 of the <i>Consolidated Admissions and Reporting Directive</i>.</p>
<p><i>administering a home finance transaction</i></p> <p>FCA PRA</p>	<p>any of the <i>regulated activities</i> of <i>administering a regulated mortgage contract</i>, <i>administering a home purchase plan</i>, <i>administering a home reversion plan</i> or <i>administering a regulated sale and rent back agreement</i>.</p>
<p><i>administering a home purchase plan</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 63F(2) of the <i>Regulated Activities Order</i>, which is in summary: administering a <i>home purchase plan</i> where the plan was entered into by way of business on or after 6 April 2007.</p>
<p><i>administering a home reversion plan</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 63B(2) of the <i>Regulated Activities Order</i>, which is in summary: administering a <i>home reversion plan</i> where the plan was entered into on or after 6 April 2007.</p>

administering a regulated lifetime mortgage contract

FCA **PRA**

the *regulated activity*, specified in article 61(2) of the *Regulated Activities Order*, which is in summary: administering a *regulated mortgage contract* (which is a *lifetime mortgage*) where the contract was entered into on or after 31 October 2004.

administering a regulated mortgage contract

FCA **PRA**

the *regulated activity*, specified in article 61(2) of the *Regulated Activities Order*, which is in summary: administering a *regulated mortgage contract* where the contract was entered into on or after 31 October 2004.

administering a regulated sale and rent back agreement

FCA **PRA**

the *regulated activity*, specified in article 63J(2) of the *Regulated Activities Order*, which is in summary any of the following:

- (a) notifying the agreement seller of changes in payment due under a *regulated sale and rent back agreement* or of other matters of which that *agreement* requires him to be notified;
- (b) taking any necessary steps for the purpose of making payments to the agreement seller under that *agreement*; and
- (c) taking any necessary steps for the purposes of collecting or recovering payments due under that *agreement* from the agreement seller;

but a *person* is not to be treated as administering a *regulated sale and rent back agreement* because he has, or exercises, a right to take action for the purposes of enforcing that *agreement* (or to require that such action is or is not taken);

and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009.

administering a specified benchmark

FCA

The *regulated activity*, specified in article 63O(1)(b) of the *Regulated Activities Order*, which means:

- (1) administering the arrangements for determining a *specified benchmark*, or
- (2) collecting, analysing or processing information or expressions of opinion for the purpose of determining a *specified benchmark*, or
- (3) determining a *specified benchmark* through the application of a formula or other method of calculation to the information or expressions of opinion provided for that purpose.

administrative expenses

FCA **PRA**

has the meaning set out in the *insurance accounts rules*.

administrative functions

FCA **PRA**

- (a) (in relation to managing *investments*):
 - (i) arranging settlement;
 - (ii) monitoring and processing corporate actions;
 - (iii) *client* account administration, liaison and reporting, including valuation and performance measurement;

- (iv) *ISA* or *CTF* administration;
- (v) *investment trust savings scheme* administration;
- (b) (in relation to *effecting* or carrying out *life policies*):
 - (i) new business administration;
 - (ii) *policy* alterations including surrenders and *policy* loans;
 - (iii) preparing *projections*;
 - (iv) processing claims including pension payments;
 - (v) fund switching;
- (c) (in relation to the operation of a *stakeholder pension scheme*):
 - (i) new business administration;
 - (ii) receipt of or alteration to contributions;
 - (iii) preparing *projections* and annual statements;
 - (iv) administration of transfers;
 - (v) handling claims, including pension payments;
 - (vi) fund allocation and switching.

admissible asset

FCA **PRA**

(1) (for the purpose of the *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's, the *Society* and *managing agents*) an asset that , subject to paragraphs (2) and (3) of ■ *GENPRU 2 Annex 7 R*, falls into one or more categories in paragraph (1) of ■ *GENPRU 2 Annex 7 R* as modified by ■ *GENPRU 2.3.34 R*.

(2) otherwise:

(a) (in relation to an *insurer* which is not a *pure reinsurer*) an asset that, subject to paragraphs (2) and (3) of ■ *GENPRU 2 Annex 7 R*, falls into one or more categories in paragraph (1) of ■ *GENPRU 2 Annex 7 R* ; or

(b) (in relation to a *pure reinsurer*) an asset the holding of which is consistent with compliance by the *firm* with ■ *INSPRU 3.1.61A R*.

admission or admission to listing

FCA **PRA**

(in *LR*) *admission of securities* to the *official list*.

admission to trading

FCA **PRA**

(1) (in *LR*) admission of *securities* to trading on an *RIE*'s market for *listed securities*.

(2) (in *PR* and *DTR*) admission to trading on a *regulated market*.

(3) (elsewhere in the *Handbook*)(in relation to an *investment* and an exchange) the process by which the exchange permits members of the exchange to enter into transactions in that *investment* under and subject to the rules of the exchange.

advance payment

FCA

includes any deposit but does not include a *repayment of credit* or any insurance premium or any amount entering in the *total charge for credit*.

advanced IRB approach

FCA **PRA**

one of the following:

(a) (in relation to the *sovereign, institutional and corporate IRB exposure class*) the approach under the *IRB approach* under which a *firm* supplies its own estimates of *LGD* and *conversion factors*;

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

advanced measurement approach

PRA

one of the following:

(a) the adjusted method of calculating the *operational risk capital requirement* set out in ■ BIPRU 6.5 (Operational risk: advanced measurement approaches);

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

advanced prudential calculation approach

FCA **PRA**

one of the following:

(a) the *IRB approach*; or

(b) the *advanced measurement approach*; or

(c) the *VaR model approach*; or

(d) the *CAD 1 model approach*; or

(e) the *master netting agreement internal models approach*; or

(f) the *CCR internal model method*;

including, in each case, whatever corresponds to that approach under the rules of or administered by a *regulatory body* other than the *appropriate regulator* .

advanced prudential calculation approach permission

FCA

one of the following:

(a) an *IRB permission*; or

(b) an *AMA permission*; or

(c) a *VaR model permission*; or

(d) a *CAD 1 model waiver*; or

(e) a *master netting agreement internal models approach permission*; or

(f) a *CCR internal model method permission*.

advertisement

FCA **PRA**

(in *PR* and ■ *LR 4*) (as defined in the *PD Regulation*) announcements:

(a) relating to a specific offer to the public of securities or to an admission to trading on a regulated market; and

(b) aiming to specifically promote the potential subscription or acquisition of securities.

adviser

FCA PRA

(1) (except in IPRU(INV) 13) an individual who is: a *representative*, an *appointed representative* or a *tied agent*

(2) (in IPRU(INV) 13) a *financial adviser*.

adviser charge

FCA PRA

any form of charge payable by or on behalf of a *retail client* to a *firm* in relation to the provision of a *personal recommendation* by the *firm* in respect of a *retail investment product* (or any related service provided by the *firm*) which:

(a) is agreed between that *firm* and the *retail client* in accordance with the *rules* on adviser charging and remuneration (■ COBS 6.1A); and

(b) is not a *consultancy charge*.

advising on a home finance transaction

FCA PRA

any of the *regulated activities* of *advising on regulated mortgage contracts*, *advising on a home purchase plan*, *advising on a home reversion plan* or *advising on a regulated sale and rent back agreement*.

advising on a home purchase plan

FCA PRA

the *regulated activity*, specified in article 53C of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

(a) is given to him in his capacity as a *home purchaser* or potential *home purchaser*; and

(b) is advice on the merits of his:

(i) entering into a particular *home purchase plan*; or

(ii) varying the terms of a *home purchase plan* entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.

advising on a home reversion plan

FCA PRA

the *regulated activity*, specified in article 53B of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

(a) is given to him in his capacity as *reversion occupier* or plan provider or potential *reversion occupier* or potential plan provider; and

(b) is advice on the merits of his:

(i) entering into a particular *home reversion plan*; or

(ii) varying the terms of a *home reversion plan* entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.

advising on a regulated sale and rent back agreement

FCA PRA

the *regulated activity*, specified in article 53D of the *Regulated Activities Order*, which is in summary advising a *person* if the advice:

(a) is given to a *person* in his capacity as:

(i) an agreement seller or potential agreement seller; or

(ii) an agreement provider or potential agreement provider; and

(b) is advice on the merits of his doing either of the following:

(i) entering into a particular *regulated sale and rent back agreement*; or

(ii) varying the terms of a *regulated sale and rent back agreement* entered into on or after 1 July 2009 by him as agreement seller or agreement provider, in such a way as to vary his obligations under that *agreement* and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this part of the

advising on investments

FCA **PRA**

definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009.

(1) (except in ■ SUP 10A (Approved Persons) and APER) the *regulated activity*, specified in article 53 of the *Regulated Activities Order* (Advising on investments), which is in summary: advising a *person* if the advice is:

(a) given to the *person* in his capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor; and

(b) advice on the merits of his doing any of the following (whether as principal or agent):

(i) *buying, selling*, subscribing for or underwriting a particular *investment* which is a *security* or *relevant investment* (that is, any *designated investment, funeral plan contract, pure protection contract, general insurance contract* or right to or interests in a *funeral plan contract*); or

(ii) exercising any right conferred by such an *investment* to *buy, sell*, subscribe for or underwrite such an *investment*.

(2) (in ■ SUP 10A (Approved Persons) and APER) the *regulated activity* specified in article 53 (Advising on investments) of the *Regulated Activities Order*. For these purposes, *advising on investments* includes any activities that would be included but for the exclusion in article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*.

advising on investments (except pension transfers and pension opt-outs)

FCA **PRA**

advising on investments except in respect of *pension transfers* and *pension opt-outs*.

advising on pension transfers and pension opt-outs

FCA **PRA**

advising on *investments* in respect of *pension transfers* and *pension opt-outs*.

advising on regulated mortgage contracts

FCA **PRA**

the *regulated activity*, specified in article 53A of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

(a) is given to the *person* in his capacity as a borrower or potential borrower; and

(b) is advice on the merits of his:

(i) entering into a particular *regulated mortgage contract*; or

(ii) varying the terms of a *regulated mortgage contract* entered into by him on or after 31 October 2004 in such a way as to vary his obligations under that contract.

*advising on
syndicate
participation at
Lloyd's*

FCA **PRA**

the *regulated activity*, specified in article 56 of the *Regulated Activities Order* (Advice on syndicate participation at Lloyd's), of advising a *person* to become, or continue or cease to be, a member of a particular Lloyd's *syndicate*.

affected person

FCA

(in *COLL*):

(a) (in relation to an *ICVC*):

- (i) the *ICVC*;
- (ii) its *depository*;
- (iii) a *director* of the *ICVC*;
- (iv) any *investment adviser* of the *ICVC*;
- (v) any *associate* of any *person* in (a)(i), (ii), (iii) or (iv);
- (vi) the auditor of the *scheme*;

(b) (in relation to an *AUT*):

- (i) the *manager*;
- (ii) the *trustee*;
- (iii) any *investment adviser* of the *manager*;
- (iv) any *associate* of any *person* in (b)(i), (ii) or (iii);
- (v) the auditor of the *scheme*.

(c) (in relation to an *ACS*):

- (i) the *authorised fund manager*;
- (ii) the *depository*;
- (iii) any *investment adviser* of the *authorised fund manager*;
- (iv) any *associate* of any *person* in (c)(i), (ii) or (iii);
- (v) the auditor of the *scheme*;
- (vi) the *nominated partner*.

*affiliated
company*

FCA **PRA**

(in relation to a *person*) an *undertaking* in the same *group* as that *person*.

AFM

FCA **PRA**

authorised fund manager.

agent

FCA **PRA**

(in relation to *payment services* or *electronic money*) a *person* who acts on behalf of a *payment institution* or an *electronic money institution* in providing *payment services*.

[Note: article 4(22) of the *Payment Services Directive*]

*agreeing to
carry on a
regulated
activity*

(A) In the PRA Handbook:

the *regulated activity*, specified in article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity), of agreeing to carry on an activity specified in Part II

FCA PRA

or Part 3A of that Order other than:

- (a) *accepting deposits;*
- (aa) *issuing electronic money;*
- (b) *effecting contracts of insurance;*
- (c) *carrying out contracts of insurance;*
- (d) *establishing, operating or winding up a collective investment scheme;*
- (e) *acting as trustee of an authorised unit trust scheme;*
- (f) *acting as the depositary or sole director of an open-ended investment company;*
- (ff) *acting as the depositary of an authorised contractual scheme;*
- (g) *establishing, operating or winding up a stakeholder pension scheme*
- (h) *establishing, operating or winding up a personal pension scheme.*

(B) In the FCA Handbook:

the *regulated activity*, specified in article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity), of agreeing to carry on an activity specified in Part II or Part 3A of that Order other than:

- (a) *accepting deposits;*
- (aa) *issuing electronic money;*
- (b) *effecting contracts of insurance;*
- (c) *carrying out contracts of insurance;*
- (ca) *managing a UCITS;*
- (cb) *acting as trustee or depositary of a UCITS;*
- (cc) *managing an AIF;*
- (cd) *acting as trustee or depositary of an AIF;*
- (d) *establishing, operating or winding up a collective investment scheme;*
- (e) *acting as trustee of an authorised unit trust scheme;*
- (f) *acting as the depositary or sole director of an open-ended investment company;*
- (ff) *acting as the depositary of an authorised contractual scheme;*
- (g) *establishing, operating or winding up a stakeholder pension scheme*
- (h) *establishing, operating or winding up a personal pension scheme.*

alternative investment fund.

AIF

FCA PRA

AIF custodial assets

FCA

financial instruments of an AIF that can be:

- (a) registered in a *financial instruments* account opened in the *depository's* books; or
- (b) physically delivered to the *depository*.

[Note: recital 100 and articles 88 (Financial instruments to be held in custody) and 89(3) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation*.]

AIFM

FCA **PRA**

alternative investment fund manager.

AIFM
investment firm

FCA **PRA**

a *firm* which:

(a) is:

- (i) a *full-scope UK AIFM*; or
- (ii) an *incoming EEA AIFM branch*; and

(b) has a *Part 4A permission* (or an equivalent permission from its *Home State regulator*) for *managing investments* where:

- (i) the *investments* managed include one or more *financial instruments*; and
- (ii) the *permission* is limited to the activities permitted by article 6(4) of *AIFMD*.

AIFM
investment management functions

FCA

investment management functions of an *AIFM* as set out in 1(a) (portfolio management) or (b) (risk management) of Annex I to *AIFMD*.

AIFM
management functions

FCA **PRA**

the management functions of an *AIFM* listed in Annex I to *AIFMD*.

AIFM qualifier

FCA **PRA**

an *EEA AIFM* which is *marketing*, or has *marketed*, an *AIF* in the *UK* by:

- (a) exercising its *EEA right to market* under Schedule 3 of the *Act* (*EEA Passport Rights*); and
- (b) is not exercising a right to manage a *UK AIF* under Schedule 3 of the *Act*.

AIFM
Remuneration Code

FCA

as set out in ■ SYSC 19B (*AIFM Remuneration Code*).

AIFM
Remuneration Code staff

FCA

(for an *AIFM*) has the meaning given in ■ SYSC 19B.1.3 R.

AIFM
remuneration principles

FCA

the principles set out in ■ SYSC 19B.1.5 R to ■ SYSC 19B.1.24 R.

AIFMD

FCA **PRA**

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives

<p><i>AIFMD host state requirements</i></p> <p>FCA PRA</p>	<p>2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF)</p> <p>.</p> <p><i>Handbook rules</i> transposing articles 12 and 14 of <i>AIFMD</i> and which fall under the responsibility of the <i>Host State</i> to supervise where an <i>AIFM</i> manages or <i>markets</i> an <i>AIF</i> through a <i>branch</i> in that <i>EEA State</i>, namely:</p> <p>(a) ■ FUND 3.8;</p> <p>(b) ■ SYSC 4.1.2C R;</p> <p>(c) ■ SYSC 10.1.22 R to ■ SYSC 10.1.26 R; and</p> <p>(d) ■ COBS 2.1.4 R.</p>
<p><i>AIFMD level 2 regulation</i></p> <p>FCA PRA</p>	<p>Commission delegated regulation (EU) No 231/2013 supplementing Directive 2011/16/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:083:0001:0095:en:PDF)</p> <p>.</p>
<p><i>AIFMD UK regulation</i></p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook: the Alternative Investment Fund Managers Regulations 2013 (SI 2013/....)</p> <p>(B) In the FCA Handbook: the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773)</p>
<p><i>aircraft</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 5 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft.</p>
<p><i>aircraft liability</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 11 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against damage arising out of or in connection with the use of aircraft, including third-party risks and carrier's liability.</p>
<p><i>all price risk measure</i></p> <p>FCA PRA</p>	<p>(in ■ BIPRU 7.10 (Use of a Value at Risk Model)) has the meaning in ■ BIPRU 7.10.116A R (Capital calculations for VaR models), which is, in relation to a <i>business day</i>, the <i>all price risk measure</i> required under the provisions in ■ BIPRU 7.10 about <i>specific risk</i> for the <i>correlation trading portfolio</i>.</p>
<p><i>allocation period</i></p> <p>FCA PRA</p>	<p>a single 24-hour period or, with the agreement of each <i>professional client</i> concerned, a period spanning five consecutive <i>business days</i>, during which an aggregated <i>series of transactions</i> may be <i>executed</i>.</p>
<p><i>allotment</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) the process or processes by which the number of <i>relevant securities</i> to be received by investors who have previously subscribed or applied for them is determined.</p>
<p><i>alternative debenture</i></p> <p>FCA PRA</p>	<p>the <i>investment</i> specified in article 77A of the <i>Regulated Activities Order</i> (Alternative finance investment bonds).</p>

alternative investment fund

FCA **PRA**

(in accordance with article 4(1)(a) of *AIFMD*) a collective investment undertaking, including investment compartments thereof, which:

- (a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and
- (b) does not require authorisation pursuant to article 5 of the *UCITS Directive*.

alternative investment fund manager

FCA **PRA**

(1) (in **GENPRU 3.1**) a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of Directive 2011/61/EU or an *undertaking* which is outside the *EEA* and which would require authorisation in accordance with Directive 2011/61/EU if it had its registered office within the *EEA*.

(2) (except in **GENPRU 3.1** and in accordance with article 4(1)(b) of *AIFMD*) a legal person whose regular business is performing *AIFM investment management functions* for one or more *AIF*.

alternative projection

FCA **PRA**

(in *COBS*) a *projection* calculated on the basis described in paragraph 1.5R of the *projection rules* (**COBS 13 Annex 2**), rather than in accordance with the remainder of those *rules*.

alternative standardised approach

FCA **PRA**

one of the following:

- (a) a version of the *standardised approach to operational risk* under which a *firm* uses different indicators for certain business lines as referred to in **BIPRU 6.4.19 R** (The alternative standardised approach);
- (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with **BIPRU 8** (Group risk - consolidation); or
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

AMA

FCA **PRA**

the *advanced measurement approach*.

AMA permission

PRA

an *Article 129 implementing measure*, a *requirement* or a *waiver* that requires a *BIPRU firm* or a *CAD investment firm* to use the *advanced measurement approach to operational risk* on a solo basis or, if the context requires, a consolidated basis.

ancillary activity

FCA **PRA**

an activity which is not a *regulated activity* but which is:

- (a) carried on in connection with a *regulated activity*; or
- (b) held out as being for the purposes of a *regulated activity*.

ancillary insurance services undertaking

FCA **PRA**

(in relation to any *undertaking* in a *consolidation group*, *sub-group* or other group of *persons*) an *undertaking* complying with the following conditions:

- (a) its principal activity consists of:
 - (i) owning or managing property; or
 - (ii) managing data-processing services; or
 - (iii) any other similar activity;

ancillary risk

FCA PRA

(b) the activity in (a) is ancillary to the principal activity of one or more *insurance undertakings*; and

(c) those *insurance undertakings* are also members of that *consolidation group, sub-group* or other group of *persons* .

(in relation to an *insurer* with *permission* under the *Act* to insure a principal risk belonging to one *class* (as defined for the purposes of *INSPRU* and *SUP*) of *general insurance business*) a risk included in another such class which is:

(a) connected with the principal risk,

(b) concerned with the object which is covered against the principal risk, and

(c) the subject of the same contract insuring the principal risk.

However, the risks included in *classes* 14, 15 and 17 may not be treated as risks ancillary to other classes, except that the risk included in *class* 17 (legal expenses insurance) may be regarded as an ancillary risk of *class* 18 where:

(d) the conditions laid down in (a) to (c) are fulfilled, and

(e) the principal risk relates solely to assistance provided for *persons* who fall into difficulties while travelling, while away from home or while away from their permanent residence or where it concerns disputes or risks arising out of, or in connection with, the use of sea-going vessels.

ancillary service

FCA PRA

(A) In the PRA Handbook:

any of the services listed in Section B of Annex I to *MiFID*, that is:

(a) safekeeping and administration of *financial instruments* for the account of *clients*, including custodianship and related services such as cash/collateral management;

(b) granting credits or loans to an investor to allow him to carry out a transaction in one or more *financial instruments*, where the firm granting the credit or loan is involved in the transaction;

(c) advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;

(d) foreign exchange services where these are connected to the provision of *investment services*;

(e) *investment research* and financial analysis or other forms of general recommendation relating to transactions in *financial instruments*;

(f) services related to underwriting; and

(g) *investment services and activities* as well as ancillary services within (a) to (f), above, related to the underlying of the *derivatives* included under Section C - 5, 6, 7 and 10, that is (in accordance with that Annex and Recital 21 to, and Article 39 of, the *MiFID Regulation*):

(i) commodities;

(ii) climatic variables;

(iii) freight rates;

(iv) emission allowances;

(v) inflation rates or other official economic statistics;

(vi) telecommunications bandwidth;

(vii) commodity storage capacity;

(viii) transmission or transportation capacity relating to commodities, where cable, pipeline or other means;

(ix) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;

(x) a geological, environmental or other physical variable;

(xi) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;

(xii) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where these are connected to the provision of *investment services* or ancillary services.

[Note: article 4(1)(3) of *MiFID*]

(B) In the FCA Handbook:

(1) (except in *CONC*) any of the services listed in Section B of Annex I to *MiFID*, that is:

(a) safekeeping and administration of *financial instruments* for the account of *clients*, including custodianship and related services such as cash/collateral management;

(b) granting credits or loans to an investor to allow him to carry out a transaction in one or more *financial instruments*, where the firm granting the credit or loan is involved in the transaction;

(c) advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;

(d) foreign exchange services where these are connected to the provision of *investment services*;

(e) *investment research* and financial analysis or other forms of general recommendation relating to transactions in *financial instruments*;

(f) services related to underwriting; and

(g) *investment services and activities* as well as ancillary services within (a) to (f), above, related to the underlying of the *derivatives* included under Section C - 5, 6, 7 and 10, that is (in accordance with that Annex and Recital 21 to, and Article 39 of, the *MiFID Regulation*):

(i) commodities;

(ii) climatic variables;

(iii) freight rates;

(iv) emission allowances;

(v) inflation rates or other official economic statistics;

(vi) telecommunications bandwidth;

(vii) commodity storage capacity;

(viii) transmission or transportation capacity relating to commodities, where cable, pipeline or other means;

(ix) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;

(x) a geological, environmental or other physical variable;

ancillary
services
undertaking

FCA PRA

(xi) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;

(xii) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where these are connected to the provision of *investment services* or ancillary services.

[Note: article 4(1)(3) of *MiFID*]

(2) (in *CONC*) a service that relates to *entering into a regulated credit agreement as lender* and includes, in particular, an insurance or payment protection policy.

(A) In the PRA Handbook

(1) (in accordance with Article 4(21) of the *Banking Consolidation Directive* (Definitions) and subject to (2)) and in relation to an *undertaking* in a *consolidation group*, *sub-group* or another group of *persons*) an *undertaking* complying with the following conditions:

(a) its principal activity consists of:

- (i) owning or managing property; or
- (ii) managing data-processing services; or
- (iii) any other similar activity;

(b) the activity in (a) is ancillary to the principal activity of one or more *credit institutions* or *investment firms*; and

(c) those *credit institutions* or *investment firms* are also members of that *consolidation group*, *sub-group* or *group*.

(2) (for the purpose of ■ GENPRU 1.3 (Valuation) and ■ INSPRU 6.1 (Group Risk: Insurance Groups) an *undertaking* in (1) and an .

(B) In the FCA Handbook

(1) (in accordance with Article 4(21) of the *Banking Consolidation Directive* (Definitions) for the purpose of *GENPRU* (except in ■ GENPRU 3) and *BIPRU* (except in ■ BIPRU 12) and subject to (2)) and in relation to an *undertaking* in a *consolidation group*, *sub-group* or another group of *persons*) an *undertaking* complying with the following conditions:

(a) its principal activity consists of:

- (i) owning or managing property; or
- (ii) managing data-processing services; or
- (iii) any other similar activity;

(b) the activity in (a) is ancillary to the principal activity of one or more *credit institutions* or *investment firms*; and

(c) those *credit institutions* or *investment firms* are also members of that *consolidation group*, *sub-group* or *group*.

2) (for the purpose of ■ GENPRU 1.3 (Valuation) and ■ INSPRU 6.1 (Group Risk: Insurance Groups) an *undertaking* in (1) and an .

(3) (except in (1)) has the meaning in article 4(1)(18) of the *EU CRR*.

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) the exercise of an *overallotment facility* or of a *greenshoe option* by *investment firms* or *credit institutions*, in the context of a *significant distribution* of *relevant securities*, exclusively for facilitating *stabilisation* activity.

ancillary
stabilisation

FCA

announceable information

FCA PRA

information which is usually the subject of a public announcement, although not subject to any formal disclosure requirement.

annual accounting period

FCA PRA

(1) [deleted]

(2) (in *COLL*): the period determined in accordance with ■ *COLL 6.8.2 R (3)* to ■ *COLL 6.8.2 R (7)* (Accounting periods).

Annual Accounts

FCA PRA

(1) the Council Directive of 19 December 1991 concerning the annual accounts and consolidated accounts of *insurance undertakings* (No. 91/674/EEC).

(2) (in *UPRU*) accounts prepared to comply with :

(a) the Companies Acts 1985 to 1989, and their equivalent in Northern Ireland, where these provisions are applicable; or

(b) the Companies Act 2006; or

(c) other statutory obligations.

annual audited fixed expenditure

FCA PRA

(in *UPRU*) has the meaning given in ■ *UPRU 2.1.3 R* (Annual audited fixed expenditure).

annual bonus

FCA PRA

(in relation to a *with-profits insurance contract*) a discretionary addition to *policy* benefits under a *with-profits insurance contract* made by a *long-term insurer* as a result of the annual *actuarial investigation*.

annual budget

FCA PRA

the annual budgeted costs of operating the *Financial Ombudsman Service*.

annual eligible income

FCA PRA

(in *FEES*) (in relation to a *firm* and a *class*) the annual income (as described in ■ *FEES 6 Annex 3 R*) for the *firm's* last financial year ended in the year to 31 December preceding the date for submission of the information under ■ *FEES 6.5.13 R* attributable to that *class*. A *firm* must calculate *annual eligible income* from such annual income in one of the following ways:

(a) only include such annual income if it is attributable to business conducted with or for the benefit of *eligible claimants* and is otherwise attributable to compensatable business; or

(b) include all such annual income.

annual financial statements

FCA PRA

the financial statements in respect of the year ending on the *firm's* annual accounting reference date, which is the date to which a corporate *firm's* accounts are prepared for the purposes of the Companies Acts, or, where the *firm* is not subject to the Companies Acts, the equivalent date chosen by the *firm* and notified to the *FCA* or *PRA* as the case may be .

annual income

FCA PRA

(in *MIPRU*)

the income referred to in ■ *MIPRU 4.3*

annual income allocation date

FCA PRA

the date in any year stated in the most recently published *prospectus* as the date on or before which, in respect of each *annual accounting period*, an allocation of income is to be made.

annual percentage rate

FCA PRA

the annual percentage rate of charge for a contract as calculated in accordance with ■ MCOB 10 (Annual percentage rate).

annual percentage rate of charge

FCA

(1) (in ■ CONC App 1.1) the rate of the *total charge for credit* (calculated in accordance with ■ CONC App 1.1.7 R).

(2) (in ■ CONC App 1.2) the rate of the *total charge for credit* (calculated in accordance with ■ CONC App 1.2.4 R), expressed as an annual percentage of the *total amount of credit*.

annual report and accounts

FCA PRA

(a) (in relation to a *company* incorporated in the *United Kingdom*) an annual report and annual accounts as those terms are defined in:

(i) section 262(1) of the Companies Act 1985, together with an auditor's report prepared in relation to those accounts under section 235 of the same Act where these provisions are applicable; or

(ii) section 471 of the Companies Act 2006 together with an auditor's report prepared in relation to those accounts under sections 495 to 497 of the same Act;

(b) (in relation to any other body) any similar or analogous *documents* which it is required to prepare whether by its constitution or by the law under which it is established.

annual statement provisions

FCA PRA

(in MCOB) in relation to a:

(a) *regulated mortgage contract*, ■ MCOB 7.5;

(b) *home purchase plan*, ■ MCOB 7.8.3 R to ■ MCOB 7.8.6 R; and

(c) *instalment reversion plan*, ■ MCOB 9.9.1 R to ■ MCOB 9.9.3 R (2)(c).

annualised net written premiums

FCA PRA

(for the purposes of ■ INSPRU 1.4) in relation to a *financial year*, the *net written premiums* received during that *financial year*, except that in relation to a *financial year* that has been validly extended beyond, or shortened from, a period of 12 months, the amount of *net written premiums* is the amount determined in accordance with the formula: $NWP \times 365/D$ where:

(1) NWP is the amount of *net written premiums* received in the financial year; and

(2) D is the number of days in that *financial year*.

APER

FCA PRA

the part of the *Handbook* in High Level Standards which has the title Statements of Principle and Code of Practice for Approved Persons.

applicable asset

FCA

(a) in relation to *MiFID business*, a *financial instrument*; or

(b) in relation to *safeguarding and administering investments* that is not *MiFID business*, acting as trustee or depositary of a UCITS, and/or acting as trustee or depositary of an AIF, a *designated investment*.

applicable provisions

FCA PRA

the *Host State* rules with which:

(a) an *incoming EEA firm* is required to comply when carrying on a *permitted activity* through a *branch* or by providing services (as applicable) in the *United Kingdom*, as defined in paragraphs 13(4) and 14(4) of Part II of Schedule 3 to the *Act* (Exercise of passport rights by EEA firms); or

(b) a *UK firm* is required to comply when conducting business through a *branch* (in accordance with paragraph 19(13) of Part III of Schedule 3 to the *Act* (Exercise of passport rights by UK firms)) or by providing services (as applicable) in another *EEA State*.

applicable sectoral consolidation rules

FCA PRA

(in respect of a *financial sector* and in accordance with paragraph 6.9 of ■ GENPRU 3 Annex 1 R (Applicable sectoral consolidation rules)) the *appropriate regulator's sectoral rules* about capital adequacy and solvency on a consolidated basis applicable to that *financial sector* under the table in paragraph 6.10 of

■ GENPRU 3 Annex 1 R.

applicable sectoral rules

FCA PRA

(in respect of a *financial sector*) *applicable sectoral consolidation rules* for that *financial sector* and the *appropriate regulator's sectoral rules* about capital adequacy and solvency for:

(a) the *banking and investment services sector* as set out in paragraph 6.2 of ■ GENPRU 3 Annex 1 R; or

(b) *insurance undertakings*;

which of those sets of *rules* apply for the purpose of a particular calculation depends on the nature of that calculation.

applicant

FCA PRA

(1) (in *LR*) an *issuer* which is applying for *admission* of *securities*.

(2) (in *PR*) an applicant for approval of a *prospectus* or *supplementary prospectus* relating to *transferable securities*.

appointed representative

FCA PRA

(A) In the PRA Handbook:

(in accordance with section 39 of the *Act* (other than an *authorised person*) who:

(a) is a party to a contract with an *authorised person* (his *principal*) which:

(i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and

(ii) complies with such requirements as are prescribed in those *Regulations*; and

(b) is someone for whose activities in carrying on the whole or part of that business his *principal* has accepted responsibility in writing;

and who is therefore an *exempt person* in relation to any *regulated activity* comprised in the carrying on of that business for which his *principal* has accepted responsibility.

(B) In the FCA Handbook:

(1) (in relation to cases apart from in (2) (in accordance with section 39 of the *Act* (other than an *authorised person*) a *person* who:

(a) is a party to a contract with an *authorised person* (his *principal*) which:

(i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and

<p style="text-align: right;">(ii) complies with such requirements as are prescribed in those Regulations; and</p> <p style="text-align: right;">(b) is someone for whose activities in carrying on the whole or part of that business his <i>principal</i> has accepted responsibility in writing;</p> <p>and who is therefore an <i>exempt person</i> in relation to any <i>regulated activity</i> comprised in the carrying on of that business for which his <i>principal</i> has accepted responsibility.</p> <p>(2) (in relation to a <i>firm</i> with a <i>permission</i> only to carry on one or more <i>regulated activities</i> prescribed for the purposes of section 39(1E)(a) of the <i>Act</i>) in accordance with section 39 of the <i>Act</i>, a person ("A") who:</p> <p style="text-align: right;">(a) is a party to a contract with another <i>authorised person</i> (A's <i>principal</i>) which:</p> <p style="text-align: right;">(i) permits or requires A to carry on business of a description prescribed in the <i>Appointed Representatives Regulations</i> ("the relevant business"); and</p> <p style="text-align: right;">(ii) complies with such requirements as are prescribed in those Regulations; and</p> <p style="text-align: right;">(b) is someone for whose activities in carrying on the whole or part of the relevant business A's <i>principal</i> has accepted responsibility in writing;</p> <p>and, therefore, to whom sections 20(1) and (1A) and 23(1A) of the <i>Act</i> do not apply in relation to the carrying on by A of a <i>regulated activity</i> which is not one to which A's <i>permission</i> relates, and is comprised in the carrying on of the business for which A's <i>principal</i> has accepted responsibility.</p>	<p>the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001 (SI 2001/1217).</p>
<p><i>Appointed Representatives Regulations</i></p> <p>FCA PRA</p>	
<p><i>apportionment and oversight function</i></p> <p>FCA PRA</p>	<p><i>FCA controlled function</i> CF8 in Parts 1 and Part 2 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.7.1 R .</p>
<p><i>appropriate actuary</i></p> <p>FCA PRA</p>	<p>an <i>actuary</i> appointed under ■ SUP 4.4.1 R (Appointment of an appropriate actuary).</p>
<p><i>appropriate charges information</i></p> <p>FCA PRA</p>	<p>(in COBS) information about charges which is calculated and presented in accordance with the charges <i>rules</i> in ■ COBS 13.4.1 R and ■ COBS 13 Annexes 3 or ■ 4.</p>
<p><i>appropriate position risk adjustment</i></p> <p>FCA PRA</p>	<p>(1) (in relation to a <i>position</i> treated under ■ BIPRU 7.6 (Option PRR)) the percentage figure applicable to that <i>position</i> under the table in ■ BIPRU 7.6.8 R (Appropriate Position Risk Adjustment);</p>

appropriate
regulator

FCA **PRA**

(2) (for any other purpose and in relation to a *position*) the *position risk adjustment* applicable to that position under BIPRU 7 (Market risk).

(1) in the *FCA Handbook*, the *FCA*; and in the *PRA Handbook*, the *PRA*;

(2)

(a) in ■ SUP 11 "appropriate regulator" has the meaning given in section 178 of the *Act*, and

(b) in ■ SUP 18 "appropriate regulator" has the meaning given in section 103A of the *Act*.

appropriate
UK regulator

FCA **PRA**

(1) in relation to an *EEA firm* (in accordance with Schedule 3 paragraph 13(4) and 14(4) to the *Act*), whichever of the *FCA* or *PRA* is the *competent authority* for the purposes of the relevant *Single Market Directive*;

(2) in relation to a *UK firm* (in accordance with Schedule 3 paragraph 18A to the *Act*),

(a) the *PRA*, where the *firm* is a *PRA-authorised person*; and

(b) in any other case, the *FCA*.

(3) in relation to a *Treaty firm* (in accordance with section 35(2A) of the *Act*),

(a) in the case of a *PRA-authorised person*, the *PRA*; and

(b) in any other case, the *FCA*.

appropriate
valuer

FCA **PRA**

(in *COLL*) a *person* who complies with the *requirements* of ■ COLL 5.6.18 R (7) (Investment in property) or ■ COLL 8.4.11 R (4) (Investment in property) .

approve

FCA **PRA**

(in relation to a *financial promotion*) approve the content of the *financial promotion* for the purposes of section 21 of the *Act* (Restrictions on financial promotion).

approved bank

FCA **PRA**

(except in *COLL*) (in relation to a *bank* account opened by a firm):

(a) if the account is opened at a branch in the *United Kingdom*:

(i) the Bank of England; or

(ii) the central bank of a member state of the *OECD*; or

(iii) a *bank*; or

(iv) a *building society* ; or

(v) a bank which is supervised by the central bank or other banking regulator of a member state of the *OECD*; or

(b) if the account is opened elsewhere:

(i) a bank in (a); or

(ii) a *credit institution* established in an *EEA State* other than the *United Kingdom* and duly authorised by the relevant *Home State regulator*; or

(iii) a bank which is regulated in the Isle of Man or the Channel Islands; or

(c) a bank supervised by the South African Reserve Bank; or

(d) any other bank that:

(i) is subject to regulation by a national banking regulator;

approved collateral

FCA **PRA**

(ii) is required to provide audited accounts;
 (iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has a surplus revenue over expenditure for the last two financial years; and
 (iv) has an annual audit report which is not materially qualified.
 (in *COLL*) any person falling within (a-c).

any form of security for the discharge of any liability arising from a *contingent liability investment* (other than a guarantee) which:

- (a) (in relation to an *on-exchange* transaction) is acceptable under the rules of the relevant exchange or *clearing house*; and
- (b) (in relation to an *OTC* transaction) would be acceptable for a similar transaction to the relevant exchange or *clearing house*.

approved counterparty

FCA **PRA**

any of the following:

- (a) an *approved credit institution*; or
- (b) a *firm* whose *permission* includes *dealing in investments as principal* with respect to *derivatives* which are not *listed*; or
- (c) a *MiFID investment firm* whose authorisation (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (b); or
- (d) in respect of a transaction involving a new issue of *securities* which are to be *listed*, the *issuer* or a *MiFID investment firm* acting on behalf of the *issuer*.

approved credit institution

FCA **PRA**

(A) In the PRA Handbook:

a *credit institution* recognised or permitted under the law of an *EEA State* to carry on any of the activities set out in Annex 1 to the *CRD*.

(B) In the FCA Handbook:

a *credit institution* recognised or permitted under the law of an *EEA State* to carry on any of the activities set out in Annex 1 to the *CRD*.

approved depositary

FCA **PRA**

any *depositary*:

- (a) which is subject to regulation by a national *regulatory body* in connection with its custody services;
- (b) which is required to prepare audited accounts;
- (c) whose latest annual audit report is not materially qualified; and
- (d) which
 - (i) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has surplus revenue over expenditure for the last two financial years; or
 - (ii) if not, nevertheless has adequate financial resources for its business.

approved derivative

FCA **PRA**

(1) (in *COLL*) a derivative which is traded or *dealt* in on an eligible derivatives market.

(2) (in *INSPRU*) a *derivative* in respect of which the conditions in **■** *INSPRU* 3.2.5 R are met.

approved financial institution

FCA **PRA**

any of the following:

- (a) the European Central Bank;
- (b) the central bank of an *EEA State*;
- (c) the International Bank for Reconstruction and Development;
- (d) the European Bank for Reconstruction and Development;
- (e) the International Finance Corporation;
- (f) the International Monetary Fund;
- (g) the Inter-American Development Bank;
- (h) the African Development Bank;
- (i) the Asian Development Bank;
- (j) the Caribbean Development Bank;
- (k) the European Investment Bank;
- (l) the *EU*; and
- (m) the European Atomic Energy Community.

approved index

FCA **PRA**

in relation to *permitted links*:

- (a) an index that is:
 - (i) calculated independently;
 - (ii) published at least once every week;
 - (iii) based on constituents that are *permitted links*; and
 - (iv) calculated on a basis that is made available to the public, and that includes both the rules for including and excluding constituents and the rules for valuation which must use an arithmetic average of the value of the constituents; or
- (b) a national index of retail prices published by or under the authority of a government, or by a body recognised under the national legislation, of a *Zone A country*; or
- (c) an index that is:
 - (i) based on constituents that are *permitted links*; and
 - (ii) in respect of which a *derivative* contract is *listed* ; or
- (d) the average earnings index when used for the purposes of orders made under section 148 of the Social Security Administration Act 1992 by the Department for Work and Pensions.

approved money-market instrument

FCA **PRA**

(in accordance with **■ COLL 5.2.7F R**) a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

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A25

approved person

FCA **PRA**

a *person* in relation to whom the *FCA* or the *PRA* has given its approval under section 59 of the *Act* (Approval for particular arrangements) for the performance of a *controlled function*.

approved quasi-derivative

a *quasi-derivative* in respect of which the conditions in **■ INSPRU 3.2.5 R** are met.

FCA PRA

*approved
reinsurance to
close*

FCA PRA

(a) a *reinsurance to close* effected before 1 January 2005; or

(b) an agreement under which *members* of a *syndicate* in one *syndicate year* ("the *reinsured members*") agree with the *members* of that *syndicate* in a later *syndicate year* or the *members* of one other *syndicate* ("the *reinsuring members*") that the *reinsuring members* will discharge, or procure the discharge of, or indemnify the *reinsured members* against, all known and unknown *insurance business* liabilities of the *reinsured members* arising out of the *insurance business* carried on by the *reinsured members* in that *syndicate year* that is:

(i) effected after 1 January 2005; and

(ii) not a balance transfer between two *syndicate years* where the *syndicate* has only one *member* and the *member* is the same in each of those years ; or

(c) an agreement under which *members* of a *syndicate* in one *syndicate year* ("the *reinsured members*") agree with a *subsidiary* of the *Society* that that *subsidiary* will discharge, or procure the discharge of, or indemnify the *reinsured members* against, all known and unknown *insurance business* liabilities of the *reinsured members* arising out of the *insurance business* carried on by the *reinsured members* in that *syndicate year* ("the *reinsured liabilities*") and where:

(i) that *subsidiary* is wholly owned by the *Society* and if from time to time the *subsidiary* has an *asset* or cash flow deficiency such that the *subsidiary* is unable to meet any of the liabilities which it has reinsured, the *Society* is legally obliged to pay to the *subsidiary* a sum equal to that deficiency; and

(ii) at the effective date of the agreement, the relevant *syndicate year* has been open for at least two years after the date at which it would normally have been closed in accordance with the policies and practices in relation to the *syndicate* concerned.

a trade-matching or reporting system approved by the *FCA* in accordance with Section 412A of the *Act*.

*approved
reporting
mechanism*

FCA PRA

*approved
security*

FCA PRA

(1) (in *COLL*) a *transferable security* that is admitted to *official listing* in an *EEA State* or is traded on or under the rules of an *eligible securities* market (otherwise than by the specific permission of the market authority).

(2) (in *INSPRU*) any of the following:

(a) any *security* issued or guaranteed by, or the repayment of the principal of which, or the interest on which, is guaranteed by, and any loans to or deposits with, any government, public or local authority or nationalised industry or undertaking, which belongs to a *Zone A country*;

(b) any loan to, or deposit with, an *approved financial institution*;

(c) any *debenture* issued before 31 December 1994 by the Agricultural Mortgage Corporation Limited or the Scottish Agricultural Securities Corporation Limited.

(3) (in *COBS*) any of the following:

(a) any *security* issued or guaranteed by, or the repayment of the principal of which, or the interest on which is guaranteed by, and

<p>any loan to or deposit with, any government, public or local authority or nationalised industry or undertaking that belongs to Zone A as defined in the <i>Banking Consolidation Directive</i>; or</p> <p>(b) any loan to, or deposit with, an <i>approved financial institution</i>; or</p> <p>(c) debentures issued before 31 December 1994 by the Agricultural Mortgage Corporation Ltd or the Scottish Agricultural Securities Corporation Ltd.</p>	<p>any loan to or deposit with, any government, public or local authority or nationalised industry or undertaking that belongs to Zone A as defined in the <i>Banking Consolidation Directive</i>; or</p> <p>(b) any loan to, or deposit with, an <i>approved financial institution</i>; or</p> <p>(c) debentures issued before 31 December 1994 by the Agricultural Mortgage Corporation Ltd or the Scottish Agricultural Securities Corporation Ltd.</p>
<p><i>approved stock lending transaction</i></p> <p>FCA PRA</p>	<p>a <i>stock lending</i> transaction in respect of which the conditions in ■ INSPRU 3.2.36 R have been met.</p>
<p>APR</p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p><i>annual percentage rate</i>.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (except in CONC) <i>annual percentage rate</i>.</p> <p>(2) (in CONC for a <i>credit agreement</i> secured on <i>land</i>) the <i>annual percentage rate of charge</i> for credit determined in accordance with the rules in ■ CONC App 1.1 and ■ CONC 3.6.9 R.</p> <p>(3) (in CONC for all other <i>credit agreements</i>) the <i>annual percentage rate of charge</i> for credit determined in accordance with the rules in ■ CONC App 1.2 and ■ CONC 3.5.13 R.</p>
<p>APR rules</p> <p>FCA PRA</p>	<p>■ MCOB 10.</p>
<p><i>arrangement</i></p> <p>FCA PRA</p>	<p>(as defined in section 59(10) of the <i>Act</i> (Approval for particular arrangements)) any kind of arrangement for the performance of a function of an <i>authorised person</i> ("A") which is entered into by A or any contractor of his with another <i>person</i>, including, in particular, that other <i>person's</i> appointment to an office, his becoming a partner, or his employment (whether under a contract of service or otherwise).</p>
<p><i>arranging</i></p> <p>FCA PRA</p>	<p>(a) (except in relation to a <i>home finance transaction</i>) <i>arranging (bringing about) deals in investments, making arrangements with a view to transactions in investments or agreeing to carry on either of those regulated activities</i>.</p> <p>(b) (in relation to a <i>regulated mortgage contract</i>) <i>arranging (bringing about) regulated mortgage contracts, making arrangements with a view to regulated mortgage contracts or agreeing to carry on either of those regulated activities</i>;</p> <p>(c) (in relation to a <i>home purchase plan</i>) <i>arranging (bringing about) a home purchase plan, making arrangements with a view to a home purchase plan or agreeing to carry on either of those regulated activities</i>.</p> <p>(d) (in relation to a <i>home reversion plan</i>) <i>arranging (bringing about) a home reversion plan, making arrangements with a view to a home reversion plan or agreeing to carry on either of those regulated activities</i>.</p>
<p><i>arranging (bringing about) a home finance transaction</i></p>	<p>any of the <i>regulated activities</i> of <i>arranging (bringing about) a regulated mortgage contract, arranging (bringing about) a home purchase plan, arranging (bringing about) a home reversion plan or arranging (bringing about) a regulated sale and rent back agreement</i>.</p>

FCA PRA

arranging (bringing about) a home purchase plan

FCA PRA

the *regulated activity*, specified in article 25C(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another person to:

- (a) enter into a *home purchase plan* as *home purchaser*; or
- (b) vary the terms of a *home purchase plan* entered into by him as *home purchaser* on or after 6 April 2007.

arranging (bringing about) a home reversion plan

FCA PRA

the *regulated activity*, specified in article 25B(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another person to:

- (a) enter into a *home reversion plan* as *reversion occupier* or as plan provider; or
- (b) vary the terms of a *home reversion plan* entered into by him as *reversion occupier* or as plan provider on or after 6 April 2007.

arranging (bringing about) a regulated sale and rent back agreement

FCA PRA

the *regulated activity*, specified in article 25E(1) of the *Regulated Activities Order*, which is in summary making arrangements:

- (a) for another *person* to enter into a *regulated sale and rent back agreement* as an agreement seller or as an agreement provider; or
- (b) for another *person* to vary the terms of a *regulated sale and rent back agreement*, entered into on or after 1 July 2009 by him as agreement seller or agreement provider, in such a way so as to vary his obligations under that *agreement* and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this part of the definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009;

including making arrangements with a view to a *person* who participates in the arrangements
entering into a regulated sale and rent back agreement as agreement seller or agreement provider.

arranging (bringing about) deals in investments

FCA PRA

the *regulated activity*, specified in article 25(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another *person* (whether as *principal* or agent) to *buy, sell, subscribe for or underwrite* a particular *investment* which is:

- (a) a *designated investment*; or
- (b) a *funeral plan contract*; or
- (c) the *underwriting capacity of a Lloyd's syndicate*; or
- (d) *membership of a Lloyd's syndicate*; or
- (da) a *pure protection contract*; or
- (db) a *general insurance contract*; or
- (e) *rights to or interests in investments* in (b), (c) or (d).

arranging (bringing about) regulated mortgage contracts

FCA PRA

the *regulated activity*, specified in article 25A(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another *person* to:

- (a) enter into a *regulated mortgage contract* as borrower; or
- (b) vary the terms of a *regulated mortgage contract* entered into by him as borrower on or after 31 October 2004.

(see also *arranging* (in relation to *regulated mortgage contracts*) and *making arrangements with a view to regulated mortgage contracts*.)

arranging deals in contracts of insurance written at Lloyd's

FCA **PRA**

the *regulated activity*, specified in article 58 of the *Regulated Activities Order* (Arranging deals in contracts of insurance written at Lloyd's), carried on by the *Society of Lloyd's* of arranging deals in *contracts of insurance* written at Lloyd's.

arranging qualifying credit

FCA **PRA**

the *controlled activity*, specified in paragraph 10A of Schedule 1 to the *Financial Promotion Order*, of making arrangements:

- (a) for another *person* to enter as borrower into an agreement for the provision of *qualifying credit*; or
- (b) for a borrower under a *regulated mortgage contract*, entered into on or after 31 October 2004, to vary the terms of that contract.

arranging safeguarding and administration of assets

FCA **PRA**

that part of *safeguarding and administering investments* which consists solely of arranging for one or more other *persons* to carry on both:

- (a) the safeguarding of assets belonging to another; and
- (b) the administration of those assets.

arrears

FCA **PRA**

(in relation to a *regulated mortgage contract* or a *home purchase plan*) either:

- (a) a shortfall (equivalent to two or more regular payments) in the accumulated total payments actually made by the *customer* measured against the accumulated total amount of payments due to be received from the *customer*; or
- (b) remaining in breach, for more than one month, of an agreed borrowing limit or of an obligation to pay or repay where the loan or *home purchase plan* does not have a regular payment or repayment plan.

article 12(1) relationship

PRA

(A) (in the PRA Handbook):

means a relationship where *undertakings* are linked by a relationship within the meaning of article 12(1) of Directive 83/349 EEC.

Article 129 implementing measure

FCA **PRA**

any:

- (a) measure taken by the *appropriate regulator* under regulations 7-9 of the *Capital Requirements Regulations 2006*; or
- (b) corresponding measure taken by another *competent authority* to apply an *Article 129 permission* as referred to in the last paragraph of Article 129(2) of the *Banking Consolidation Directive*.

Article 129 permission

FCA **PRA**

a permission of the type referred to in Article 129(2) of the *Banking Consolidation Directive* (permission to apply the *IRB approach*, the *AMA approach* or the *CCR internal model method* on a consolidated basis) or Article 37(2) of the *Capital Adequacy Directive* (permission to apply the *VaR model approach* on a consolidated basis) excluding an *Article 129 implementing measure*.

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A29

Article 129 procedure

FCA **PRA**

the procedure described in Article 129(2) of the *Banking Consolidation Directive* (permission to apply the *IRB approach*, the *AMA approach* or the *CCR internal model method* on a consolidated basis) or that applies under Article 37(2) of the *Capital Adequacy Directive* (permission to apply the *VaR model approach* on a consolidated basis) for the purpose of applying for and granting or refusing an *Article 129 permission* or the procedure for varying or revoking an *Article*

Article 134
relationship

FCA PRA

129 *permission* in accordance with the *Banking Consolidation Directive* or the *Capital Adequacy Directive*.

(in accordance with Article 134 of the *Banking Consolidation Directive*) a relationship of one of the following kinds:

(a) where a *person* exercises a significant influence over one or more *persons*, but without holding a *participation* or other capital ties in these *persons* and without being a *parent undertaking* of these *persons*; or

(b) where two or more *persons* are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.

article 18(5)
relationship

FCA PRA

(A) (in the PRA Handbook)

the relationship where there are participations or capital ties other than those referred to in article 18(1) and (2) of the *EU CRR* (Methods for prudential consolidation).

(B) (in the FCA Handbook)

the relationship where there are participations or capital ties other than those referred to in article 18(1) and (4) of the *EU CRR* (Methods for prudential consolidation).

article 18(6)
relationship

FCA

(in accordance with article 18 of the *EU CRR* (Methods for prudential consolidation)) a relationship of one of the following kinds:

(a) where an *institution* exercises a significant influence over one or more *institutions* or *financial institutions*, but without holding a *participation* or other capital ties in these *institutions*; or

(b) where two or more *institutions* or *financial institutions* are placed under single management other than under a contract or clauses of their memoranda or articles of association.

article 9
default

FCA PRA

(as defined in article 2(2) of the *compensation transitionals order*) any of the following:

(a) the passing of a resolution for the voluntary winding up of an authorised insurance company within the meaning of section 3 of the Policyholders Protection Act 1975 in circumstances falling within section 5(1)(a) of that Act;

(b) the making by the court of an order for the winding up of such a company in accordance with section 5(1)(b) of that Act;

(c) the appointment of a provisional liquidator in the circumstances falling within section 15 of that Act in respect of such a company;

(d) such a company becoming a company in financial difficulties within the meaning of section 16 of that Act;

(e) a *participating deposit-taker* becoming insolvent for the purposes of Part II of the Banking Act 1987;

(f) a *participating institution* becoming insolvent within the meaning of section 25A of the Building Societies Act 1986;

(g) the beginning of a dissolution or transfer of engagements of a *member society* in accordance with rule 9(2) of the Rules of the Friendly Societies Protection Scheme.

assessable
mutual

FCA PRA

(for the purposes of ■ INSPRU 1.4) a *mutual* where the *insurance business* carried on by the *mutual* is limited to the provision of *insurance business* to its members and whose articles of association, rules or bye-laws provide for the calling of additional contributions from members to meet *claims*.

<p><i>asset</i> FCA PRA</p>	<p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) any property, right, entitlement or interest.</p>
<p><i>asset backed commercial paper programme</i> FCA PRA</p>	<p>(for the purposes of ■ <i>BIPRU 9</i> (Securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) a programme of <i>securitisations</i> (within the meaning of paragraph (2) of the definition of securitisation) the securities issued by which predominantly take the form of commercial paper with an original maturity of one year or less.</p>
<p><i>asset backed security</i> FCA PRA</p>	<p>(as defined in the <i>PD Regulation</i>) <i>securities</i> which:</p> <p>(a) represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets of amounts payable thereunder; or</p> <p>(b) are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.</p>
<p><i>asset identification rules</i> FCA PRA</p>	<p><i>rules</i> made by the <i>appropriate regulator</i> which require an <i>authorised person</i> who has <i>permission</i> to <i>effecting</i> or <i>carry out contracts of insurance</i> to identify assets which belong to him and which are maintained in respect of a particular aspect of his business.</p>
<p><i>asset management company</i> FCA PRA</p>	<p>a management company within the meaning of Article 2(1)(b) of the <i>UCITS Directive</i>, as well as an <i>undertaking</i> the registered office of which is outside the <i>EEA</i> and which would require authorisation in accordance with Article 6(1) of the <i>UCITS Directive</i> if it had its registered office within the <i>EEA</i>.</p>
<p><i>asset pool</i> FCA PRA</p>	<p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) an asset pool within the meaning of Regulation 3 of the <i>RCB Regulations</i>.</p>
<p><i>asset pool monitor</i> FCA PRA</p>	<p>a <i>person</i> appointed under regulation 17A of the <i>RCB Regulations</i>.</p>
<p><i>asset-related capital requirement</i> FCA PRA</p>	<p>a component of the calculation of the <i>ECR</i> for a <i>firm</i> carrying on <i>general insurance business</i> as set out in <i>INSRU 2.2</i> .</p>
<p><i>assignment</i> FCA</p>	<p>in accordance with article 60L of the <i>Regulated Activities Order</i>, in relation to Scotland, means assignation.</p>
<p>PAGE A31 <i>assistance</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 18 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), providing either or both of the following benefits:</p> <p>(a) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties while travelling, while away from home or while away from their permanent residence;</p>

assisting in the administration and performance of a contract of insurance

FCA **PRA**

associate

FCA **PRA**

(b) assistance (whether in cash or in kind) for *persons* who get into difficulties otherwise than as in (a).

the *regulated activity*, specified in article 39A of the *Regulated Activities Order* (Assisting in the administration and performance of a contract of insurance) of assisting in the administration and performance of a contract of insurance.

(A) in the *PRA Handbook*:

(1) (in *LR*) (in relation to a *director*, *substantial shareholder*, or *person exercising significant influence*, who is an individual):

(a) that individual's spouse, civil partner or child (together the "individual's family");

(b) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an *occupational pension scheme* or an *employees' share scheme* which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties;

(c) any *company* in whose *equity securities* the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

(i) to exercise or control the exercise of 30% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or

(ii) to appoint or remove *directors* holding a majority of voting rights at board meetings on all, or substantially all, matters;

(d) any partnership whether a limited partnership or *limited liability partnership* in which the individual or any member or members (taken together) of the individual's family are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they hold or control or would on the fulfilment of the condition or the occurrence of the contingency be able to hold or control:

(i) a voting interest greater than 30% in the partnership; or

(ii) at least 30% of the partnership.

For the purpose of paragraph (c), if more than one *director* of the *listed company*, its *parent undertaking* or any of its *subsidiary undertakings* is interested in the *equity securities* of another *company*, then the

interests of those *directors* and their *associates* will be aggregated when determining whether that *company* is an associate of the *director*.

(2) (in *LR*) (in relation to a *substantial shareholder* or *person exercising significant influence*, which is a *company*):

(a) any other *company* which is its *subsidiary undertakings* or *parent undertaking* or fellow *subsidiary undertakings* of the *parent undertaking*;

(b) any *company* whose *directors* are accustomed to act in accordance with the *substantial shareholder's* or *person exercising significant influence's*, directions or instructions;

(c) any *company* in the capital of which the *substantial shareholder* or *person exercising significant influence* and any other *company* under paragraph (1) or (2) taken together, is (or would on the fulfilment of a condition or the occurrence of a contingency be) able to exercise power of the type described in paragraph (1)(c)(i) or (ii) of this definition.

(3) (except in *LR*) (in relation to a *person* ("A")):

(a) an *affiliated company* of A;

(b) an *appointed representative* of A, or a *tied agent* of A, or of any *affiliated company* of A;

(c) any other whose business or domestic relationship with A or his *associate* might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.

(B) in the *FCA Handbook*:

(1) (in *LR*) (in relation to a *director*, *substantial shareholder*, or *person exercising significant influence*, who is an individual):

(a) that individual's spouse, civil partner or child (together the "individual's family");

(b) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an *occupational pension scheme* or an *employees' share scheme* which does not, in either case, have the effect of conferring benefits on persons, all or most of whom are related parties);

(c) any *company* in whose *equity securities* the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

(i) to exercise or control the exercise of 30% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or

(ii) to appoint or remove *directors* holding a majority of voting rights at board meetings on all, or substantially all, matters;

(d) any partnership whether a limited partnership or *limited liability partnership* in which the individual or any member or members (taken together) of the individual's family are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they hold or control or would on the fulfilment of the condition or the occurrence of the contingency be able to hold or control:

(i) a voting interest greater than 30% in the partnership; or

(ii) at least 30% of the partnership.

For the purpose of paragraph (c), if more than one *director* of the *listed company*, its *parent undertaking* or any of its *subsidiary undertakings* is interested in the *equity securities* of another *company*, then the interests of those *directors* and their *associates* will be aggregated when determining whether that *company* is an associate of the *director*.

(2) (in LR) (in relation to a *substantial shareholder* or *person exercising significant influence* which is a *company*):

(a) any other *company* which is its *subsidiary undertaking* or *parent undertaking* or fellow *subsidiary undertaking* of the *parent undertaking*;

(b) any *company* whose *directors* are accustomed to act in accordance with the *substantial shareholder's* or *person exercising significant influence's*, directions or instruction;

(c) any *company* in the capital of which the *substantial shareholder* or *person exercising significant influence* and any other *company* under paragraph (1) or (2) taken together, is (or would on the fulfilment of a condition or the occurrence of a contingency be) able to exercise power of the type described in paragraph (1)(c)(i) or (ii) of this definition

(2A) (in CONC or in relation to a *credit-related regulated activity*), as defined in article 60L of the *Regulated Activities Order*, in relation to a person ("P"):

(a) where P is an individual any *person* who is or who has been:

(i) P's spouse or P's civil partner;

(ii) a *relative* of P, P's spouse or P's civil partner;

(iii) the spouse or civil partner of a *relative* of P or P's spouse or civil partner;

(iv) if P is a member of a *partnership*, any of P's *partners* and the spouse or civil partner of any such *person*;

<p>(b) where P is a <i>body corporate</i>:</p> <p style="margin-left: 40px;">(i) any <i>person</i> who is a <i>controller</i> ("C") of P;</p> <p style="margin-left: 40px;">(ii) any other <i>person</i> for whom C is a <i>controller</i>.</p> <p>(3) (except in <i>LR</i> or in relation to a <i>credit-related regulated activity</i>) (in relation to a <i>person</i> ("A")):</p> <p style="margin-left: 40px;">(a) an <i>affiliated company</i> of A;</p> <p style="margin-left: 40px;">(b) an <i>appointed representative</i> of A, or a <i>tied agent</i> of A, or of any <i>affiliated company</i> of A;</p> <p style="margin-left: 40px;">(c) any other <i>person</i> whose business or domestic relationship with A or his <i>associate</i> might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.</p>	<p>a right to acquire a particular amount of the <i>relevant security</i> or of any <i>associated security</i> at a future date at a particular <i>price</i>.</p>
<p><i>associated call option</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) any of the following <i>financial instruments</i> (including those which are not admitted to trading on a <i>regulated market</i>, or for which a request for admission to trading on such a market has not been made, provided that the relevant competent authorities have agreed to standards of transparency for transactions in such <i>financial instruments</i>):</p> <p style="margin-left: 40px;">(a) contracts or rights to subscribe for, acquire or dispose of <i>relevant securities</i>;</p> <p style="margin-left: 40px;">(b) financial derivatives on <i>relevant securities</i>;</p> <p style="margin-left: 40px;">(c) where the <i>relevant securities</i> are convertible or exchangeable debt instruments, the securities into which such convertible or exchangeable debt instruments may be converted or exchanged;</p> <p style="margin-left: 40px;">(d) instruments which are issued or guaranteed by the <i>issuer</i> or guarantor of the <i>relevant securities</i> and whose market price is likely to materially influence the price of the <i>relevant securities</i>, or vice versa; and</p> <p style="margin-left: 40px;">(e) where the <i>relevant securities</i> are <i>securities</i> equivalent to <i>shares</i>, the <i>shares</i> represented by those <i>securities</i> (and any other <i>securities</i> equivalent to those <i>shares</i>).</p>
<p><i>associated instrument</i></p> <p>FCA PRA</p>	<p>(for the purposes of ■ BIPRU 7 (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) the strike price of that <i>option</i> or <i>warrant</i> being equal to the current market value of the underlying instrument.</p>
<p><i>at the money</i></p> <p>FCA PRA</p>	<p>(in <i>CREDS</i>) means any shares in the <i>credit union</i> (other than any <i>deferred shares</i>):</p> <p style="margin-left: 40px;">(a) (in relation to a <i>Great Britain credit union</i>) the withdrawal of which is not permitted by section 7(5) of the Credit Unions Act 1979 or (in relation to a <i>Northern Ireland credit union</i>) the withdrawal of which is not permitted by article 23(4) of the Credit Unions (Northern Ireland) Order 1985; or</p> <p style="margin-left: 40px;">(b) (in relation to a <i>Great Britain credit union</i>) the withdrawal of which is not permitted by the terms of a loan made to a member; or</p> <p style="margin-left: 40px;">(c) the withdrawal of which is not permitted without seeking and obtaining the permission of the committee of management of the <i>credit union</i>.</p>
<p><i>attached shares</i></p> <p>FCA PRA</p>	

<p><i>auction platform</i> FCA</p>	<p>In relation to a <i>Great Britain credit union</i>, paragraph (c) is relevant only where the <i>credit union</i> made a loan to the holder of the shares before the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 came into force.</p> <p>a platform on which auctions of <i>emissions allowances</i> are held in accordance with the <i>auction regulation</i>.</p>
<p><i>auction regulation</i> FCA</p>	<p>Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community.</p>
<p><i>auction regulation bidding</i> FCA PRA</p>	<p>the <i>regulated activity</i> of <i>bidding in emissions auctions</i> where it is carried on by:</p> <p>(a) a <i>firm</i> that is exempt from <i>MiFID</i> under article 2(1)(i); or</p> <p>(b) a <i>MiFID investment firm</i> (other than a <i>UCITS investment firm</i>) on behalf of its <i>clients</i> in relation to a <i>two-day emissions spot</i>.</p>
<p><i>Audit Directive</i> FCA PRA</p>	<p>Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.</p>
<p><i>AUT</i> FCA PRA</p>	<p>an <i>authorised unit trust scheme</i>.</p>
<p><i>authorisation</i> FCA PRA</p>	<p>authorisation as an <i>authorised person</i> for the purposes of the <i>Act</i>.</p>
<p><i>authorisation order</i> FCA PRA</p>	<p>an order made by the <i>FCA</i> :</p> <p>(a) in relation to an <i>AUT</i> under section 243 of the <i>Act</i> (Authorisation orders);</p> <p>(b) in relation to an <i>ICVC</i> under regulation 14 of the <i>OEIC Regulations</i> (Authorisation);</p> <p>(c) in relation to an <i>ACS</i> under section 261D of the <i>Act</i> (Authorisation orders);</p> <p>as a result of which the <i>AUT</i> or <i>ACS</i> becomes authorised or the body becomes incorporated as an <i>ICVC</i> under regulation 3 of the <i>OEIC Regulations</i> (Open-ended investment company).</p>
<p><i>authorised AIF</i> FCA PRA</p>	<p>an <i>AIF</i> which is an <i>authorised fund</i>.</p>
<p><i>authorised business overdraft agreement</i> FCA</p>	<p>a <i>borrower-lender agreement</i> which provides authorisation in advance for the <i>borrower</i> to overdraw on a current account, where the agreement is entered into by the <i>borrower</i> wholly or predominantly for the purposes of the <i>borrower's</i> business.</p>

*authorised
central
counterparty*

FCA **PRA**

a CCP authorised or recognised under *EMIR*.

*authorised
contractual
scheme*

FCA **PRA**

a *co-ownership scheme* or a *limited partnership scheme*.

*authorised
contractual
scheme
manager*

FCA

a *firm*, including, if relevant, an *EEA UCITS management company* or *incoming EEA AIFM*, which is the *authorised fund manager* of the ACS in accordance with the *contractual scheme deed*.

*authorised
corporate
director*

FCA **PRA**

the director of an ICVC who is the *authorised corporate director* of the ICVC in accordance with **■** COLL 6.5.3 R (Appointment of an ACD) including, if relevant, an *EEA UCITS management company* or *incoming EEA AIFM*.

*authorised
electronic
money
institution*

FCA **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*):

(a) a *person* included by the *FCA* in the *Financial Services Register* as an *authorised electronic money institution* pursuant to regulation 4(1)(a) of the *Electronic Money Regulations*; or

(b) a *person* deemed to have been granted authorisation by virtue of regulation 74 of the *Electronic Money Regulations*.

*authorised
fund*

FCA **PRA**

an ICVC, ACS or an AUT.

*authorised
fund manager*

FCA **PRA**

an ACD, an *authorised contractual scheme manager* or an *authorised unit trust manager*.

*authorised
insurance
company*

FCA **PRA**

(In COMP) (in accordance with the *compensation transitionals order*) a *person* who was, at any time before *commencement*, authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on insurance business of any class in the *United Kingdom*.

*authorised
non-business
overdraft
agreement*

FCA

a *borrower-lender agreement* which provides authorisation in advance for the *borrower* to overdraw on a current account, where:

(a) the *credit* must be repaid on demand or within three months;

(b) the agreement is not entered into by the *borrower* wholly or predominantly for the purposes of the *borrower's* business.

authorised payment institution

FCA **PRA**

(in accordance with regulation 2(1) of the *Payment Services Regulations*) a *person* included by the *FCA* in the *Financial Services Register* as an authorised payment institution pursuant to regulation 4(1)(a), or a *person* deemed to have been granted authorisation by virtue of regulation 121 of the *Payment Services Regulations*.

authorised person

FCA **PRA**

(in accordance with section 31 of the *Act* (Authorised persons)) one of the following:

- (a) a *person* who has a *Part 4A permission* to carry on one or more *regulated activities*;
- (b) an *incoming EEA firm*;
- (c) an *incoming Treaty firm*;
- (d) a *UCITS qualifier*;
- (e) an *ICVC*;
- (f) the *Society of Lloyd's*.

(see also ■ GEN 2.2.18 R for the position of an *authorised partnership* or unincorporated association which is dissolved.)

authorised primary dealer

FCA **PRA**

(as defined in article 2(1)(n) of the *short selling regulation*) a natural or legal person who has signed an agreement with a *sovereign issuer* or who has been formally recognised as a primary dealer by or on behalf of a *sovereign issuer* and who, in accordance with that agreement or recognition, has committed to dealing as principal in connection with primary and secondary market operations relating to debt issued by that *sovereign issuer*.

authorised primary dealer exemption

FCA **PRA**

an exemption from articles 7, 13 and 14 of the *short selling regulation* for the activities of an *authorised primary dealer* pursuant to article 17 of the *short selling regulation*.

authorised professional firm

FCA **PRA**

a *professional firm* which is an *authorised person*.

authorised UK representative

FCA **PRA**

(in relation to a *firm*) a *person* resident in the *United Kingdom* who is authorised to act generally, and to accept service of any *document*, on behalf of the *firm*.

authorised unit trust manager

FCA **PRA**

a *manager* of an *AUT*.

authorised unit trust scheme

FCA **PRA**

(as defined in section 237(3) of the *Act* (Other definitions)) a *unit trust scheme* which is authorised for the purposes of the *Act* by an *authorisation order*.

authorised Voluntary

a participant in the *Voluntary Jurisdiction* who is an *authorised person*.

Jurisdiction participant

FCA PRA

automatic enrolment scheme

FCA PRA

AVC

FCA PRA

average outstanding electronic money

FCA PRA

a scheme that meets the conditions in Part 1 of the Pensions Act 2008. In summary this is a qualifying *occupational pension scheme* or qualifying *personal pension scheme* that enables automatic enrolment arrangements to take place.

a voluntary contribution arrangement paid by a member of an *occupational pension scheme* under the terms of the scheme or of a separate contract.

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) the average total amount of financial liabilities related to *electronic money* in issue at the end of each calendar day over the preceding six calendar months, calculated on the first calendar day of each calendar month and applied for that calendar month.

<p>resources requirement for a BIPRU firm) and ■ GENPRU 2.1.48 R (Table: Base capital resources requirement for a BIPRU firm).</p> <p>(2) [deleted]</p>	
<p><i>base costs</i> FCA PRA</p>	<p><i>management expenses</i> which are not attributable to any particular <i>class</i>.</p>
<p><i>base costs levy</i> FCA PRA</p>	<p>a levy, forming part of the <i>management expenses levy</i>, to meet the <i>base costs</i> in the financial year of the <i>compensation scheme</i> to which the levy relates, each <i>participant firm's</i> share being calculated in accordance with ■ FEES 6.4.5 R .</p>
<p><i>base currency</i> FCA PRA</p>	<p>(1) (in <i>COLL</i>) the currency specified:</p> <ul style="list-style-type: none"> (a) in the <i>instrument of incorporation</i> of an <i>ICVC</i> as the currency in which its accounts are to be prepared; or (b) in the <i>trust deed</i> of an <i>AUT</i> as the base currency of the <i>AUT</i>.; or (c) in the <i>contractual scheme deed</i> of an <i>ACS</i> as the base currency of the <i>ACS</i>. <p>(2) (in <i>GENPRU</i> and <i>BIPRU</i>) (in relation to a <i>firm</i>) the currency in which that <i>firm's</i> books of account are drawn up.</p>
<p><i>base own funds requirement</i> FCA</p>	<p>(1) (for the purpose of <i>IFPRU</i>) an amount of <i>own funds</i> that an <i>IFPRU investment firm</i> must hold as set out in ■ <i>IFPRU</i> 3.1.6 R (Own funds: main requirement).</p> <p>(2) (for the purposes of ■ <i>IPRU(INV)</i> 11) an amount of <i>own funds</i> that a <i>collective portfolio management firm</i> or a <i>collective portfolio management investment firm</i> must hold as set out in ■ <i>IPRU(INV)</i> 11.3.1R (Base own funds requirement).</p>
<p><i>base prospectus</i> FCA PRA</p>	<p>(in <i>Part 6 rules</i>) a base prospectus referred to in ■ <i>PR</i> 2.2.7 R.</p>
<p><i>basic advice</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 52B of the <i>Regulated Activities Order</i> (Providing basic advice on stakeholder products) which is, in summary, providing advice on <i>stakeholder products</i> using a process that involves putting pre-scripted questions to a <i>retail client</i> .</p>
<p><i>basic indicator approach</i> FCA PRA</p>	<p>the approach to calculating the <i>ORCR</i> set out in ■ <i>BIPRU</i> 6.3 (Operational risk: Basic indicator approach).</p>
<p><i>basis risk</i> FCA PRA</p>	<p>the risk that the relationship between two financial variables will change, particularly between two sorts of interest rate or between a hedge and the position it ostensibly hedges.</p>
<p><i>BCD</i> FCA PRA</p>	<p><i>Banking Consolidation Directive</i>.</p>
<p><i>BCOBS</i> FCA PRA</p>	<p>the Banking: Conduct of Business sourcebook.</p>

bearer certificate

FCA **PRA**

(A) In the PRA Handbook:

(in *COLL*) a certificate or other documentary evidence of title, for which provision is made in the *instrument constituting the scheme*, which indicates that:

- (a) the *holder* of the document is entitled to the *units* specified in it; and
- (b) no entry will be made on the *register* identifying the *holder* of those *units*.

(B) In the FCA Handbook:

(in *COLL*) a certificate or other documentary evidence of title, for which provision is made in the *instrument constituting the fund*, which indicates that:

- (a) the *holder* of the document is entitled to the *units* specified in it; and
- (b) no entry will be made on the *register* identifying the *holder* of those *units*.

bearer form

FCA **PRA**

(in relation to a *client's* certificate, *share* transfer or other *document*) in a form signed by the *client* so that it enables a *designated investment* or *deposit* to which it relates to be sold, transferred, surrendered or dealt with in any other way without the need to obtain further written instructions and allows the *firm* access to the sale proceeds.

behaviour

FCA **PRA**

any kind of conduct, including action or inaction.

BENCH

FCA

Guide for Benchmark Activities (BENCH)

benchmark administration function

FCA

FCA-controlled function CF50 in the *table of FCA-controlled functions* which is the function of acting in the capacity of a *person* who is responsible for oversight of a *firm's* compliance with **■ MAR 8.3** (requirements for *benchmark administrators*).

benchmark administrator

FCA

A person carrying out the *regulated activity* of *administering a specified benchmark*.

benchmark submission

FCA

The information or expression of opinion provided to a *benchmark administrator* for the purpose of determining a *specified benchmark* as defined in article 63O(2)(a) of the *Regulated Activities Order*

benchmark submission function

FCA

FCA-controlled function CF40 in the *table of FCA-controlled functions* which is the function of acting in the capacity of a *person* who is responsible for oversight of a *firm's* compliance with **■ MAR 8.2** (benchmark manager).

benchmark submitter

FCA

A person carrying out the *regulated activity* of *providing information in relation to a specified benchmark*.

bid price

FCA **PRA**

the price at which a *person* could sell a *unit* in a *dual-priced authorised fund* or a *security*.

bidding in emissions auctions

FCA **PRA**

the *regulated activity*, specified in article 24A of the *Regulated Activities Order* (Bidding in emissions auctions), which is in summary the reception, transmission or submission of a bid at an auction of an *emissions auction product* conducted on an *auction platform*.

bill of sale loan agreement

FCA

a *regulated credit agreement* secured by a bill of sale under the Bills of Sale Act 1878, the Bills of Sale Act (1878) Amendment Act 1882 or the Bills of Sale Ireland Act (1878).

biofuel

FCA **PRA**

liquid or gaseous fuel produced from *biomass*.

biofuel collective investment scheme

FCA **PRA**

a *collective investment scheme*, the property of which consists only of property which is *biofuel* or a *biofuel investment* or cash awaiting investment.

biofuel investment

FCA **PRA**

any of the following:

- (a) a *unit* in a *biofuel collective investment scheme*;
- (b) an *option* to acquire or dispose of a *biofuel investment*;
- (c) a *future* where the *commodity* in question is *biofuel*;
- (d) a *contract for differences* where the property in question is *biofuel* or a *biofuel investment* or the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of *biofuel* or any *biofuel investments*;
- (e) *rights to or interests in investments* in (a) to (d).

biomass

FCA **PRA**

the biodegradable fraction of products, waste and residues from agricultural (including vegetal and animal substances), forestry and related industries, as well as the biodegradable fraction of industrial and municipal waste.

biomass collective investment scheme

FCA **PRA**

a *collective investment scheme*, the property of which consists only of property which is *biomass* or a *biomass investment* or cash awaiting investment.

biomass investment

FCA **PRA**

any of the following:

- (a) a *unit* in a *biomass collective investment scheme*;
- (b) an *option* to acquire or dispose of a *biomass investment*;
- (c) a *future* where the *commodity* in question is *biomass*;
- (d) a *contract for differences* where the property in question is *biomass* or a *biomass investment* or the index or other factor in question is linked to or

BIPRU

FCA PRA

otherwise dependent upon fluctuations in the value or price of *biomass* or any *biomass investments*;

(e) *rights to or interests in investments* in (a) to (d).

the Prudential sourcebook for Banks, Building Societies and Investment Firms.

BIPRU 125K firm

PRA

has the meaning in ■ BIPRU 1.1.19 R (Types of investment firm: BIPRU 125K firm) which in summary is a *BIPRU investment firm* that satisfies the following conditions:

- (1) it does not *deal on own account* or underwrite issues of *financial instruments* on a firm commitment basis;
- (2) it holds clients' money or securities in relation to *investment services* it provides or is authorised to do so;
- (3) it offers one or more of certain specified services;
- (4) it is not a *collective portfolio management investment firm*; and
- (5) it does not operate a *multilateral trading facility*.

BIPRU 50K firm

PRA

has the meaning in ■ BIPRU 1.1.20 R (Types of investment firm: BIPRU 50K firm) which in summary is a *BIPRU investment firm* that satisfies the following conditions:

- (a) it satisfies the conditions in ■ BIPRU 1.1.19 R (1) (does not *deal on own account* or underwrite issues of *financial instruments* on a firm commitment basis) and ■ BIPRU 1.1.19 R (3) (offers one or more of certain specified services);
- (b) it does not hold clients' money or securities in relation to *investment services* it provides and it is not authorised to do so;
- (c) it is not a *collective portfolio management investment firm*; and
- (d) it does not operate a *multilateral trading facility*.

BIPRU 730K firm

PRA

has the meaning in ■ BIPRU 1.1.21 R (Types of investment firm: BIPRU 730K firm) which in summary is a *BIPRU investment firm* that is not a *collective portfolio management investment firm*, a *BIPRU 50K firm* or a *BIPRU 125K firm*.

BIPRU firm

FCA PRA

(A) In the PRA Handbook:

has the meaning set out in ■ BIPRU 1.1.6 R (The definition of a BIPRU firm), which is in summary a *firm* that is:

- (a) a *building society*; or
- (b) a *bank*; or
- (c) a *full scope BIPRU investment firm*; or
- (d) a *BIPRU limited licence firm*; or
- (e) a *BIPRU limited activity firm*;

but excluding *firms* of the type listed in ■ BIPRU 1.1.7 R (Exclusion of certain types of *firm* from the definition of *BIPRU firm*).

(B) In the FCA Handbook:

a *firm*, as defined in article 4(1)(2)(c) of the *EU CRR* that satisfies the following conditions:

<p><i>BIPRU investment firm</i> PRA</p>	<p>(a) it is authorised to provide one or more the following <i>investment services</i>:</p> <ul style="list-style-type: none"> (i) execution of orders on behalf of <i>clients</i>; (ii) <i>portfolio management</i>; and <p>(b) it may provide one or more of the following <i>investment services</i>:</p> <ul style="list-style-type: none"> (i) reception and transmission of orders in relation to one or more <i>financial instruments</i>; (ii) investment advice; <p>but excluding <i>firms</i> of the type listed in ■ BIPRU 1.1.7 R (Exclusion of certain types of <i>firm</i> from the definition of <i>BIPRU firm</i>).</p>
<p><i>BIPRU limited activity firm</i> PRA</p>	<p>has the meaning set out ■ BIPRU 1.1.8 R (Definition of a BIPRU investment firm), which is in summary one of the following types of <i>BIPRU firm</i>:</p> <ul style="list-style-type: none"> (a) a <i>full scope BIPRU investment firm</i>; or (b) a <i>BIPRU limited licence firm</i>; or (c) a <i>BIPRU limited activity firm</i>; <p>including a <i>collective portfolio management investment firm</i> that is not excluded under ■ BIPRU 1.1.7 R (Exclusion of certain types of <i>firm</i> from the definition of <i>BIPRU firm</i>).</p>
<p><i>BIPRU limited licence firm</i> PRA</p>	<p>has the meaning in ■ BIPRU 1.1.17 R (Types of BIPRU investment firm), which is in summary a <i>limited activity firm</i> that meets the following conditions:</p> <ul style="list-style-type: none"> (a) it is a <i>firm</i>; and (b) its head office is in the <i>United Kingdom</i> and it is not otherwise excluded from the definition of <i>BIPRU firm</i> under ■ BIPRU 1.1.7 R (Exclusion of certain types of <i>firm</i> from the definition of <i>BIPRU firm</i>).
<p><i>BIPRU Remuneration Code</i> FCA</p>	<p>has the meaning in ■ BIPRU 1.1.17 R (Types of BIPRU investment firm), which is in summary a <i>limited licence firm</i> that meets the following conditions:</p> <ul style="list-style-type: none"> (a) it is a <i>firm</i>; and (b) its head office is in the <i>United Kingdom</i> and it is not otherwise excluded from the definition of <i>BIPRU firm</i> under ■ BIPRU 1.1.7 R (Exclusion of certain types of <i>firm</i> from the definition of <i>BIPRU firm</i>). <p>■ SYSC 19C (BIPRU Remuneration Code).</p>
<p><i>BIPRU Remuneration Code staff</i> FCA</p>	<p>for a <i>BIPRU firm</i> and a <i>third country BIPRU firm</i>, has the meaning given in ■ SYSC 19C.3.4 R.</p>
<p><i>BIPRU remuneration principles proportionality rule</i> FCA</p>	<p>(in ■ SYSC 19C) has the meaning given in ■ SYSC 19C.3.3 R.</p>

body corporate

FCA PRA

(in accordance with section 417(1) of the *Act* (Definitions)) any body corporate, including a body corporate constituted under the law of a country or territory outside the *United Kingdom*.

bonded investment

FCA PRA

a *designated investment* not held by a trustee when acting as a trustee:

- (a) which, except in the case of a *unit*, is one of the following:
 - (i) a *readily realisable security* held for a *customer*, whether or not held under a discretionary arrangement; or
 - (ii) a *designated investment* in *bearer form*; or
 - (iii) a *designated investment* held by a *nominee company* under the control of the *firm* or a *person* whom the *firm* controls; or
 - (iv) a *designated investment* to which the title is recorded in electronic form;
- (b) which the *firm* may *sell* or procure the sale of without the signature or other action of the *customer* or an independent third party; and
- (c) where the proceeds of such a sale are or could be payable to the *firm* or its *associate*.

book value of property

FCA PRA

(in *LR*) (in relation to a *property company*) the value of a *property* (which is not classified as a net current asset) before the deduction of mortgages or borrowings as shown in the *company's* latest annual report and accounts.

borrow back

FCA PRA

a feature of a *regulated mortgage contract* under which the *customer* has the ability to re-borrow monies paid by him.

borrower

FCA

(1) in accordance with article 60L of the *Regulated Activities Order*, in relation to a *credit agreement* other than a *regulated mortgage contract*, a *person* who receives *credit* under a *credit agreement* or a *person* to whom the rights and duties of a *borrower* under a *credit agreement* have passed by *assignment* or operation of law.

(2) in relation to a *P2P agreement* other than a *credit agreement* or a *regulated mortgage contract*, an *individual* who receives *credit* under a *P2P agreement* and under which the *lender* provides *credit* to the *individual* of less than or equal to £25,000 or the agreement is not entered into by the *individual* for the purposes of a business carried on by the *individual*.

(3) (in relation to *debt collecting* and *debt administration* (and so far as relevant to those activities in relation to article 64 (agreeing to carry on a regulated activity) of the *Regulated Activities Order*)) "borrower" includes, in addition to the persons in (1), any *person* providing a guarantee or an indemnity under the *credit agreement* and a *person* to whom the rights and duties of a *person* providing a guarantee or an indemnity have passed by assignment or operation of law.

borrower-lender agreement

FCA

in accordance with article 60L of the *Regulated Activities Order*,

- (a) a *credit agreement*:
 - (i) to *finance* a transaction between the *borrower* and a *person* ("the supplier") other than the *lender*; and
 - (ii) which is not made by the *lender* under *pre-existing arrangements*, or in contemplation of *future arrangements*, between the *lender* and the supplier,

(b) a *credit agreement* to *refinance* any existing indebtedness of the *borrower*, whether to the *lender* or another *person*, or

(c) a *credit agreement* which is:

(i) an *unrestricted-use credit agreement*; and

(ii) not made by the *lender*:

(aa) under *pre-existing arrangements* between the *lender* and a *person* ("the *supplier*") other than the *borrower*, and

(bb) in the knowledge that the *credit* is to be used to *finance* a transaction between the *borrower* and the *supplier*.

*borrower-lender-supplier
agreement*

FCA

in accordance with article 60L of the *Regulated Activities Order*,

(a) a *credit agreement* to *finance* a transaction between the *borrower* and the *lender*, whether forming part of that agreement or not;

(b) a *credit agreement*:

(i) to *finance* a transaction between the *borrower* and a *person* ("the *supplier*") other than the *lender*, and

(ii) which is made by the *lender* under *pre-existing arrangements*, or in contemplation of *future arrangements*, between the *lender* and the *supplier*; or

(c) a *credit agreement* which is:

(i) an *unrestricted-use credit agreement*, and

(ii) made by the *lender* under *pre-existing arrangements* between the *lender* and a *person* ("the *supplier*") other than the *borrower* in the knowledge that the *credit* is to be used to *finance* a transaction between the *borrower* and the *supplier*.

branch

FCA PRA

(A) In the PRA Handbook:

(a) (in relation to a *credit institution*):

(i) a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *credit institutions*;

(ii) for the purposes of the *CRD* and in accordance with article 38 of the *CRD*, any number of places of business set up in the same *EEA State* by a *credit institution* with headquarters in another *EEA State* are to be regarded as a single *branch*;

(b) (in relation to an *investment firm*):

(i) a place of business other than the head office which is a part of an *investment firm*, which has no legal personality and which provides *investment services and/or activities* and which may also perform *ancillary services* for which the *firm* has been authorized;

(ii) all the places of business set up in the same *EEA State* by an *investment firm* with headquarters in another *EEA State* are regarded as a single branch;

[Note: article 4(1)(26) of *MiFID*]

(c) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in an *EEA State* other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:

(i) is managed by the *insurance undertaking's* own staff; or

(ii) is an agency of the *insurance undertaking*; or

(iii) is managed by a *person* who is independent of the *insurance undertaking*, but has permanent authority to act for the *insurance undertaking* as an agency would.

(d) (in relation to an *IMD insurance intermediary*):

(i) a place of business which is a part of an *IMD insurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides insurance mediation for which the *IMD insurance intermediary* has been registered;

(ii) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD insurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(e) (in relation to an *IMD reinsurance intermediary*):

(i) a place of business which is a part of an *IMD reinsurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides *reinsurance mediation* for which the *IMD reinsurance intermediary* has been registered;

(ii) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD reinsurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(f) (in relation to an *EEA UCITS management company*):

(i) a place of business which is a part of an *EEA UCITS management company*, which has no separate legal personality and which provides the services for which the *EEA UCITS management company* has been authorised;

(ii) for the purposes of the *UCITS Directive*, all the places of business set up in the same *EEA State* by an *EEA UCITS management company* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(g) (in accordance with regulation 2(1) of the *Payment Services Regulations*) (in relation to a *payment institution*) a place of business of a *payment institution*, other than its head office, which forms a legally dependent part of the institution and which carries out directly all or some of the transactions inherent in its business. For the purposes of the *Payment Services Regulations*, all places of business set up in the same *EEA State* other than the *United Kingdom* by an *authorised payment institution* are to be regarded as a single *branch*.

[Note: article 4(29) of the *Payment Services Directive*]

(h) (in relation to a person carrying on *auction regulation bidding*) a branch.

(i) (in relation to an *AIFM*)

(i) a place of business which is a part of an *AIFM* that has no legal personality and provides the services for which the *AIFM* has been authorised;

(ii) for the purpose of (i), all places of business established in the same *EEA State* by an *AIFM* with its registered office in another *EEA State* shall be regarded as a single *branch*.

[Note: article 4(1)(c) of *AIFMD*]

(B) In the FCA Handbook:

(a) (in relation to a *credit institution*):

(i) a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *credit institutions*;

(ii) for the purposes of the *CRD* and in accordance with article 38 of the *CRD*, any number of places of business set up in the same *EEA State* by a *credit institution* with headquarters in another *EEA State* are to be regarded as a single *branch*;

(b) (in relation to an *investment firm*):

(i) a place of business other than the head office which is a part of an *investment firm*, which has no legal personality and which provides *investment services and/or activities* and which may also perform *ancillary services* for which the *firm* has been authorized;

(ii) all the places of business set up in the same *EEA State* by an *investment firm* with headquarters in another *EEA State* are regarded as a single branch;

[Note: article 4(1)(26) of *MiFID*]

(c) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in an *EEA State* other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:

(i) is managed by the *insurance undertaking's* own staff;
or

(ii) is an agency of the *insurance undertaking*; or

(iii) is managed by a *person* who is independent of the *insurance undertaking*, but has permanent authority to act for the *insurance undertaking* as an agency would.

(d) (in relation to an *IMD insurance intermediary*):

(i) a place of business which is a part of an *IMD insurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides insurance mediation for which the *IMD insurance intermediary* has been registered;

(ii) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD insurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(e) (in relation to an *IMD reinsurance intermediary*):

(i) a place of business which is a part of an *IMD reinsurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides *reinsurance mediation* for which the *IMD reinsurance intermediary* has been registered;

(ii) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD reinsurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(f) (in relation to an *EEA UCITS management company*):

(i) a place of business which is a part of an *EEA UCITS management company*, which has no separate legal personality and which provides the services for which the *EEA UCITS management company* has been authorised;

(ii) for the purposes of the *UCITS Directive*, all the places of business set up in the same *EEA State* by an *EEA UCITS management company* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(g) (in accordance with regulation 2(1) of the *Payment Services Regulations*) (in relation to a *payment institution*) a place of business of a *payment institution*, other than its head office, which forms a legally dependent part of the institution and which carries out directly all or some of the transactions inherent in its business. For the purposes of the *Payment Services Regulations*, all places of business set up in the same *EEA State* other than the *United Kingdom* by an *authorised payment institution* are to be regarded as a single *branch*.

[Note: article 4(29) of the *Payment Services Directive*]

(h) (in relation to a person carrying on *auction regulation bidding*) a branch.

(i) (in relation to an *AIFM*)

(i) a place of business which is a part of an *AIFM* that has no legal personality and provides the services for which the *AIFM* has been authorised;

(ii) for the purpose of (i), all places of business established in the same *EEA State* by an *AIFM* with its registered office in another *EEA State* shall be regarded as a single *branch*.

[Note: article 4(1)(c) of *AIFMD*]

in *DEPP*:

(1) misconduct in respect of which the *FCA* is empowered to take action pursuant to section 66 (Disciplinary powers) of the *Act*; or

breach

FCA **PRA**

- (2) a contravention in respect of which the *FCA* is empowered to impose a penalty pursuant to section 91 (Penalties for breach of listing rules) of the *Act*; or
- (3) a contravention for the purposes of Part XIV (Disciplinary Measures); or
- (4) behaviour amounting to *market abuse*, or to *requiring or encouraging market abuse*, in respect of which the *FCA* takes action pursuant to section 123 (Power to impose penalties in cases of market abuse) of the *Act* ;
- (5) a contravention of any directly applicable *EU* regulation made under *MiFID*;
- (6) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 131G (Breach of short selling regulation: Power to impose penalty or issue censure) of the *Act*;
- (7) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 88A (Disciplinary powers: contravention of s.88(3)(c) or (e)) of the *Act*;
- (8) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 89Q (Disciplinary powers: contravention of s.89P(4)(b) or (d)) of the *Act*;
- (9) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 192K (Power to impose penalty or issue censure) of the *Act*;
- (10) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 249 (Disciplinary measures) of the *Act*;
- (11) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 312E (Public censure) or section 312F (Financial penalties) of the *Act*; or
- (12) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 345 (Disciplinary measures: *FCA*) of the *Act*.

break fee arrangement

FCA **PRA**

(in *LR*) an arrangement falling within the definition in ■ *LR* 10.2.6A R.

broker

FCA **PRA**

(in *MAR* , *SYSC* and *INSPRU*) any person when dealing as agent.

broker fund

FCA **PRA**

(in relation to a fund for which the *firm* is or will be a *broker fund adviser*):

- (a) an actual or notional fund of a *long-term insurer* or *overseas long-term insurer*, which contains or will contain contributions made or to be made by a *client* or *clients* of a *firm* in connection with a *life policy* or *policies*;
- (b) a fund of a *collective investment scheme*, which contains or will contain cash contributions made or to be made by a *client* or *clients* of a *firm* in connection with the purchase of *units* in the *scheme*.

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broker fund adviser

FCA **PRA**

a *firm* which has, or whose *associate* being an *authorised person* has, an arrangement with a *long-term insurer*, *overseas long-term insurer* or *operator* of a *regulated collective investment scheme*, under which it is to be expected that the *long-term insurer*, *overseas long-term insurer* or *operator* will take into account the advice of that *firm* or its *associate*:

- (a) in the case of a *long-term insurer* or *overseas long-term insurer*, on any matter likely to influence the performance of any of the *long-term insurer's*

<p><i>or overseas long-term insurer's funds or of any investment issued by the long-term insurer or overseas long-term insurer into which cash contributions of that firm's customers have been made;</i></p> <p>(b) in the case of an <i>operator</i>, on the composition of the property of the <i>collective investment scheme</i> into which cash contributions of that <i>firm's customers</i> have been made;</p> <p>in this definition <i>associate</i> includes any <i>authorised person</i> in respect of whose services the first <i>firm</i> receives any benefit or reward, either directly or indirectly, in connection with advice of the kind described in (a) and (b) given to a <i>long-term insurer</i> or <i>overseas long-term insurer</i> or to a <i>collective investment scheme operator</i>.</p>	<p>or <i>overseas long-term insurer's</i> funds or of any <i>investment</i> issued by the <i>long-term insurer</i> or <i>overseas long-term insurer</i> into which cash contributions of that <i>firm's customers</i> have been made;</p> <p>(b) in the case of an <i>operator</i>, on the composition of the property of the <i>collective investment scheme</i> into which cash contributions of that <i>firm's customers</i> have been made;</p> <p>in this definition <i>associate</i> includes any <i>authorised person</i> in respect of whose services the first <i>firm</i> receives any benefit or reward, either directly or indirectly, in connection with advice of the kind described in (a) and (b) given to a <i>long-term insurer</i> or <i>overseas long-term insurer</i> or to a <i>collective investment scheme operator</i>.</p>
<p><i>brought forward amount</i></p> <p>FCA PRA</p>	<p>an amount, as defined in ■ INSPRU 1.1.51 R, used in the calculation of the <i>general insurance capital requirement</i>.</p>
<p>BSOCS</p> <p>FCA PRA</p>	<p>the Building Societies sourcebook.</p>
<p><i>buffer securities restriction</i></p> <p>FCA PRA</p>	<p>BIPRU 12.6.16R.</p>
<p><i>building block</i></p> <p>FCA PRA</p>	<p>(in <i>PR</i> and <i>LR</i>) (as defined in the <i>PD Regulation</i>) a list of additional information requirements, not included in one of the schedules, to be added to one or more schedules, as the case may be, depending on the type of instrument and/or transaction for which a prospectus or base prospectus is drawn up.</p>
<p><i>Building Societies Ombudsman scheme</i></p> <p>FCA PRA</p>	<p>the <i>former scheme</i> set up and recognised under the Building Societies Act 1986 to handle complaints about <i>building societies</i>.</p>
<p><i>building society</i></p> <p>FCA PRA</p>	<p>(as defined in section 119(1) of the Building Societies Act 1986) a building society incorporated (or deemed to be incorporated) under that Act.</p>
<p><i>business day</i></p> <p>FCA PRA</p>	<p>(1) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the <i>United Kingdom</i>):</p> <p>(a) (except in <i>REC</i>) any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the <i>United Kingdom</i>;</p> <p>(b) (in <i>REC</i>) (as defined in section 167 of the Companies Act 1989) any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in any part of the <i>United Kingdom</i>.</p> <p>(2) (in relation to anything done or to be done by reference to a market outside the <i>United Kingdom</i>) any <i>day</i> on which that market is normally open for business.</p>

<p><i>business illustration</i></p> <p>FCA PRA</p>	<p>an <i>illustration</i> for a <i>regulated mortgage contract</i> that is for a business purpose.</p>
<p><i>business offer document</i></p> <p>FCA PRA</p>	<p>an <i>offer document</i> for a <i>regulated mortgage contract</i> that is for a business purpose.</p>
<p><i>Business Order</i></p> <p>FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business Order) 2001 (SI 2001/1177).</p>
<p><i>business premises</i></p> <p>FCA</p>	<p>(in ■ CONC App 2.1) premises for occupation for the purposes of a business (including any activity carried on by a body of <i>persons</i>, whether corporate or unincorporate) or for those and other purposes.</p>
<p><i>Buy-back and Stabilisation Regulation</i></p> <p>FCA PRA</p>	<p>Commission Regulation (EC) of 22 December 2003 implementing the <i>Market Abuse Directive</i> as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003).</p>
<p><i>buy-back programme</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) trading in own shares in accordance with Articles 19 to 24 of the <i>PLC Safeguards Directive</i>.</p>
<p><i>buying</i></p> <p>FCA PRA</p>	<p>(in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) any form of buying, including acquiring for valuable consideration.</p>
<p><i>byelaw</i></p> <p>FCA PRA</p>	<p>any Byelaw, direction, regulation, or other instrument made using the powers of the <i>Council</i> under section 6 of Lloyd's Act 1982 (including any regulation ratified by the <i>Council</i> by special resolution) and any condition or requirement made under any such Byelaw, direction, regulation or other instrument.</p>

Definitions

<p>CAD FCA PRA</p>	<p><i>Capital Adequacy Directive.</i></p>
<p>CAD 1 model FCA PRA</p>	<p>a risk management model of the type described in ■ BIPRU 7.9 (Use of a CAD 1 model).</p>
<p>CAD 1 model approach FCA PRA</p>	<p>one of the following</p> <ul style="list-style-type: none"> (a) the approach to calculating part of the <i>market risk capital requirement</i> set out in ■ BIPRU 7.9 (Use of a CAD 1 model); (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or (c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<p>CAD 1 model waiver FCA PRA</p>	<p>a <i>waiver</i> that requires a <i>firm</i> to use the <i>CAD 1 model approach</i> on a solo basis or, if the context requires, a consolidated basis.</p>
<p>CAD Article 22 group FCA PRA</p>	<p>a <i>UK consolidation group</i> or <i>non-EEA sub-group</i> that meets the conditions in ■ BIPRU 8.4.9 R (Definition of a CAD Article 22 group).</p>
<p>CAD full scope firm PRA</p>	<p>has the meaning set out ■ BIPRU 1.1.13 R (Types of investment firm: CAD full scope firm), which in summary is a <i>CAD investment firm</i> that is not a <i>limited activity firm</i> or a <i>limited licence firm</i>.</p>
<p>CAD investment firm FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>has the meaning set out ■ BIPRU 1.1.14 R (Types of investment firm: CAD investment firm), which in summary is an <i>investment firm</i> that is subject to the requirements imposed by <i>MiFID</i> (or which would be subject to that Directive if its head office were in an <i>EEA State</i>) but excluding a <i>bank</i>, a <i>building society</i>, a <i>credit institution</i>, a <i>local</i> and an <i>exempt CAD firm</i>.</p> <p>(B) In the FCA Handbook</p> <p>a <i>firm</i> that is subject to the requirements imposed by <i>MiFID</i> (or which would be subject to that Directive if its head office were in an <i>EEA State</i>) but excluding a <i>bank</i>, a <i>building society</i>, a <i>credit institution</i>, a <i>local</i> and an <i>exempt CAD firm</i> that meets the following conditions:</p> <ul style="list-style-type: none"> (a) it is a <i>firm</i> as defined in article 4(1)(2)(c) of the <i>EU CRR</i>; (b) it is authorised to provide one or more the following <i>investment services</i>: <ul style="list-style-type: none"> (i) (execution of orders on behalf of <i>clients</i>); (ii) <i>portfolio management</i>; and (c) it may provide one or more of the following <i>investment services</i>: <ul style="list-style-type: none"> (i) reception and transmission of orders in relation to one or more <i>financial instruments</i>; (ii) investment advice.

callable contribution

FCA **PRA**

amounts that *members* are liable to pay to the *Society* (or may by resolution of the *Society* be liable to pay) as contributions to the *Central Fund*.

cancellation

FCA

(in *COLL*) (in relation to *units*) a cancellation of a *unit* by:

- (a) an *ICVC*; or
- (b) the *trustee* of an *AUT*; or
- (c) the *depository* of an *ACS*.

cancellation price

FCA **PRA**

(in *COLL*)

(in relation to the *cancellation* of *units* in a *dual-priced authorised fund*) the *price* for each *unit* payable by the *depository* to the *authorised fund manager* on that *cancellation*.

candidate

FCA **PRA**

a *person* in respect of whom an application is made for approval under section 59 of the *Act* (Approval for particular arrangements) of the performance of an *FCA controlled function* or a *PRA controlled function*.

canvassing off trade premises

FCA

(a) an activity by an individual ("the canvasser") of soliciting the entry of another *individual* ("B") into an agreement by making oral representations to B during a visit by the canvasser to any place (other than a place in (b)) where B is, being a visit made by the canvasser for the purpose of making such oral representations.

(b) a place where a business is carried on (whether on a permanent or temporary basis) by:

- (i) the *lender* or *owner* ; or
- (ii) a *supplier* ; or
- (iii) the canvasser ; or
- (iv) a *person* who employs the canvasser or has appointed the canvasser as an agent ; or
- (v) B;

is excluded from (a).

capacity transfer market

FCA **PRA**

any method of transferring capacity in *syndicates*, including capacity auctions, bilateral arrangements, capacity offers, minority buy-outs and conversion schemes.

capital account

FCA **PRA**

(in *COLL*) an account relating to the *capital property* of an *authorised fund*.

Capital Adequacy Directive

FCA **PRA**

the Directive of the European Parliament and the Council of 14 June 2006 on capital adequacy of investment firms and credit institutions (No 2006/49/EC).

capital instrument

FCA **PRA**

(in *GENPRU*, *BIPRU* and **■** *INSRU 6* and in relation to an *undertaking*) any *security* issued by or loan made to that *undertaking* or any other investment in, or external contribution to the capital of, that *undertaking*.

capital
market-driven
transaction

FCA PRA

(in accordance with point 2 of Part 1 of Annex VIII of the *Banking Consolidation Directive* (Eligible forms of credit risk mitigation)) any transaction giving rise to an *exposure* secured by collateral which includes a provision conferring upon the *person* with the *exposure* the right to receive margin frequently.

capital
planning buffer

FCA PRA

(A) In the PRA Handbook:

(in ■ BIPRU 2.2) the amount and quality of capital resources that a *firm* should hold at a given time in accordance with the *general stress and scenario testing rule*, so that the *firm* is able to continue to meet the *overall financial adequacy rule* throughout the relevant capital planning period in the face of adverse circumstances, after allowing for realistic management actions.

(B) In the FCA Handbook:

(in ■ BIPRU 2.2 or IFPRU 2) the amount and quality of capital resources that a *firm* should hold at a given time in accordance with the *general stress and scenario testing rule*, so that the *firm* is able to continue to meet the *overall financial adequacy rule* throughout the relevant capital planning period in the face of adverse circumstances, after allowing for realistic management actions.

capital
property

FCA PRA

(in COLL) the *scheme property*, other than *income property* and any amount for the time being standing to the credit of the *distribution account*.

capital
redemption

FCA PRA

(in relation to a *class of contract of insurance*) capital redemption contracts where effected or carried out by a *person* who does not carry on a banking business, and otherwise carries on the *regulated activity* of *effecting* or *carrying out contracts of insurance*, as specified in paragraph VI of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance).

Capital
Requirements
Regulations
2006

FCA PRA

the Capital Requirements Regulations 2006 (SI 2006/3221).

capital
resources

FCA PRA

(A) In the PRA Handbook:

(1) in relation to a *BIPRU firm* or an *insurer*, the *firm's* capital resources as calculated in accordance with the *capital resources table*, including, in relation to a *BIPRU firm*, as that calculation is adjusted under ■ BIPRU 10.5 for the purposes of ■ BIPRU 10 (Large exposures requirements); or

(2) (in relation to an *institution* that is an *EEA firm* and not a *BIPRU firm* and which is required to meet the capital resources requirements of the *CRD implementation measures* for its *EEA State* on an individual basis) capital resources calculated under those *CRD implementation measures*; or

(3) (for the purposes of *GENPRU* and *BIPRU*, in relation to an undertaking not falling within (1) or (2) and subject to (4)), capital resources calculated in accordance with (1) on the assumption that:

(a) it is a *BIPRU firm* with a *Part 4A permission*; and

(b) it carries on all its business in the *United Kingdom* and has obtained whatever *permissions* for doing so are required under the *Act*; or

(4) (for the purposes of *GENPRU* and *BIPRU* and in relation to any *undertaking* not falling within (1) or (2) for which the methodology in (3) does not give an answer whose *capital resources* a *BIPRU firm* (the "relevant

firm") is required to calculate under a *Handbook rule*) capital resources calculated under (1) on the assumption that it is a *BIPRU firm* of the same category as the relevant firm.

(B) In the FCA Handbook:

(1) in relation to a *BIPRU firm* or an *insurer*, the *firm's* capital resources as calculated in accordance with the *capital resources table*; or

(2) (in relation to a *CAD investment firm* that is an *EEA firm* and not a *BIPRU firm* and which is required to meet the capital resources requirements of the *CRD implementation measures* for its *EEA State* on an individual basis) capital resources calculated under those *CRD implementation measures*; or

(3) (for the purposes of *GENPRU* and *BIPRU* (except ■ *BIPRU 12*), in relation to an undertaking not falling within (1) or (2) and subject to (4)), capital resources calculated in accordance with (1) on the assumption that:

(a) it is a *BIPRU firm* with a *Part 4A permission*; and

(b) it carries on all its business in the *United Kingdom* and has obtained whatever *permissions* for doing so are required under the *Act*; or

(4) (for the purposes of *GENPRU* and *BIPRU* (except ■ *BIPRU 12*) and in relation to any *undertaking* not falling within (1) or (2) for which the methodology in (3) does not give an answer whose *capital resources* a *BIPRU firm* (the "relevant firm") is required to calculate under a *Handbook rule*) capital resources calculated under (1) on the assumption that it is a *BIPRU firm* of the same category as the relevant firm.

(A) In the PRA Handbook:

(1) (in relation to an *insurer*) ■ *GENPRU 2.2.29 R*, ■ *GENPRU 2.2.30 R* and ■ *GENPRU 2.2.32 R* to ■ *GENPRU 2.2.41 R*.

(2) [deleted]

(3) [deleted]

(B) In the FCA Handbook:

(1) (in relation to an *insurer*) ■ *GENPRU 2.2.29 R*, ■ *GENPRU 2.2.30 R* and ■ *GENPRU 2.2.32 R* to ■ *GENPRU 2.2.41 R*.

(2) [deleted]

(3) (in relation to a *BIPRU firm*) ■ *GENPRU 2.2.30 R*, ■ *GENPRU 2.2.46 R* and ■ *GENPRU 2.2.49 R* and ■ *GENPRU 2.2.50 R*.

an amount of *capital resources* that:

(1) a *BIPRU firm* must hold as set out in the *main BIPRU firm Pillar 1 rules*; or

(2) an *insurer* must hold as set out in ■ *GENPRU 2.1.17 R* to ■ *GENPRU 2.1.23 R*.

(A) In the PRA Handbook:

(1) (in the case of an *insurer*) ■ *GENPRU 2 Annex 1 R*.

(2) [deleted]

(3) [deleted]

(4) [deleted]

capital resources gearing rules

FCA PRA

capital resources requirement

FCA PRA

capital resources table

FCA PRA

<p><i>captive reinsurer</i> FCA PRA</p>	<p>(B) In the FCA Handbook:</p> <p>(1) (in the case of an <i>insurer</i>) ■ GENPRU 2 Annex 1 R; and</p> <p>(2) [deleted]</p> <p>(3) [deleted]</p> <p>(4) (in relation to a <i>BIPRU firm</i>) whichever of the tables in ■ GENPRU 2 Annex 4 R, ■ GENPRU 2 Annex 5 R or ■ GENPRU 2 Annex 6 R applies to the <i>firm</i> under ■ GENPRU 2.2.19 R.</p> <p>a <i>pure reinsurer</i> owned by:</p> <p>(a) a financial <i>undertaking</i> other than an <i>insurance undertaking</i> or a <i>reinsurance undertaking</i>; or</p> <p>(b) a <i>group</i> of <i>insurance undertakings</i> or <i>reinsurance undertakings</i> to which the <i>Insurance Groups Directive</i> applies; or</p> <p>(c) a non-financial <i>undertaking</i>, the purpose of which is to provide <i>reinsurance</i> cover exclusively for the risks of the <i>undertaking</i> or <i>undertakings</i> to which it belongs or of an <i>undertaking</i> or <i>undertakings</i> of the <i>group</i> of which that <i>pure reinsurer</i> is a member.</p>
<p>CARD FCA PRA</p>	<p><i>Consolidated Admissions and Reporting Directive.</i></p>
<p><i>carried interest</i> FCA</p>	<p>a share in the profits of the <i>AIF</i> accrued to the <i>AIFM</i> as compensation for the management of the <i>AIF</i>, and excluding any share in the profits of the <i>AIF</i> accrued to the <i>AIFM</i> as a return on any investment by the <i>AIFM</i> into the <i>AIF</i>.</p>
<p><i>carrying out contracts of insurance</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 10(2) of the <i>Regulated Activities Order</i> (Effecting and carrying out contracts of insurance), of carrying out a <i>contract of insurance</i> as principal.</p>
<p><i>cash</i> FCA</p>	<p>in accordance with section 189(1) of the <i>CCA</i>, includes money in any form.</p>
<p><i>cash assimilated instrument</i> FCA</p>	<p>(in accordance with Article 4(35) of the <i>Banking Consolidation Directive</i> (Definitions)) a certificate of deposit or other similar instrument issued by a <i>lending firm</i>.</p>
<p><i>cash component</i> FCA PRA</p>	<p>a <i>qualifying investment</i> prescribed in paragraph 8 of the <i>ISA Regulations</i> (Qualifying investments for a cash component).</p>
<p>PAGE C5 <i>cash deposit CTF</i> FCA PRA</p>	<p>a <i>deposit</i> account held within a <i>CTF</i>.</p>
<p><i>cash deposit ISA</i></p>	<p>a <i>cash component</i> of an <i>ISA</i> which does not include the <i>qualifying investments</i> prescribed in paragraphs 8(2)(c), (d), (e) or (f) of the <i>ISA Regulations</i>.</p>

FCA **PRA**

cash price

FCA

(in relation to any *goods*, services, *land* or other things) the price or charge at which the *goods*, services, *land* or any other things may be purchased by, or supplied to, the *borrower* for *cash*, account being taken of any discount generally available from the *dealer* or *supplier* in question.

cashback

FCA **PRA**

(in MCOB) a cash amount paid by a *mortgage lender* to a *customer* (typically at the beginning of a contract) as an inducement to enter into a *regulated mortgage contract* with the *mortgage lender*.

CASS

FCA **PRA**

the Client Assets sourcebook.

CASS 11
resolution pack

FCA

those documents and records specified in ■ CASS 11.12.4 R.

CASS *debt management firm*

FCA

a *firm* which:

(a) carries on the activities of *debt counselling* or *debt adjusting*, alone or together, with a view to an *individual* entering into a particular *debt solution*; or

(b) carries on the activity of *debt counselling* where an *associate* carries on *debt adjusting* with the aim in (a) in view; or

(c) carries on *debt adjusting* where an *associate* carries on *debt counselling* with the aim in (a) in view; or

(d) is a *not-for-profit debt advice body*.

CASS *large debt management firm*

FCA

a CASS *debt management firm* falling within the classification of CASS *large debt management firm* in ■ CASS 11.2.3 R.

CASS *large debt management firm external client money reconciliation*

FCA

the external client money reconciliation that CASS *large debt management firms* are obliged to undertake pursuant to ■ CASS 11.11.25 R to ■ CASS 11.11.26 R.

CASS *large debt management firm internal client money reconciliation*

FCA

the internal client money reconciliation that CASS *large debt management firms* are obliged to undertake pursuant to ■ CASS 11.11.13 R to ■ CASS 11.11.21 R.

<p>CASS large firm FCA PRA</p>	<p>has the meaning in ■ CASS 1A.2.7 R (CASS firm types).</p>
<p>CASS medium firm FCA PRA</p>	<p>has the meaning in ■ CASS 1A.2.7 R (CASS firm types).</p>
<p>CASS operational oversight function FCA PRA</p>	<p>(in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF10a in Parts 1 and 2 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.7.9 R.</p>
<p>CASS resolution pack FCA PRA</p>	<p>those documents and records which are specified in ■ CASS 10.2 and ■ CASS 10.3.</p>
<p>CASS small debt management firm FCA</p>	<p>a <i>CASS debt management firm</i> falling within the classification of <i>CASS small debt management firm</i> in ■ CASS 11.2.3 R.</p>
<p>CASS small firm FCA PRA</p>	<p>has the meaning in ■ CASS 1A.2.7 R (CASS firm types).</p>
<p>CAT standards FCA PRA</p>	<p>the CAT standards for <i>ISAs</i> prescribed by the Treasury on 22 December 1998.</p>
<p>category B firm FCA PRA</p>	<p>a <i>personal investment firm</i>, other than an <i>exempt CAD firm</i>.</p>
<p>category B1 firm FCA PRA</p>	<p>a <i>category B firm</i> whose <i>permission</i> includes <i>dealing in investments as principal</i>.</p>
<p>category B2 firm FCA PRA</p>	<p>a <i>category B firm</i> whose <i>permission</i> does not include <i>dealing as principal</i>; and is not subject to a <i>requirement</i> preventing the holding or controlling of <i>client money</i> or <i>custody assets</i>.</p>
<p>category B3 firm FCA PRA</p>	<p>a <i>category B firm</i>:</p> <p>(a) whose <i>permission</i> includes only <i>insurance mediation activity</i> in relation to <i>non-investment insurance contracts</i>, <i>home finance mediation activity</i>, <i>assisting in the administration and performance of a contracts of insurances</i>, <i>arranging transactions in life policies</i> and other <i>insurance contracts</i>, <i>advising</i></p>

<p><i>causing dematerialised instructions to be sent</i></p> <p>FCA PRA</p>	<p><i>on investments</i> and receiving and transmitting, on behalf of investors, orders in relation to <i>securities</i> and <i>units</i> in <i>collective investment schemes</i>; and</p> <p>(b) which is subject to a <i>requirement</i> not to hold or control <i>client money</i> or <i>custody assets</i>.</p> <p>the <i>regulated activity</i>, specified in article 45(2) of the <i>Regulated Activities Order</i>, which is in summary: causing dematerialised instructions relating to a <i>security</i> to be sent by means of a relevant system in respect of which an operator is approved under the 1995 Regulations where the <i>person</i> causing them to be sent is a system-participant; in this definition:</p> <p>(a) "the 1995 Regulations" means the Uncertificated Securities Regulations 1995 (SI 1995/3272);</p> <p>(b) "dematerialised instruction", "operator" and "system-participant" have the meaning given by regulation 3 of the 1995 Regulations.</p>
<p>CBG</p> <p>FCA</p>	<p>the Office of Fair Trading's Credit Brokers and Intermediaries Guidance.</p>
<p>CCA</p> <p>FCA</p>	<p>the Consumer Credit Act 1974.</p>
<p>CCA order</p> <p>FCA</p>	<p>the Financial Services Act 2012 (Consumer Credit) Order 2013.</p>
<p>CCA requirement</p> <p>FCA</p>	<p>a requirement imposed by or under Parts 2, 4, 5 and 6 to 12 of the CCA.</p>
<p>CCAR 2004</p> <p>FCA</p>	<p>Consumer Credit (Advertisements) Regulations 2004, SI 2004/1484.</p>
<p>CCAR 2010</p> <p>FCA</p>	<p>Consumer Credit (Advertisements) Regulations 2010, SI 2010/1970.</p>
<p>CCP</p> <p>FCA PRA</p>	<p>as defined in article 2(1) of <i>EMIR</i>.</p>
<p>CCR</p> <p>FCA PRA</p>	<p><i>counterparty credit risk</i></p>
<p>CCR internal model method</p> <p>FCA PRA</p>	<p>one of the following:</p> <p>(a) the method of calculating the amount of an <i>exposure</i> set out in ■ BIPRU 13.6 (CCR internal model method);</p> <p>(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or</p>

CCR internal model method permission

FCA PRA

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

(A) In the PRA Handbook:

an *Article 129 implementing measure*, *Article 129 permission*, a *requirement* or a *waiver* that requires a *BIPRU firm* or a *CAD investment firm* to use the *CCR internal model method*

(B) In the FCA Handbook:

an *Article 129 implementing measure*, *Article 129 permission*, a *requirement* or a *waiver* that requires a *BIPRU firm* or a *CAD investment firm* to use the *CCR internal model method*

CCR mark to market method

FCA PRA

the method of calculating the amount of an *exposure* set out in ■ BIPRU 13.4 (CCR mark to market method).

CCR standardised method

FCA PRA

the method of calculating the amount of an *exposure* set out in ■ BIPRU 13.5 (CCR standardised method).

ceding insurer's waiver

FCA PRA

(in *FEES*) a *waiver* granted on the application of an *insurer* that waives or modifies its obligations under any one or more of ■ GENPRU 2 Annex 7 R, ■ INSPRU 1.1.92A R and ■ INSPRU 1.2.28 R in order to enable it to:

(a) treat amounts recoverable from an *ISPV* as:

(i) an *admissible asset*; or

(ii) *reinsurance* for the purposes of calculating its *mathematical reserves*; or

(iii) *reinsurance* reducing its *MCR*; or

(b) otherwise ascribe a value to such amounts.

central assets

FCA PRA

the *Society's* own assets that are available at its discretion to meet a *member's* liabilities in respect of *insurance business*.

central bank

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 4(23) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *GENPRU* and *BIPRU*) includes the European Central Bank unless otherwise indicated.

(B) In the FCA Handbook:

(1) (in accordance with Article 4(23) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *GENPRU* (except ■ GENPRU 3) and *BIPRU* (except ■ BIPRU 12)) includes the European Central Bank unless otherwise indicated.

(2) (except in (1)) has the meaning in article 4(1)(46) of the *EU CRR*.

central counterparty

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) an entity that legally interposes itself between

Central Fund

FCA **PRA**

counterparties to contracts traded within one or more financial markets, becoming the buyer to every seller and the seller to every buyer.

the Central Fund established under Lloyd's Central Fund Byelaw (No 4 of 1986) and the New Central Fund established under Lloyd's New Central Fund Byelaw (No 23 of 1996).

certificate representing certain securities

FCA **PRA**

the *investment* specified in article 80 of the *Regulated Activities Order* (Certificates representing certain securities), which is in summary: a certificate or other instrument which confers contractual or property rights (other than rights consisting of *options*):

(a) in respect of any *share, debenture, alternative debenture, government and public security* or *warrant* held by a *person* other than the *person* on whom the rights are conferred by the certificate or instrument; and

(b) the transfer of which may be effected without requiring the consent of that *person*;

but excluding any certificate or other instrument which confers rights in respect of two or more *investments* issued by different *persons* or in respect of two or more different *government and public securities* issued by the same *person*.

certificate representing debt securities

FCA **PRA**

(in LR) a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *debentures, alternative debentures, or government and public securities*.

certificate representing equity securities

FCA **PRA**

(in LR) a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *equity securities*.

certificate representing shares

FCA **PRA**

(in LR) a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *equity shares*.

certified high net worth investor

FCA

a *person* who meets the requirements set out in article 21 of the *Promotion of Collective Investment Schemes Order*, in article 48 of the *Financial Promotions Order* or in **COBS 4.12.6 R**.

certified sophisticated investor

FCA

a *person* who meets the requirements set out in article 23 of the *Promotion of Collective Investment Schemes Order*, in article 50 of the *Financial Promotions Order* or in **COBS 4.12.7 R**.

CESR's guidelines on a common definition of European

the Committee of European Securities Regulators' guidelines on a common definition of European money market funds: 19 May 2010 (CESR/10-049). These are available at www.esma.europa.eu

money market funds

FCA **PRA**

CESR's UCITS eligible assets guidelines

FCA **PRA**

The Committee of European Securities Regulators' guidelines concerning eligible assets for investment by undertakings for collective investment in transferable securities (CESR/07-044). These are available at http://www.fsa.gov.uk/pages/Library/Other_publications/EU/eu_docs/index.shtml

CF Arch cru payment scheme

the requirements included in the *permissions* of Capita Financial Managers Limited, BNY Mellon Trust & Depository (UK) Limited and HSBC Bank plc at their request under section 44 of the *Act* on 31 August 2011.

CFD

FCA **PRA**

contract for differences.

CFEB

FCA **PRA**

the consumer financial education body originally established by the *FSA* under section 6A(1) of the *Act* (Enhancing public understanding of financial matters etc) (as it had effect before the passing of the Financial Services Act 2012) and having the name Money Advice Service.

CFEB levy

FCA **PRA**

the levy payable to the *FCA* pursuant to **■ FEES 7.2.1 R** by the *persons* listed in **■ FEES 1.1.2R(5)**.

CFPPFM

FCA **PRA**

the consumer-friendly version of a *firm's PPFM*, which must be produced pursuant to **■ COBS 20.4.5 R**.

CFTC

FCA **PRA**

the Commodity Futures Trading Commission.

charge

FCA **PRA**

(1) (In *LR*) (in relation to *securitised derivatives*) means any payment identified under the terms and conditions of the *securitised derivatives*

(2) (except in *LR*) any *fee* or charge made to:

(a) a *client* in connection with *designated investment business*; or

(b) a *customer* in connection with any *insurance mediation activities* in respect of a *non-investment insurance contract*;

whether levied by the *firm* or any other *person*, including a *mark-up* or *mark-down*.

chargeable case

FCA **PRA**

any *complaint* referred to the *Financial Ombudsman Service*, except where:

(a) the *Ombudsman* considers it apparent from the *complaint*, when it is received, and from any *final response* or *redress determination* which has been issued by the *firm* or *licensee*, that the *complaint* should not proceed because:

(i) the complainant is not an *eligible complainant* in accordance with **■ DISP 2**; or

(ii) the *complaint* does not fall within the jurisdiction of the *Financial Ombudsman Service* (as described in **■ DISP 2**); or

	(iii) the <i>Ombudsman</i> considers that the <i>complaint</i> should be dismissed without consideration of its merits under ■ DISP 3.3 (Dismissal of complaints without consideration of the merits and test cases); or
	(b) the <i>Ombudsman</i> considers, at any stage, that the <i>complaint</i> should be dismissed under DISP 3.3.4R(2) on the grounds that it is frivolous or vexatious.
<i>chargeable case (general)</i> FCA	a <i>chargeable case</i> that is not a <i>chargeable case (PPI)</i> .
<i>chargeable case (PPI)</i> FCA	a <i>chargeable case</i> that, in the <i>Ombudsman's</i> opinion, falls wholly or partly within the scope of ■ DISP App 3 (Handling Payment Protection Insurance Complaints).
<i>charging group</i> FCA	as defined in ■ FEES 5 Annex 3R Part 3.
<i>charity</i> FCA PRA	(in <i>BCOBS</i> and <i>BIPRU</i>) includes: <ul style="list-style-type: none"> (a) in England and Wales, a charity as defined by section 1(1) of the Charities Act 2006; (b) in Scotland, a charity as defined by section 106 of the Charities and Trustee Investment (Scotland) Act 2005; or (c) in Northern Ireland, a charity as defined by section 1(1) of the Charities Act (Northern Ireland) 2008 or, until that section comes into force, a body which is recognised as a charity for tax purposes by Her Majesty's Revenue and Customs.
<i>charity AIF</i> FCA	an <i>AIF</i> constituted under: <ul style="list-style-type: none"> (a) the Church Funds Investment Measure 1958; or (b) section 96 of the Charities Act 2011; or (c) section 25 of the Charities Act (Northern Ireland) 1964; or (d) section 100 of the Charities Act 2011.
<i>chief executive</i> FCA PRA	(1) (in relation to an undertaking whose principal place of business is within the <i>United Kingdom</i>) the <i>person</i> who, alone or jointly with one or more others, is responsible under the immediate authority of the <i>directors</i> for the conduct of the whole of its business. (2) (in relation to an undertaking whose principal place of business is outside the <i>United Kingdom</i>) the <i>person</i> who, alone or jointly with one or more others, is responsible for the conduct of its business within the <i>United Kingdom</i> .
<i>chief executive function</i> FCA PRA	(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF3 in Part 1 of the <i>table of FCA controlled functions</i> , described more fully in ■ SUP 10A.6.17 R. (2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF3 in the <i>table of PRA controlled functions</i> , described more fully in ■ SUP 10B.6.7 R.
<i>Chinese wall</i> FCA PRA	an arrangement that requires information held by a <i>person</i> in the course of carrying on one part of its business to be withheld from, or not to be used

circular

FCA **PRA**

for, *persons* with or for whom it acts in the course of carrying on another part of its business.

(in *LR*) any document issued to holders of *listed securities* including notices of meetings but excluding *prospectuses*, *listing particulars*, annual reports and accounts, interim reports, proxy cards and dividend or interest vouchers.

CIS administrator

PRA

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *person* responsible for the *administrative functions* of a *collective investment scheme*.

CIS stakeholder product

FCA **PRA**

the *stakeholder product* specified by regulations 5 (units in certain collective investment schemes) and 7 of the *Stakeholder Regulations*.

CIS trustee

PRA

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *person* holding the property of a *collective investment scheme* on trust for the participants in the *collective investment scheme*.

CIU

FCA **PRA**

(A) In the PRA Handbook:
collective investment undertaking.

(B) In the FCA Handbook:
(1) (except in *IFPRU*) collective investment undertaking.
(2) (in *IFPRU*) has the meaning in article 4(1)(7) of the *EU CRR*.

CIU look through method

FCA **PRA**

one of the *standard CIU look through method* or the *modified CIU look through method*.

CIU PRR

FCA **PRA**

the *collective investment undertaking PRR*.

claim

FCA **PRA**

(1) (in *COMP*) a valid claim made in respect of a civil liability owed by a *relevant person* to the claimant.
(2) (in *INSPRU* and *SUP*) a claim under a *contract of insurance*.

claims amount

FCA **PRA**

an amount, as defined in ■ *INSPRU* 1.1.47 R, used in the calculation of the *general insurance capital requirement*.

class

FCA **PRA**

(A) In the FCA Handbook:
(1) (in *GENPRU*, *INSPRU* and *SUP*) (in relation to a *contract of insurance*) any class of *contract of insurance* listed in Schedule 1 to the *Regulated Activities Order* (Contracts of insurance) and references to:

(a) *general insurance business class* 1, 2 3, etc. are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part I of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out of contracts of insurance* of that kind; and

(b) *long-term insurance business class I, II, III, etc.* are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part II of Schedule 1 to that Order, as the context may require, to the *effecting* or *carrying out of contracts of insurance* of that kind.

(2) (in COLL):

- (a) a particular class of *units* of an *authorised fund*; or
- (b) all of the *units* relating to a single *sub-fund*; or
- (c) a particular class of *units* relating to a single *sub-fund*; or
- (d) in relation to an *EEA UCITS scheme*, any arrangement equivalent to (a), (b) or (c).

(3) (in COBS) a particular category or type of *packaged product*.

(4) (in LR) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in FEES) one of the broad classes to which FSCS allocates levies as described in ■ FEES 6.4.7A R, ■ FEES 6.5.6A R and ■ FEES 6 Annex 3AR.

(B) In the PRA Handbook:

(1) (in GENPRU, INSPRU and SUP) (in relation to a *contract of insurance*) any class of *contract of insurance* listed in Schedule 1 to the *Regulated Activities Order* (Contracts of insurance) and references to:

- (a) *general insurance business class 1, 2, 3, etc.* are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part I of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out of contracts of insurance* of that kind; and
- (b) *long-term insurance business class I, II, III, etc.* are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part II of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out of contracts of insurance* of that kind.

(2) (in COLL):

- (a) a particular class of *units* of an *authorised fund*; or
- (b) all of the *units* relating to a single *sub-fund*; or
- (c) a particular class of *units* relating to a single *sub-fund*; or
- (d) in relation to an *EEA UCITS scheme*, any arrangement equivalent to (a), (b) or (c).

(3) (in COBS) a particular category or type of *packaged product*.

(4) (in LR) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in FEES) one of the classes to which FSCS allocates levies as described in ■ FEES 6.5.7 R.

(in LR) a *class 1 transaction* that involves an acquisition by the relevant *listed company* or its *subsidiary undertaking*.

class 1 acquisition

FCA PRA

class 1 circular

FCA PRA

(in LR) a *circular* relating to a *class 1 transaction*.

<p><i>class 1 disposal</i> FCA PRA</p>	<p>(in LR) a <i>class 1 transaction</i> that consists of a disposal by the relevant <i>listed company</i> or its <i>subsidiary undertaking</i>.</p>
<p><i>class 1 transaction</i> FCA PRA</p>	<p>(in LR and FEES) a transaction classified as a class 1 transaction under ■ LR 10.</p>
<p><i>class 2 transaction</i> FCA PRA</p>	<p>(in LR) a transaction classified as a class 2 transaction under ■ LR 10.</p>
<p><i>class meeting</i> FCA PRA</p>	<p>(in COLL) a separate meeting of <i>holders</i> of a <i>class of units</i>.</p>
<p><i>class tests</i> FCA PRA</p>	<p>(in LR) the tests set out in ■ LR 10 Annex 1 G (and for certain specialist companies, those tests as modified by ■ LR 10.7), which are used to determine how a transaction is to be classified for the purposes of the <i>listing rules</i>.</p>
<p><i>clean-up call option</i> FCA PRA</p>	<p>(for the purposes of ■ BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) a contractual option for the <i>originator</i> to repurchase or extinguish the <i>securitisation positions</i> before all of the underlying <i>exposures</i> have been repaid, when the amount of outstanding <i>exposures</i> falls below a specified level.</p>
<p><i>clearing facilitation service</i> FCA PRA</p>	<p>(in relation to a <i>RIE</i>) any <i>regulated activity</i> carried on by an <i>RIE</i> for the purposes of, or in connection with, the provision by the <i>RIE</i> of services designed to facilitate the provision of clearing services by another person.</p>
<p><i>clearing firm</i> FCA PRA</p>	<p>a <i>firm</i> which assumes primary responsibility (including legal liability) for the execution and settlement of transactions for <i>clients</i>.</p>
<p><i>clearing house</i> FCA PRA</p>	<p>a clearing house through which transactions may be cleared and for the purposes of ■ CASS 7 and ■ CASS 7A, includes an <i>authorised central counterparty</i>.</p>
<p><i>clearing member</i> FCA</p>	<p>in relation to an <i>authorised central counterparty</i>, as defined in article 2(14) of EMIR.</p>
<p><i>client</i> FCA PRA</p>	<p>(A) in the <i>PRA Handbook</i>:</p> <p>(1) (except in <i>PROF</i> and except in relation to a <i>home finance transaction</i>) has the meaning given in ■ COBS 3.2, that is (in summary and without prejudice to the detailed effect of ■ COBS 3.2) a <i>person</i> to whom a <i>firm</i> provides, intends to provide or has provided a service in the course of carrying on a <i>regulated activity</i>, or in the case of <i>MiFID</i> or <i>equivalent third country business</i>, an <i>ancillary service</i>;</p> <p style="padding-left: 40px;">(a) every client is a <i>customer</i> or an <i>eligible counterparty</i> ;</p>

(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 2.4.3 R;
- (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)(v) ;
- (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 relation to a *credit-related regulated activity* and 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;

(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 2.4.3 R;

(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*.

(2) (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 *members* 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; and
- (d) in relation to a *person* ("A") carrying on a *regulated activity* of the kind specified by article 39F (Debt-collecting) or 39G (Debt administration) of the *Regulated Activities Order*, includes:
- (i) the *borrower* under the *credit agreement* or the *hirer* under the *consumer hire agreement*;
 - (ii) someone who has been the *borrower* or *hirer* under the agreement;
 - (iii) a *person* who is treated by A as a *person* falling within (i) or (ii);
 - (iv) any *person* providing a guarantee or indemnity under the agreement; and
 - (v) a *person* to whom the rights and duties of a *person* falling within (iv) have passed by assignment or operation of law; and
- (e) in relation to a *person* ("A") carrying on a *regulated activity* of the kind specified by article 60B (regulated credit agreements) or article 60N (regulated consumer hire agreements) of the *Regulated Activities Order*, includes a *person* who is treated by A as a *person* who is or has been:
- (i) the *borrower* under a *regulated credit agreement* or the *hirer* under a *regulated consumer hire agreement*;
 - (ii) a *person* providing a guarantee or indemnity under the agreement; or
 - (iii) a *person* to whom the rights and duties of a *person* within (ii) have passed by assignment or operation of law; and
- (f) includes an *individual* who is, may be, has been or may have been the subject of the information referred to in article 89A (Providing credit information services) of the *Regulated Activities Order*; and
- (g) includes an *individual* who is, may be, has been or may have been the subject of information furnished in the course of a *person* carrying on an activity of the kind specified by article 89B (Providing credit references) of the *Regulated Activities Order*.
- (3) in relation to a *regulated mortgage contract*, except in PROF) the individual or trustee who is the borrower or potential borrower under that contract.
- (4) in relation to a *home purchase plan*, except in PROF) the *home purchaser* or potential *home purchaser*.

- (5) (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*.
- (6) (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*.
- (7) (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*.
- (8) (in relation to a *credit-related regulated activity*) a *customer*.

CASS.

client asset rules

FCA PRA

client bank account

FCA PRA

(A) In the PRA Handbook:

- (1) (other than in ■ CASS 7 and ■ CASS 7A and principally in ■ CASS 5):
- (a) an account at a bank which:
 - (i) holds the *money* of one or more *clients*;
 - (ii) is in the name of the *firm*;
 - (iii) includes in its title an appropriate description to distinguish the *money* in the account from the *firm's money*; and
 - (iv) is a current or a deposit account; or
 - (b) a money market deposit of *client money* which is identified as being *client money*.
- (2) (in ■ CASS 7 and ■ CASS 7A)
- (a) an account at a bank which:
 - (i) holds the money of one or more *clients*;
 - (ii) is in the name of the *firm*; and
 - (iii) is a current or a deposit account; or
 - (b) a money market deposit account of *client money* which is identified as being *client money*.

(B) In the FCA Handbook:

- (1) (other than in ■ CASS 7 and ■ CASS 7A and principally in ■ CASS 5):
- (a) an account at a bank which:
 - (i) holds the money of one or more *clients*;
 - (ii) is in the name of the *firm*; and

*client bank
account
acknowledgement
letter*

FCA

*client equity
balance*

FCA **PRA**

client money

FCA **PRA**

(iii) includes in its title an appropriate description to distinguish the *money* in the account from the *firm's money*; and

(iv) is a current or a deposit account; or

(b) a money market deposit account of *client money* which is identified as being *client money*.

(2) (in **■ CASS 7** and **■ CASS 7A**)

(a) an account at a bank which:

(i) holds the money of one or more *clients*;

(ii) is in the name of the *firm*; and

(iii) is a current or a deposit account; or

(b) a money market deposit account of *client money* which is identified as being *client money*.

(3) (in **■ CASS 11**):

(a) an account at an *approved bank* which:

(i) holds the *money* of one or more *clients*;

(ii) is held in the name of the *firm* to which **■ CASS 11.9** (segregation and the operation of client money accounts) applies;

(iii) includes in its title the word "client" (or, if the system constraints of the *approved bank* or the *firm* that holds the account (or both) make this impracticable, an appropriate abbreviation of "client" that has the same meaning); and

(iv) is a current or a deposit account.

(in **■ CASS 11**) a letter in the form of the template in **■ CASS 11 Annex 1**.

the amount which a *firm* would be liable (ignoring any non-cash *collateral* held) to pay to a *client* (or the *client* to the *firm*) in respect of his *margin*ed transactions if each of his open positions was liquidated at the closing or settlement prices published by the relevant exchange or other appropriate pricing source and his account closed. This refers to cash values and does not include non-cash *collateral* or other *designated investments* held in respect of a *margin*ed transaction.

(A) In the PRA Handbook:

(1) [deleted]

(2) (in **■ CASS 5**) subject to the *client money rules*, *money* of any currency which, in the course of carrying on *insurance mediation activity*, a *firm* holds on behalf of a *client* or which a *firm* treats as *client money* in accordance with the *client money rules*.

(2A) in FEES **■ CASS 6**, **■ CASS 7**, **■ CASS 7A** and **■ CASS 10** and, in so far as it relates to matters covered by **■ CASS 6**, **■ CASS 7**, *COBS*, *GENPRU* or *IPRU (INV) 11*) subject to the *client money rules*, *money* of any currency:

(a) that a *firm* receives or holds for, or on behalf of, a client in the course of, or in connection with, its *MiFID business*; and/or

(b) which, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds in respect of any *investment agreement* entered into, or to be entered into, with or for a *client*, or which a *firm* treats as *client money* in accordance with the *client money rules*.

(3) (in *MIPRU*):

(a) in relation to an *insurance intermediary* when acting as such, *money* which is *client money* in (2);

(b) in relation to a *home finance intermediary* when acting as such, *money* of any currency which in the course of carrying on *home finance mediation activity*, the *firm* holds on behalf of a *client*, either in a bank account or in the form of cash.

(4)

(B) In the FCA Handbook:

(1) [deleted]

(2) (in ■ **CASS 5**) subject to the *client money rules*, *money* of any currency which, in the course of carrying on *insurance mediation activity*, a *firm* holds on behalf of a *client* or which a *firm* treats as *client money* in accordance with the *client money rules*.

(2A) (in *FEES*, ■ **CASS 6**, ■ **CASS 7**, ■ **CASS 7A** and ■ **CASS 10** and, in so far as it relates to matters covered by ■ **CASS 6**, ■ **CASS 7**, *COBS* or *GENPRU* and *IPRU(INV) 11*) subject to the *client money rules*, *money* of any currency:

(a) that a *firm* receives or holds for, or on behalf of, a client in the course of, or in connection with, its *MiFID business*; and/or

(b) which, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds in respect of any *investment agreement* entered into, or to be entered into, with or for a *client*, or which a *firm* treats as *client money* in accordance with the *client money rules*.

(2B) (in ■ **CASS 11** and ■ **CONC 10**) *money* which a *CASS debt management firm* receives or holds on behalf of a *client* in the course of or in connection with *debt management activity*.

(3) (in *MIPRU*):

(a) in relation to an *insurance intermediary* when acting as such, *money* which is *client money* in (2);

(b) in relation to a *home finance intermediary* when acting as such, *money* of any currency which in the course of carrying on *home finance mediation activity*, the *firm* holds on behalf of a *client*, either in a bank account or in the form of cash.

(4) (in *UPRU* and *COMP*) *client money* for the purposes of the relevant *client money rules*.

the rules in ■ **CASS 5.6** (Client money distribution).

*client money
(insurance)
distribution
rules*

PAGE
C21

FCA PRA

client money chapter

FCA **PRA**

■ CASS 7.

client money distribution rules

FCA **PRA**

■ CASS 7A.

client money rules

FCA **PRA**

(A) In the PRA Handbook:

(1) [deleted]

(2) (in ■ CASS 5) ■ CASS 5.1 to ■ CASS 5.5.

(3) (in ■ CASS 3, ■ CASS 6, ■ CASS 7, ■ CASS 7A, *UPRU*, *COBS* and *FEES*) ■ CASS 7.1 to ■ 7.8.

(B) In the FCA Handbook:

(1) [deleted]

(2) (in ■ CASS 5) ■ CASS 5.1 to ■ CASS 5.5.

(3) (in ■ CASS 3, ■ CASS 6, ■ CASS 7, ■ CASS 7A, *UPRU*, *COBS* and *FEES*) ■ CASS 7.1 to ■ 7.8.

client money segregation requirements

FCA **PRA**

■ CASS 7.4.1 R and ■ CASS 7.4.11 R.

client transaction account

FCA **PRA**

(in relation to a *firm* and an exchange, *clearing house* or *intermediate broker*) an account maintained by the exchange, *clearing house* or *intermediate broker*, as the case may be, in respect of transactions in contingent liability investments undertaken by the *firm* with or for its *clients*.

client's best interests rule

FCA **PRA**

■ COBS 2.1.1 R.

close links

FCA **PRA**

(1) (in relation to *MiFID business* or in *FUND*) a situation in which two or more persons are linked by:

(a) participation which means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking;

(b) control which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in Article 1(1) and (2) of Directive 83/349/EEC, or a similar relationship between any person and an undertaking, any subsidiary undertaking of a subsidiary undertaking also being considered a subsidiary of the parent undertaking which is at the head of those undertakings.

A situation in which two or more persons are permanently linked to one and the same person by a control relationship is also to be regarded as constituting a close link between such persons.

[Note: article 4(1)(31) of *MIFID* and article 4(1)(e) of *AIFMD*]

(2) (except where (1) applies and except in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with paragraph 3(2) in Schedule 6 to the *Act* (Close links)) the relationship between a *person* ("A") and another *person* ("CL") which exists if:

- (a) CL is a *parent undertaking* of A; or
- (b) CL is a *subsidiary undertaking* of A; or
- (c) CL is a *parent undertaking* of a *subsidiary undertaking* of A; or
- (d) CL is a *subsidiary undertaking* of a *parent undertaking* of A; or
- (e) CL owns or controls 20% or more of the voting rights or capital of A; or
- (f) A owns or controls 20% or more of the voting rights or capital of CL.

(3) (in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with section 343(8) of the *Act* (Information given by auditor or actuary to a regulator : persons with close links)) the relationship in (2), disregarding (e) and (f).

close matching rules

FCA PRA

for the purposes of *permitted links*, the *rules* in ■ INSPRU 1.1.34 R, ■ INSPRU 3.1.57 R, ■ INSPRU 3.1.58 R, and ■ INSPRU 3.1.59 G.

close out

FCA PRA

(in *COLL*) enter into a further transaction under which the obligation to deliver or receive which arises or may, at the option of the other party to the transaction, arise under the original transaction is offset by an equivalent and opposite obligation or right to receive or deliver.

close period

FCA PRA

(in *LR*) as defined in paragraph 1(a) of the *Model Code*.

close relative

FCA PRA

(as defined in article 3(1) of the *Regulated Activities Order* and article 2(1) of the *Financial Promotion Order*) (in relation to any *person*):

- (a) his spouse or civil partner
- (b) his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters; and
- (c) the spouse or civil partner of any *person* within (b).

closed

FCA PRA

(in relation to a *syndicate year*) closed by *reinsurance to close* in accordance with *byelaws*, either into another *syndicate year* or into an *insurer* approved by the *Council* for the purpose.

closed-ended

FCA PRA

(in *LR*) (in relation to investment entities) an *investment company* which is not an *open-ended investment company*.

closed-ended corporate AIF

FCA

an *AIF* which is a *body corporate* and not a *collective investment scheme*.

closed-ended investment fund

FCA **PRA**

(in *LR*) an entity:

(a) which is an undertaking with limited liability, including a company, limited partnership, or *limited liability partnership*; and

(b) whose primary object is investing and managing its assets (including pooled funds contributed by holders of its *listed securities*):

(i) in property of any description; and

(ii) with a view to spreading investment risk.

closely related

FCA **PRA**

(in *GENPRU* and *BIPRU*) describes a relationship between two or more *persons* under which one or more of the following applies:

(a) the insolvency or default of one of them is likely to be associated with the insolvency or default of the others;

(b) it would be prudent when assessing the financial condition or creditworthiness of one to consider that of the others; or

(c) there is, or there is likely to be, a close relationship between the financial performance of those *persons*.

closing date

FCA **PRA**

the date specified in the earliest relevant *public announcement* of the *offer* as the last date for acceptance of the *offer*, or, if no such date is specified, then the date on which the *issuer* (or seller) of the *securities* offered receives any of the proceeds of the *offer*.

CMAR

FCA **PRA**

a Client Money and Asset Return, containing the information specified in ■ SUP 16 Annex 29 R.

CNCOM

[deleted]

COB

FCA **PRA**

the Conduct of Business sourcebook up to 1 November 2007.

COBS

FCA **PRA**

the Conduct of Business sourcebook from 1 November 2007.

Code of Market Conduct

FCA **PRA**

the provisions in ■ MAR 1 indicated by an "E" or "C" in the margin or heading, issued by the *FCA* as required by section 119 of the *Act* (The Code).

Code of Practice for Approved Persons

FCA **PRA**

(1) (in the *FCA Handbook*) the provisions in ■ APER 3 and ■ APER 4 indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an *approved person's* conduct complies with the *Statements of Principle* and which are issued by the *FCA* under section 64(2) of the *Act* (Conduct: statements and codes).

(2) (in the *PRA Handbook*) the provisions in ■ APER 3 and ■ APER 4 indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an *approved person's* conduct complies with the and which are issued by the *PRA* under section 64(2) of the *Act* (Conduct: statements and codes).

The provisions of ■ APER 1 marked with an "E" in the margin also form part of the *Code of Practice for Approved Persons*.

cold call

FCA PRA

a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue:

(a) which:

- (i) was not initiated by the recipient of the *financial promotion*; and
- (ii) does not take place in response to an express request from the recipient of the *financial promotion*; or

(b) in relation to which it was not clear from all the circumstances when the call, visit or dialogue was initiated or requested, that during the course of the call, visit or dialogue, communications would be made concerning the kind of *controlled activities* and *controlled investments* to which the communications in fact made relate.

In this definition:

(c) a *person* is not to be treated as expressly requesting a call, visit or dialogue:

- (i) because he omits to indicate that he does not wish to receive any or any further visits or calls or to engage in any or any further dialogue; or
- (ii) because he agrees to standard terms that state that such visits, calls or dialogue will take place, unless he has signified clearly that, in addition to agreeing to the terms, he is willing for them to take place;

(d) if a call, visit or dialogue is initiated or requested by a recipient (R), it is treated as also having been initiated or requested by any other *person* to whom it is made at the same time as it is made to R if that other recipient is a *close relative* of R or expected to *engage in any investment activity* jointly with R.

[Note: article 8 of the *Financial Promotion Order*]

COLL

FCA PRA

the Collective Investment Schemes sourcebook.

collateral

FCA PRA

(1) (in *COLL* and *FUND*) any form of security, guarantee or indemnity provided by way of security for the discharge of any liability arising from a transaction.

(2) (in *COBS* and *CASS*) any of the following:

(a) an *investment* specified in articles 76 to 81 of the *Regulated Activities Order*; that is:

- (i) *shares* (article 76);
- (ii) *debentures* (article 77);
- (iia) an *alternative debenture* (article 77A);
- (iii) *government and public securities* (article 78);
- (iv) *warrants* (article 79);
- (v) *certificates representing certain securities* (article 80);
- (vi) *units* (article 81); or

(b) *money*; or

(c) a *commodity* warrant (however title is recorded or evidenced);

which belongs to a *client* and which is held or controlled by the *firm* under the terms of a deposit, pledge, charge or other security arrangement.

(3) (in *INSPRU* and *SYSC*):

(a) (in relation to any transaction) a mortgage, charge, pledge or other security interest or, as the context may require, an asset that is subject to a mortgage, charge, pledge or other security interest; and

(b) (in relation to a *stock lending*, *repo* or *derivative* transaction only):

(i) a transfer of assets (other than by way of sale) subject to a right of the transferor to have transferred back to it the same, or equivalent, assets or, as the context may require, the assets so transferred by the original transferor; or

(ii) a letter of credit;

where the assets are transferred, or the letter of credit is issued, to secure the performance of the obligations of one of the parties to that transaction.

collateral rules

FCA **PRA**

■ CASS 3.

collective insurance

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph VIII of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), of a kind referred to in article 2(2)(e) of the *Consolidated Life Directive* ("the operations carried out by insurance companies such as those referred to in Chapter 1, Title 4 of Book IV of the French "Code des assurances"").

collective investment scheme

FCA **PRA**

a collective investment scheme, as defined in section 235 of the *Act* (Collective Investment Schemes), which is in summary:

(a) any arrangements with respect to property of any description, including money, the purpose or effect of which is to enable *persons* taking part in the arrangements (whether by becoming owners of the property or any part of it or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income; and

(c) which are not excluded by the Financial Services and Markets Act (Collective Investment Schemes) Order 2001 (SI 2001/1062).

collective investment undertaking other than the closed-end type

FCA **PRA**

(in *PR*) (as defined in Article 2.1(o) of the *prospectus directive*) unit trusts and investment companies:

(a) the object of which is the collective investment of capital provided by the public, and which operate on the principle of risk-spreading;

(b) the units of which are, at the holder's request, repurchased or redeemed, directly or indirectly, out of the assets of these undertakings.

collective investment undertaking PRR

FCA **PRA**

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.7.5 R (Calculation of the collective investment undertaking PRR).

collective portfolio management

FCA PRA

in relation to a *management company*, the activity of management of *UCITS schemes*, *EEA UCITS schemes* or other collective investment undertakings not covered by the *UCITS Directive* that the *firm* is permitted to carry on in accordance with article 6(2) of the *UCITS Directive*. This includes the functions mentioned in Annex II to that directive.

collective portfolio management firm

FCA PRA

a *firm* which:

- (a)
 - (i) is a *full-scope UK AIFM*; and
 - (ii) does not have a *Part 4A permission* to carry on any *regulated activities* other than those in connection with, or for the purpose of, managing collective investment undertakings; or
- (b) is a *UCITS firm* that has a *Part 4A permission* for *managing a UCITS*.

collective portfolio management investment firm

FCA PRA

a *firm* which has a *Part 4A permission* for *managing investments* and which is:

- (a) an *AIFM investment firm*; or
- (b) a *UCITS investment firm*.

COLLG

FCA PRA

the Collective Investment Scheme Information Guide.

Combined Code

FCA PRA

(in *LR* and *DTR*) in relation to an *issuer* the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council.

combined initial disclosure document

FCA PRA

information about the breadth of advice, *scope of advice* or *scope of basic advice* and the nature and costs of the services offered by a *firm* in relation to two or more of the following:

- (a) *packaged products* or, for *basic advice*, *stakeholder products* that are not a *group personal pension scheme* or a *group stakeholder pension scheme* (but only if a *consultancy charge* will be made);
- (b) *non-investment insurance contracts*;
- (c) *regulated mortgage contracts* other than *lifetime mortgages*;
- (d) *home purchase plans*;
- (e) *equity release transactions*;

which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, ■ COBS 6 Annex 2.

commencement

FCA PRA

the beginning of the *commencement day*.

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commencement day

FCA PRA

the *day* on which section 19 of the *Act* (The general prohibition) comes into force , being 1 December 2001.

commercial customer

FCA **PRA**

(in *ICOBS* and **■** *CASS 5*) a *customer* who is not a *consumer*.

commission

FCA **PRA**

any form of *commission* or remuneration, including a benefit of any kind, offered or given in connection with:

- (a) *designated investment business* (other than *commission equivalent*);
- (b) *insurance mediation activity* in connection with a *non-investment insurance contract*; or
- (c) the sale of a *packaged product*, that is offered or given by the *product provider*.

commission equivalent

FCA **PRA**

the cash payments, benefits and services listed in **■** *COBS 6 Annex 6 E* which satisfy the criteria in **■** *COBS 6.4.3 R*.

commitment

FCA **PRA**

a *commitment* represented by *insurance business* of any of the *classes* (as defined for the purposes of *INSPRU* and *SUP*) of *long-term insurance business*.

commodity

FCA **PRA**

- (1) (except for (2) and (3)) a physical asset (other than a financial instrument or cash) which is capable of delivery.
- (2) (for the purpose of calculating *position risk requirements*) any of the following (but excluding gold):
 - (a) a commodity within the meaning of paragraph (1); and
 - (b) any:
 - (i) physical or energy product; or
 - (ii) of the items referred to in paragraph 10 of Section C of Annex I of the *MIFID* as an underlying with respect to the *derivatives* mentioned in that paragraph; which is, or can be, traded on a secondary market.
- (3) (in relation to the *MiFID Regulation*, including the definitions of a *financial instrument* and an *ancillary service*) any goods of a fungible nature that are capable of being delivered, including metals and their ores and alloys, agricultural products, and energy such as electricity, not including services or other items that are not goods, such as currencies or rights in real estate, or that are entirely intangible.

[Note: article 2(1) of the *MiFID Regulation*]

commodity extended maturity ladder approach

FCA **PRA**

the method of calculating the *commodity PRR* in **■** *BIPRU 7.4.32 R* (Extended maturity ladder approach).

commodity future

FCA **PRA**

a *future* relating to a *commodity*.

commodity maturity ladder approach

FCA PRA

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.25 R (Maturity ladder approach).

commodity option

FCA PRA

an *option* relating to a *commodity*.

commodity PRR

FCA PRA

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.4 (Commodity PRR) or, in relation to a particular *position*, the portion of the overall *commodity PRR* attributable to that *position*.

commodity simplified approach

FCA PRA

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.24 R (Simplified approach).

common equity tier 1 capital

FCA

as defined in article 50 of the *EU CRR*.

common equity tier 1 instrument

FCA

a capital instrument that qualifies as a common equity tier 1 instrument under article 26 of the *EU CRR*.

common platform firm

FCA PRA

- (A) In the PRA Handbook:
 - (a) a *BIPRU firm*; or
 - (aa) a *bank*; or
 - (ab) a *building society*; or
 - (ac) a *designated investment firm*; or
 - (ad) an *IFPRU investment firm*; or
 - (b) an *exempt CAD firm*; or
 - (c) a UK *MiFID investment firm* which falls within the definition of 'local firm' in Article 3.1P of the *Capital Adequacy Directive*
 - (d) a *dormant account fund operator*.
- (B) In the FCA Handbook:
 - (a) a *BIPRU firm*; or
 - (aa) a *bank*; or
 - (ab) a *building society*; or
 - (ac) a *designated investment firm*; or
 - (ad) an *IFPRU investment firm*; or
 - (b) an *exempt CAD firm*; or

<p><i>common platform organisational requirements</i></p> <p>FCA PRA</p>	<p>(c) a UK <i>MiFID investment firm</i> which falls within the definition of 'local firm' in Article 3.1P of the <i>Capital Adequacy Directive</i></p> <p>(d) a <i>dormant account fund operator</i>.</p> <p>■ SYSC 4 to ■ SYSC 9.</p>
<p><i>common platform outsourcing rules</i></p> <p>FCA PRA</p>	<p>■ SYSC 8.1.1 R to ■ SYSC 8.1.12 G.</p>
<p><i>common platform record-keeping requirements</i></p> <p>FCA PRA</p>	<p>the record-keeping requirements applicable to <i>common platform firms</i> set out in ■ SYSC 9.</p>
<p><i>common platform requirements</i></p> <p>FCA PRA</p>	<p>■ SYSC 4 to ■ SYSC 10.</p>
<p><i>common platform requirements on financial crime</i></p> <p>FCA PRA</p>	<p>the requirements on <i>financial crime</i> applicable to <i>common platform firms</i> set out in ■ SYSC 6.3.</p>
<p><i>communicate</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>financial promotion</i>) to communicate in any way, including causing a communication to be made or directed.</p> <p>[Note: section 21(13) of the <i>Act</i> (Restrictions on financial promotion) and article 6(d) of the <i>Financial Promotion Order</i> (Interpretation: communications)]</p>
<p><i>communicated to a person inside the United Kingdom</i></p> <p>FCA PRA</p>	<p><i>communicated</i> other than <i>communicated to a person outside the United Kingdom</i>.</p>
<p><i>communicated to a person outside the</i></p>	<p>(a) <i>made to a person</i> who receives it outside the <i>United Kingdom</i>; or</p> <p>(b) <i>directed only at persons</i> outside the <i>United Kingdom</i>.</p>

United
Kingdom

FCA PRA

In this definition:

(c) If the conditions set out in (f)(i), (ii), (iii) and (iv) are met, a *financial promotion* directed from a place inside the *United Kingdom* will be regarded as *directed only at persons* outside the *United Kingdom*.

(d) If the conditions set out in (f)(iii) and (iv) are met, a *financial promotion* directed from a place outside the *United Kingdom* will be regarded as *directed only at persons* outside the *United Kingdom*.

(e) In any other case in which one or more of the conditions in (f)(i) to (v) is met, that fact will be taken into account in determining whether a *financial promotion* is *directed only at persons* outside the *United Kingdom* (but a *financial promotion* may still be regarded as *directed only at persons* outside the *United Kingdom* even if none of these conditions is met).

(f) The conditions are that:

(i) the *financial promotion* is accompanied by an indication that it is *directed only at persons* outside the *United Kingdom*;

(ii) the *financial promotion* is accompanied by an indication that it must not be acted upon by *persons* in the *United Kingdom*;

(iii) the *financial promotion* is not referred to in, or directly accessible from, any other *financial promotion* which is *made to a person* or *directed at persons* in the *United Kingdom* by the same communicator;

(iv) there are in place proper systems and procedures to prevent recipients in the *United Kingdom* (other than those to whom the *financial promotion* might otherwise lawfully have been made) engaging in the investment activity to which the *financial promotion* relates with the *person* directing the *financial promotion*, a *close relative* of his or a member of the same *group*;

(v) the *financial promotion* is included in:

(A) a website, newspaper, journal, magazine or periodical publication which is principally accessed in or intended for a market outside the *United Kingdom*;

(B) a radio or television broadcast or teletext service transmitted principally for reception outside the *United Kingdom*.

community
benefit society

FCA

a society registered (or deemed to be registered) under the Industrial and Provident Societies Act 1965 which fulfils the condition in section 1(2)(b) of that Act or a society registered (or deemed to be registered) under the Industrial and Provident Societies Act (Northern Ireland) 1969 which fulfils the condition in section 1(2) of that Act.

Community
Co-Insurance
Directive

FCA PRA

the Council Directive of 30 May 1978 on the coordination of laws, regulations and administrative provisions relating to Community co-insurance (No 78/473/EEC).

community
co-insurance
operation

FCA PRA

an operation to which the *Community Co-Insurance Directive* applies, as modified by article 26 of the *Second Non-Life Directive*.

*community
finance
organisation*

FCA **PRA**

a *community benefit society*, a *registered charity* or a community interest company limited by guarantee (within the meaning of Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004).

COMP

FCA **PRA**

the Compensation sourcebook.

company

FCA **PRA**

any *body corporate*.

*Company
Announcements
Office*

FCA **PRA**

the Company Announcements Office of the London Stock Exchange, the information dissemination provider approved by the UKLA.

*compensation
costs*

FCA **PRA**

the costs incurred:

- (a) in paying compensation; or
- (b) as a result of making the arrangements contemplated in ■ COMP 3.3.1 R or taking the measures contemplated in ■ COMP 3.3.3 R; or
- (c) in making payments or giving indemnities under ■ COMP 11.2.3 R; or
- (d) under section 214B or section 214D of the *Act*; or
- (e) by virtue of section 61 (Sources of compensation) of the Banking Act 2009;

(including the costs of paying interest, principal and other costs of borrowing to pay such costs).

*compensation
costs levy*

FCA **PRA**

a levy imposed by the FSCS on *participant firms* to meet *compensation costs*, each *participant firm's* share being calculated in accordance with ■ FEES 6.5

*compensation
fund*

FCA **PRA**

any *policyholder* compensation scheme in any *EEA State*.

*compensation
scheme*

FCA **PRA**

the Financial Services Compensation Scheme established under section 213 of the *Act* (The compensation scheme) for compensating *persons* in cases where *authorised persons* and *appointed representatives*, or, where applicable, a *tied agent* of a firm, are unable, or are likely to be unable, to satisfy *claims* against them.

*compensation
transitional
order*

FCA **PRA**

the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (SI 2001/2967).

competent
authority

FCA PRA

(A) In the PRA Handbook:

(1) (in relation to the functions referred to in Part VI of the *Act*)

(a) the *FCA*, or the functions referred to in Part VI of the *Act* under the laws of

(b) an authority exercising functions corresponding to the functions referred to in Part VI of the *Act* under the laws of another *EEA State*.

(2) (in relation to the exercise of an *EEA right* and the exercise of the *overseas financial stability information power*) a competent authority for the purposes of the relevant *Single Market Directive* or the *auction regulation*.

(3) (in relation to a group, and for the purposes of ■ SYSC 12 (Group risk systems and controls requirement), *GENPRU*, *BIPRU* and *INSPRU*, any national authority of an *EEA State* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.

(4) the authority, designated by each *EEA State* in accordance with Article 48 of *MiFID*, unless otherwise specified in *MiFID*.

[Note: article 4(1)(22) of *MiFID*]

(5) (in *REC*) in relation to an *investment firm* or *credit institution*, means the competent authority in relation to that firm or institution for the purposes of *MiFID*.

(6) (in ■ COBS 13.4) the authority designated by each *EEA State* in accordance with Article 11 of the *Market Abuse Directive*.

[Note: article 1(7) of the *Market Abuse Directive*]

(7) the authority designated by each *EEA State* in accordance with article 32 of the *short selling regulation*.

(8) (for an *AIF*) the national authorities of an *EEA State* which are empowered by law or regulation to supervise *AIFs*.

(9) (for an *AIFM*) a national authority in an *EEA State* which is empowered by law or regulation to supervise *AIFMs*.

[Note: This definition is based on the definition contained in the CRD (Consequential Amendments) Instrument 2006 which was consulted on in the consultation paper Strengthening Capital Standards 2 (CP 06/3)]

(B) In the FCA Handbook:

(1) (in relation to the functions referred to in Part VI of the *Act*)

(a) the *FCA*, or the functions referred to in Part VI of the *Act* under the laws of

(b) an authority exercising functions corresponding to the functions referred to in Part VI of the *Act* under the laws of another *EEA State*.

(2) (in relation to the exercise of an *EEA right* and the exercise of the *overseas financial stability information power*) a competent authority for the purposes of the relevant *Single Market Directive* or the *auction regulation*.

(3) (in relation to a group, and for the purposes of ■ SYSC 12 (Group risk systems and controls requirement), *GENPRU*, *BIPRU* and *INSPRU*, any national authority of an *EEA State* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.

(4) the authority, designated by each *EEA State* in accordance with Article 48 of *MiFID*, unless otherwise specified in *MiFID*.

[Note: article 4(1)(22) of *MiFID*]

competent
employees rule

FCA PRA

complaint

FCA PRA

(5) (in *REC*) in relation to an *investment firm* or *credit institution*, means the competent authority in relation to that firm or institution for the purposes of *MiFID*.

(6) (in ■ COBS 13.4) the authority designated by each *EEA State* in accordance with Article 11 of the *Market Abuse Directive*.

[Note: article 1(7) of the *Market Abuse Directive*]

(7) the authority designated by each *EEA State* in accordance with article 32 of the *short selling regulation*.

(8) (for an *AIF*) the national authorities of an *EEA State* which are empowered by law or regulation to supervise *AIFs*.

(9) (for an *AIFM*) a national authority in an *EEA State* which is empowered by law or regulation to supervise *AIFMs*.

(10) (for the purposes of *IFPRU*) has the meaning in article 4(1)(40) of the *EU CRR*.

[Note: This definition is based on the definition contained in the CRD (Consequential Amendments) Instrument 2006 which was consulted on in the consultation paper Strengthening Capital Standards 2 (CP 06/3)]

(a) for a *firm* which is not a *common platform firm*, ■ SYSC 3.1.6 R.

(b) for a *common platform firm*, ■ SYSC 5.1.1 R.

(A) In the PRA Handbook:

(1) [deleted]

(2) (in ■ SUP 10 and *DISP*, except ■ DISP 1.1 and the *complaints handling rules* and the *complaints record rule* in relation to *MiFID business*, and in ■ CREDS 9) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which:

(a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and

(b) relates to an activity of that *respondent*, or of any other *respondent* with whom that *respondent* has some connection in marketing or providing financial services or products, which comes under the jurisdiction of the *Financial Ombudsman Service*.

(3) (in ■ DISP 1.1, the complaints awareness rules only in relation to *collective portfolio management* and the *complaints handling rules* and the *complaints record rule* only in relation to *MiFID business* and *collective portfolio management*) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.

(4) (in *DISP*) reference to a *complaint* includes:

(a) under all jurisdictions, part of a *complaint*; and

(b) under the *Compulsory Jurisdiction*, all or part of a *relevant complaint*.

(B) In the FCA Handbook:

(1) [deleted]

(2) (in ■ SUP 10 and DISP, except ■ DISP 1.1 and the *complaints handling rules* and the *complaints record rule* in relation to *MiFID business*, and in ■ CREDS 9) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which:

(a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and

(b) relates to an activity of that *respondent*, or of any other *respondent* with whom that *respondent* has some connection in marketing or providing financial services or products, which comes under the jurisdiction of the *Financial Ombudsman Service*.

(3) (in ■ DISP 1.1, the complaints awareness rules only in relation to *collective portfolio management* and the *complaints handling rules* and the *complaints record rule* only in relation to *MiFID business* and *collective portfolio management*) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.

(4) (in DISP) reference to a *complaint* includes:

(a) under all jurisdictions, part of a *complaint*; and

(b) under the *Compulsory Jurisdiction*, all or part of a *relevant complaint* or a *relevant credit-related complaint*.

complaints data publication rules

FCA PRA

■ DISP 1.10A.

complaints handling rules

FCA PRA

■ DISP 1.3.

complaints investigator

FCA PRA

(1) (in relation to a *UK RIE*) the independent *person* appointed under arrangements referred to in paragraph 9(3) of the Schedule to the *Recognition Requirements Regulations* to investigate a complaint and to report on the result of his investigation to that *RIE* and to the complainant.

(2) (in relation to a *UK RCH*) the independent *person* appointed under arrangements referred to in paragraph 23(3) of the Schedule to the *Recognition Requirements Regulations* to investigate a complaint and to report on the result of his investigation to that *RCH* and to the complainant.

(3) (in relation to an *RAP*) the independent *person* appointed under arrangements referred to in regulations 22 and 23 of the *RAP regulations* to investigate a complaint and to report on the result of his investigation to that *RAP* and to the complainant.

■ DISP 1.9.

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complaints record rule

FCA PRA

■ DISP 1.10.

complaints reporting rules

FCA PRA

*complaints
resolution rules*

■ DISP 1.4.

FCA PRA

*complaints
time barring
rule*

■ DISP 1.8.

FCA PRA

*complaints
time limits
rules*

■ DISP 1.6.

FCA PRA

*compliance
oversight
function*(in the *FCA Handbook*) *FCA controlled function* CF10 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.8 R.

FCA PRA

*composite firm*a *firm* that carries on both *long-term insurance business* and *general insurance business*.

FCA PRA

*composite
insurer*(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) an *insurer* with permission to effect or carry out both *long-term insurance contracts* and *general insurance*.

FCA PRA

*Compulsory
Jurisdiction*the jurisdiction of the *Financial Ombudsman Service* to which *firms*, *payment service providers* and *electronic money issuers* (and certain other *persons* as a result of the *Ombudsman Transitional Order* or section 226(2)(b) and (c) of the *Act*) are compulsorily subject.

FCA PRA

CONC

the Consumer Credit sourcebook.

FCA

*concentration
risk capital
component*

[deleted]

COND

the part of the *Handbook* in High Level Standards which has the title Threshold Conditions.

FCA PRA

*conditional
sale agreement*in accordance with article 60L of the *Regulated Activities Order*, an agreement for the sale of *goods* or *land* under which the purchase price or part of it is payable by instalments, and the property in the *goods* or *land* is to remain with the seller (notwithstanding that the buyer is to be in possession of the

FCA

conflicts of interest policy

FCA PRA

goods or land) until such conditions as to the payment of instalments or otherwise as may be specified in the agreement are fulfilled.

(1) the policy established and maintained in accordance with ■ SYSC 10.1.10 R; and

(2) (in ■ MAR 8) the policy established and maintained in accordance with ■ MAR 8.2.8 G which identifies circumstances that constitute, or may give rise to, a conflict of interest arising from *benchmark submissions* and the process of gathering information in order to make *benchmark submissions*, and sets out the process to manage such conflicts.

conglomerate capital resources

FCA PRA

(in relation to a *financial conglomerate* with respect to which ■ GENPRU 3.1.29 R (Application of method 1 or 2 from Annex I of the *Financial Groups Directive*) applies) capital resources as defined in whichever of paragraphs 1.1 or 2.1 of ■ GENPRU 3 Annex 1 R (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

conglomerate capital resources requirement

FCA PRA

(in relation to a *financial conglomerate* with respect to which ■ GENPRU 3.1.29 RR (Application of method 1 or 2 from Annex I of the *Financial Groups Directive*) applies) the capital resources requirement defined in whichever of paragraphs 1.3 or 2.4 of ■ GENPRU 3 Annex 1 R (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

connected client

FCA PRA

(in LR) in relation to a *sponsor* or securities house, any client of the *sponsor* or securities house who is:

- (a) a partner, *director*, employee or controller (as defined in section 422 of the *Act*) of the *sponsor* or securities house or of an undertaking described in paragraph (d); or
- (b) the spouse, civil partner or child of any individual described in paragraph (a); or
- (c) a *person* in his capacity as a trustee of a private trust (other than a pension scheme or an *employees' share scheme*) the beneficiaries of which include any *person* described in paragraph (a) or (b); or
- (d) an undertaking which in relation to the *sponsor* or securities house is a group undertaking.

connected contract

FCA PRA

(A) In the PRA Handbook:

a *non-investment insurance contract* which:

- (a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);
- (b) has a total duration (including *renewals*) of five years or less;
- (c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;
- (d) covers the risk of:
 - (i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or
 - (ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider ("travel risks") in circumstances where:
 - (A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an

individual (acting in his private capacity) or a small business; or

(B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;

(e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);

(f) is complementary to the non-motor goods being supplied or service being provided by the provider; and

(g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

In this definition:

(h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

(i) a hire-purchase agreement within the meaning of section 189(1) of the Consumer Credit Act 1974; or

(ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

(i) "small business" means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);

(j) "turnover" means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

(B) In the FCA Handbook:

a *non-investment insurance contract* which:

(a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);

(b) has a total duration (including *renewals*) of five years or less;

(c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;

(d) covers the risk of:

(i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or

(ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider ("travel risks") in circumstances where:

(A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an individual (acting in his private capacity) or a small business; or

(B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;

(e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);

(f) is complementary to the non-motor goods being supplied or service being provided by the provider; and

(g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

(h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

(i) a *hire-purchase agreement*; or

(ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

(i) "small business" means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);

(j) "turnover" means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

connected lending of a capital nature

[deleted]

connected person

FCA **PRA**

(1) (in relation to the *FCA* or *PRA*'s consideration of an application for, or of whether to vary or cancel, a *Part 4A permission*) (in accordance with section 55R of the *Act* (Persons connected with an applicant)) any *person* appearing to the regulator concerned to be, or likely to be, in a relationship with the applicant or *person* given *permission*, which is relevant.

(2) (in relation to the *FCA* or *PRA*'s power to gather information under section 165 of the *Act* (Regulators' power to require information)) (in accordance with section 165(11) of the *Act*) a *person* who has, or has at any relevant time had, the following relationship with another person ("A"):

(a) he is a member of A's *group*;

(b) he is a *controller* of A;

(c) he is a member of a *partnership* of which A is a member;

(d) he is or has been an employee of A;

(e) if A is a *body corporate*, he is or has been an *officer*, or *manager* or agent of A or of a *parent undertaking* of A;

(f) if A is a *partnership*, he is or has been a member, *manager* or agent of A;

(g) if A is an unincorporated association of *persons* which is neither a *partnership* nor an unincorporated *friendly society*, he is or has been an *officer, manager*, or agent of A;

(h) if A is a *friendly society*, he is or has been an officer or manager of A ("officer" and "manager" having the same meaning as in section 119(1) of the Friendly Societies Act 1992);

(i) if A is a *building society*, he is or has been an officer of A ("officer" having the same meaning as in section 119(1) of the Building Societies Act 1986);

(j) if A is an individual, he is or has been an agent of A.

(3) (in relation to the *FCA* or *PRA*'s powers of investigation under sections 171 and 172 of the *Act* (Powers of persons appointed under section 167; Additional power of persons appointed as a result of section 168(1) or (4))) (in accordance with section 171(4) of the *Act*) a *person* who has, or has at any relevant time had, the following relationship with a *person* under investigation ("P"):

(a) he has the relationship specified in any of paragraphs (2) (a), (b) or (d) to (j) to P (where references in those paragraphs to A are taken to be references to P);

(b) it is a *partnership* of which P is a member;

(c) he is the partner, *manager*, employee, agent, *appointed representative*, or, where applicable, *tied agent*, banker, auditor, actuary or solicitor of:

(i) P; or

(ii) a *parent undertaking* of P; or

(iii) a *subsidiary undertaking* of P; or

(iv) a *subsidiary undertaking* of a *parent undertaking* of P; or

(v) a *parent undertaking* of a *subsidiary undertaking* of P.

(4) to follow

(5) (in *DTR* and *LR* in relation to a *person discharging managerial responsibilities* within an *issuer*) has the same meaning as in section 96B(2) of the *Act*.

(a) [deleted]

(b) [deleted]

(c) [deleted]

connected travel insurance contract

FCA **PRA**

a *non-investment insurance contract* which covers the risk of damage to, or loss of, baggage and other risks linked to the travel booked with the provider but does not otherwise meet the conditions in paragraph (d)(ii) of the definition of *connected contract*.

connected travel insurance intermediary

FCA **PRA**

an *insurance intermediary* whose *permission* includes a *requirement* that it must not conduct any *regulated activity* other than *insurance mediation activity* in relation to a *connected travel insurance contract*.

<p><i>consent notice</i></p> <p>FCA PRA</p>	<p>a notice given by the <i>FCA</i> or <i>PRA</i> as the case may be to a <i>Host State regulator</i> under :</p> <p>(a) paragraph 19(4) (Establishment) of Part III of Schedule 3 to the <i>Act</i> (Exercise of Passport Rights by UK firms); or</p> <p>(b) paragraph 20(3A) (Services) of Part III of Schedule 3 to the <i>Act</i> (Exercise of Passport Rights by UK firms).</p>
<p><i>Consolidated Admissions and Reporting Directive</i></p> <p>FCA PRA</p>	<p>Directive of the European Parliament and of the Council on the admission of securities to official stock exchange listing and on information to be published on those securities (No 2001/34/EC).</p>
<p><i>consolidated basis</i></p> <p>FCA</p>	<p>has the meaning in article 4(1)(48) of the <i>EU CRR</i>.</p>
<p><i>consolidated capital resources</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) that group's capital resources calculated in accordance with ■ <i>BIPRU</i> 8.6 (Consolidated capital resources).</p>
<p><i>consolidated capital resources requirement</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) an amount of <i>consolidated capital resources</i> that that group must hold in accordance with ■ <i>BIPRU</i> 8.7 (Consolidated capital resources requirement).</p>
<p><i>consolidated credit risk requirement</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ <i>BIPRU</i> 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to credit risk calculated in accordance with ■ <i>BIPRU</i> 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ <i>BIPRU</i> 8.7.</p>
<p><i>consolidated fixed overheads requirement</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ <i>BIPRU</i> 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to the <i>fixed overheads requirement</i> (as referred to Article 21 of the <i>Capital Adequacy Directive</i> and the definition of <i>fixed overheads requirement</i>) calculated in accordance with ■ <i>BIPRU</i> 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ <i>BIPRU</i> 8.7.</p>
<p><i>consolidated indirectly issued capital</i></p> <p>FCA PRA</p>	<p>has the meaning in ■ <i>BIPRU</i> 8.6.12 R (Indirectly issued capital and group capital resources), which is in summary any <i>capital instrument</i> issued by a member of a <i>UK consolidation group</i> or <i>non-EEA sub-group</i> where the conditions in ■ <i>BIPRU</i> 8.6.12 R are met.</p>
<p><i>Consolidated Life Directive</i></p> <p>FCA PRA</p>	<p>the Council Directive of 5 November 2002 on the taking-up and pursuit of the business of life assurance (No 2002/83/EC), which consolidates the provisions of the <i>First</i>, <i>Second</i> and <i>Third Life Directives</i>.</p>

Consolidated Life Directive information

FCA **PRA**

(in COBS) the Consolidated Life Directive information (■ COBS 13 Annex 1 R).

consolidated market risk requirement

FCA **PRA**

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in GENPRU and BIPRU) has the meaning in ■ BIPRU 8.7 (Consolidated capital resources requirement) which is in summary the part of that group's *consolidated capital resources requirement* relating to *market risk* calculated in accordance with ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ BIPRU 8.7.

Consolidated Motor Insurance Directive

FCA **PRA**

the European Parliament and Council Directive of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (No 2009/103/EC). This Directive codifies Council Directives 72/166/EEC, 84/5/EEC, 90/232/EEC, 2000/26/EC and 2005/14/EC.

consolidated operational risk requirement

[deleted]

consolidated requirement component

FCA

has the meaning in ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components), which in summary is one of the following:

- (a) the *consolidated credit risk requirement*; or
- (b) the *consolidated fixed overheads requirement*; or
- (c) the *consolidated market risk requirement*; or
- (d) [deleted]

consolidated situation

FCA **PRA**

(A) (in the *PRA Handbook*)

the situation that results from applying the requirements of the *EU CRR* in accordance with Part One, Title II, Chapter 2 of the *EU CRR* to an *institution* as if that *institution* formed, together with one or more other *institutions*, a single *institution*.

(B) (in the *FCA Handbook*)

has the meaning in article 4(1)(47) of the *EU CRR*.

consolidating supervisor

FCA

has the meaning in article 4(1)(41) of the *EU CRR*.

consolidation Article 12(1) relationship

FCA **PRA**

a relationship between one *undertaking* (the first undertaking) and one or more other *undertakings* satisfying the conditions set out in Article 12(1) of the *Seventh Company Law Directive*, which in summary are as follows:

- (a) those *undertakings* are not connected, as described in article 1(1) or (2) of that Directive; and
- (b) one of the following conditions is satisfied:

consolidation
group

FCA PRA

- (i) they are managed on a unified basis pursuant to a contract concluded with the first undertaking or provisions in the memorandum or articles of association of those *undertakings*; or
- (ii) the administrative, management or supervisory bodies of those *undertakings* consist, for the major part, of the same *persons* in office during the financial year in respect of which it is being decided whether such a relationship exists.

(A) In the PRA Handbook:

(1) the following:

- (a) a *conventional group*; or
- (b) *undertakings* linked by a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

(2) (in SYSC) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the *EU CRR* and ■ IFPRU 8.1.3 R to ■ IFPRU 8.1.4 R (Prudential consolidation) for which the *FCA* is the *consolidating supervisor* under [article 111 of the *CRD*].

(3) For the purposes of ■ SUP 16, the *group of undertakings* which are included in the *consolidated situation* of a *parent institution in a Member State*, an *EEA parent institution*, an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* (including any *undertaking* which is included in that consolidation because of an *Article 12(1) relationship*, *Article 18(5) relationship* or *Article 18 relationship*).

(B) In the FCA Handbook:

(1) the following:

- (a) a *conventional group*; or
- (b) *undertakings* linked by a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

(2) (for the purposes of ■ SUP 16) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the *EU CRR* and ■ IFPRU 8.1.3 R to ■ IFPRU 8.1.4 R (Prudential consolidation) for which the *FCA* is the *consolidating supervisor* under article 111 of the *CRD*.

<i>consolidation UK integrated group</i>	[deleted]
<i>consolidation wider integrated group</i>	[deleted]
<i>constable</i> FCA PRA	a police officer in the <i>United Kingdom</i> or a <i>person</i> commissioned by the Commissioners for HM Revenue and Customs.
<i>constitution</i> FCA PRA	(in <i>LR</i>) memorandum and articles of association or equivalent constitutional document.
<i>consultancy charge</i> FCA PRA	any charge payable by or on behalf of an employee to a <i>firm</i> or other intermediary (whether or not that intermediary is an <i>employee benefit consultant</i>) in respect of advice given, or services provided, by the <i>firm</i> or intermediary to the employer or employee in connection with a <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> , where those charges have been agreed between the <i>firm</i> or intermediary and the employer in accordance with the <i>rules</i> on consultancy charging and remuneration (■ COBS 6.1C).
<i>consumer</i> FCA PRA	<p>(A) In the PRA Handbook:</p> <p>(1) (except as specified in this definition) any natural person acting for purposes outside his trade, business or profession.</p> <p>[Note: article 2 of the <i>Distance Marketing Directive</i>, article 2 of the Unfair Terms in Consumer Contracts Directive (93/13/EEC), article 2 of the <i>E-Commerce Directive</i>, and article 4(11) of the Payment Services Directive].</p> <p>(2) (as further defined in section 1G of the <i>Act</i>) (in relation to the discharge of the <i>FCA</i>'s general functions (sections 1B to 1E of the <i>Act</i>), the application of the regulatory principles by the regulators in section 3B of the <i>Act</i> and references by scheme operators or regulated persons (section 234D of the <i>Act</i>)) a <i>person</i>:</p> <p>(a) who uses, has used, or may use:</p> <p>(i) regulated financial services; or</p> <p>(ii) services that are provided by other than <i>authorised persons</i> but are provided in carrying on <i>regulated activities</i>; or</p> <p>(b) who has relevant rights or interests in relation to any of those services; or</p> <p>(c) who has invested, or may invest, in financial instruments; or</p> <p>(ca) who has relevant rights or interests in relation to financial instruments; or</p> <p>(d) (in relation to the <i>FCA</i>'s power to make general <i>rules</i> (section 137A of the <i>Act</i> (The <i>FCA</i>'s general rules)) a <i>person</i> within the extended definition of</p>

consumer in article 7 of the Financial Services Act 2012 (Transitional Provisions) (Miscellaneous Provisions) Order 2013 (SI 442/2013 Definition of "consumer");

(e) [deleted]

(2A) (as further defined in section 425A of the *Act*) (in relation to the issue of statements or codes under section 64 of the *Act*), general exemptions to consultation by the *FCA* (section 138L of the *Act*) in the publication of notices (section 391 of the *Act*) and the exercise of *Treaty rights* (Schedule 4 to the *Act*) a *person* who uses, has used, may have used, or has relevant rights or interests in relation to any services provided by:

(a) *authorised persons* in carrying on regulated activities;

(b) *authorised persons* who are investment *firms*, or credit institutions, in providing relevant ancillary services; or

(c) *persons* acting as appointed representatives.

for the purposes of this definition:

(A) if a *person* is providing a service within (2)(a) or (2A) as a trustee, the *persons* who are, have been or may be beneficiaries of the trust are to be treated as *persons* who use, have used or may use the service;

(AA) a *person* has a "relevant right or interest" in relation to any services within (2)(a) or (2A) if that *person* has a right or interest:

(i) which is derived from, or is otherwise attributable to, the use of the services by others; or

(ii) which may be adversely affected by the use of the services by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(B) a *person* who deals with another person ("A") in the course of A providing a service within (2)(a) or (2A) is to be treated as using the service;

(C) a *person* has a "relevant right or interest" in relation to any financial instrument within (2)(ca) if that person has a right or interest:

(i) which is derived from, or is otherwise attributable to, investment in the instrument by others; or

(ii) which may be adversely affected by the investment in the instrument by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(D) (for the purposes of (2A)(b)):

(a) "credit institution" means:

(i) a credit institution authorised under the *CRD* ; or

(ii) an institution which would satisfy the requirements for authorisation as a credit institution under that directive if it had its registered office (or if it does not have one, its head office) in an EEA State;

(b) "relevant ancillary service" means any service of a kind mentioned in Section B of Annex I to *MiFID* the provision of which does not involve the carrying on of a *regulated activity*.

(3) [deleted]

(4) (as further defined in section 425A and 425B of the *Act*) (in relation to the establishment and maintenance of the Consumer Panel (section 1Q of the *Act* (The Consumer Panel))) (as defined in section 1Q of the *Act*), complaints by consumer bodies (section 234C of the *Act*):

(a) a *person* within (2A), other than an *authorised person*; and

(b) (in relation to *regulated activities* carried on otherwise than by *authorised persons*) a *person*, other than an *authorised person*, who would have been a "consumer" within (2A) if the activities were carried on by an *authorised person*.

(5) [deleted]

(5A) (as further defined in sections 425A and 425B of the *Act*) until 31 March 2014, with respect to the publication of information in relation to activities carried on by *Northern Ireland credit unions* (section 391 of the *Act* and article 5 of the Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011 (SI 2832/2011) a *person* within (4)(b).

(6) [deleted]

(B) In the FCA Handbook:

(1) (except as specified in this definition) any natural person acting for purposes outside his trade, business or profession.

[Note: article 2 of the *Distance Marketing Directive*, article 2 of the Unfair Terms in Consumer Contracts Directive (93/13/EEC), article 2 of the *E-Commerce Directive*, article 4(11) of the Payment Services Directive and article 3 of the *Consumer Credit Directive*.]

(2) (as further defined in section 1G of the *Act*) (in relation to the discharge of the *FCA*'s general functions (sections 1B to 1E of the *Act*), the application of the regulatory principles by the regulators in section 3B of the *Act* and references by scheme operators or regulated persons (section 234D of the *Act*)) a *person*:

(a) who uses, has used, or may use:

(i) regulated financial services; or

(ii) services that are provided by other than *authorised persons* but are provided in carrying on *regulated activities*; or

(b) who has relevant rights or interests in relation to any of those services; or

(c) who has invested, or may invest, in financial instruments; or

(ca) who has relevant rights or interests in relation to financial instruments; or

(d) (in relation to the *FCA*'s power to make general *rules* (section 137A of the *Act* (The *FCA*'s general rules)) a *person* within the extended definition of consumer in article 7 of the Financial Services Act 2012 (Transitional Provisions) (Miscellaneous Provisions) Order 2013 (SI 442/2013 Definition of "consumer");

(e) [deleted]

(2A) (as further defined in section 425A of the *Act*) (in relation to the issue of statements or codes under section 64 of the *Act*), general exemptions to consultation by the *FCA* (section 138L of the *Act*) in the publication of notices (section 391 of the *Act*) and the exercise of *Treaty rights* (Schedule 4 to the *Act*) a *person* who uses, has used, may have used, or has relevant rights or interests in relation to any services provided by:

- (a) *authorised persons* in carrying on regulated activities;
- (b) *authorised persons* who are investment *firms*, or credit institutions, in providing relevant ancillary services; or
- (c) *persons* acting as appointed representatives.

for the purposes of this definition:

(A) if a *person* is providing a service within (2)(a) or (2A) as a trustee, the *persons* who are, have been or may be beneficiaries of the trust are to be treated as *persons* who use, have used or may use the service;

(AA) a *person* has a "relevant right or interest" in relation to any services within (2)(a) or (2A) if that *person* has a right or interest:

- (i) which is derived from, or is otherwise attributable to, the use of the services by others; or
- (ii) which may be adversely affected by the use of the services by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(B) a *person* who deals with another person ("A") in the course of A providing a service within (2)(a) or (2A) is to be treated as using the service;

(C) a *person* has a "relevant right or interest" in relation to any financial instrument within (2)(ca) if that person has a right or interest:

- (i) which is derived from, or is otherwise attributable to, investment in the instrument by others; or
- (ii) which may be adversely affected by the investment in the instrument by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(D) (for the purposes of (2A)(b)):

(a) "credit institution" means:

- (i) a credit institution authorised under the *CRD*; or
- (ii) an institution which would satisfy the requirements for authorisation as a credit institution under that directive if it had its registered office (or if it does not have one, its head office) in an EEA State;

(b) "relevant ancillary service" means any service of a kind mentioned in Section B of Annex I to *MiFID* the provision of which does not involve the carrying on of a *regulated activity*.

(3) [deleted]

(4) (as further defined in section 425A and 425B of the *Act*) (in relation to the establishment and maintenance of the Consumer Panel

<p>(section 1Q of the <i>Act</i> (The Consumer Panel))) (as defined in section 1Q of the <i>Act</i>), complaints by consumer bodies (section 234C of the <i>Act</i>):</p> <p style="padding-left: 20px;">(a) a <i>person</i> within (2A), other than an <i>authorised person</i>; and</p> <p style="padding-left: 20px;">(b) (in relation to <i>regulated activities</i> carried on otherwise than by <i>authorised persons</i>) a <i>person</i>, other than an <i>authorised person</i>, who would have been a "consumer" within (2A) if the activities were carried on by an <i>authorised person</i>.</p> <p>(5) [deleted]</p> <p>(5A) (as further defined in sections 425A and 425B of the <i>Act</i>) until 31 March 2014, with respect to the publication of information in relation to activities carried on by <i>Northern Ireland credit unions</i> (section 391 of the <i>Act</i> and article 5 of the Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011 (SI 2832/2011) a <i>person</i> within (4)(b).</p> <p>(6) [deleted]</p>	<p>■ DISP 1.2</p> <p>[deleted] and expressions used in the Consumer Credit Act 1974 (as amended) have the same meaning in this definition as they have in that Act.</p> <p>Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.</p> <p>(A) In the PRA Handbook: the jurisdiction of the <i>Financial Ombudsman Service</i> resulting from section 226A of the <i>Act</i> which applies to <i>licensees</i>.</p> <p>(B) In the FCA Handbook: the jurisdiction of the <i>Financial Ombudsman Service</i> which resulted from section 226A (repealed) of the <i>Act</i>.</p> <p>in accordance with article 60B of the <i>Regulated Activities Order</i>, <i>entering into a regulated credit agreement as lender or exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement.</i></p> <p>(as defined in section 203(3) of the <i>Act</i> (Power to prohibit the carrying on of Consumer Credit Act business)) a prohibition on carrying on, or purporting to carry on, in the <i>United Kingdom</i> any Consumer Credit Act business which consists of or includes carrying on one or more <i>listed activities</i> or <i>investment services</i>.</p>
<p><i>consumer awareness rules</i></p> <p>FCA PRA</p>	
<p><i>consumer credit activity</i></p>	
<p><i>Consumer Credit Directive</i></p> <p>FCA</p>	
<p><i>Consumer Credit Jurisdiction</i></p> <p>FCA PRA</p>	
<p><i>consumer credit lending</i></p> <p>FCA</p>	
<p><i>consumer credit prohibition</i></p> <p>PRA</p>	

consumer hire agreement

FCA

in accordance with article 60N of the *Regulated Activities Order*, an agreement between a *person* ("the owner") and an *individual* ("the hirer") for the bailment or, in Scotland, the hiring of *goods* to the hirer which:

- (a) is not a *hire-purchase agreement*; and
- (b) is capable of subsisting for more than three months.

consumer hiring

FCA

in accordance with article 60N of the *Regulated Activities Order*, entering into a *regulated consumer hire agreement* as *owner* or exercising, or having the right to exercise, the *owner's* rights and duties under a *regulated consumer hire agreement*.

Consumer Panel

FCA PRA

the panel of *persons* which section 1Q of the *Act* (The Consumer Panel) requires the *FCA* to establish and maintain, as part of its arrangements for consultation under section 1M, to represent the interests of *consumers*.

consumer redress scheme

FCA PRA

a scheme imposed:

- (a) by *rules* on *authorised persons*, *payment service providers* or *electronic money issuers* under section 404 (Consumer redress schemes) of the *Act*; or
- (b) on a particular *firm* by a *requirement* imposed on its *permission*, or on a particular *payment service provider* or *electronic money issuer* by a *requirement* imposed on its *authorisation*, as envisaged by section 404F(7) of the *Act* but only to the extent that section 404B of the *Act* is engaged by the scheme.

contingency funding plan

FCA PRA

- (1) (in **SYSC 11**) a plan for taking action to ensure that a *firm* has adequately liquid financial resources to meet its liabilities as they fall due, prepared under **SYSC 11.1.24 E**.
- (2) (in **BIPRU 12** and *BSOCS*) a plan for dealing with liquidity crises as required by **BIPRU 12.4.10 R**.

contingent liability investment

FCA PRA

a *derivative* under the terms of which the *client* will or may be liable to make further payments (other than *charges*, and whether or not secured by *margin*) when the transaction falls to be completed or upon the earlier *closing out* of his position.

continuous payment authority

FCA

consent given by a *customer* for a *firm* to make one or more requests to a *payment service provider* for one or more payments from the *customer's* payment account, but excluding:

- (a) a direct debit to which the Direct Debit guarantee applies; and
- (b) separate consent given by a *customer* to a *firm*, following the making of the *credit agreement*, for the *firm* to make a single request to a *payment service provider* for one payment of a specified amount from the *customer's* payment account on the same day as the consent is given or on a specified day.

contract for differences

FCA PRA

the *investment*, specified in article 85 of the *Regulated Activities Order* (Contracts for differences etc), which is in summary rights under:

- (a) a contract for differences; or
- (b) any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:
 - (i) the value or price of property of any description; or

contract of insurance

FCA PRA

(ii) an index or other factor designated for that purpose in the contract ; or

(c) a derivative instrument for the transfer of credit risk to which article 85(3) of the *Regulated Activities Order* applies.

[Note: paragraph 8 of Section C of Annex 1 to *MiFID*]

(1) (in relation to a *specified investment*) the *investment*, specified in article 75 of the *Regulated Activities Order* (Contracts of insurance), which is rights under a contract of insurance in (2).

(2) (in relation to a contract) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any contract of insurance which is a *long-term insurance contract* or a *general insurance contract*, including:

(a) fidelity bonds, performance bonds, administration bonds, bail bonds, customs bonds or similar contracts of guarantee, where these are:

(i) effected or carried out by a *person* not carrying on a banking business;

(ii) not effected merely incidentally to some other business carried on by the *person* effecting them; and

(iii) effected in return for the payment of one or more premiums;

(b) *tontines*;

(c) *capital redemption* contracts or *pension fund management* contracts, where these are effected or carried out by a *person* who:

(i) does not carry on a banking business; and

(ii) otherwise carries on the *regulated activity* of *effecting* or *carrying out* *contracts of insurance*;

(d) contracts to pay annuities on human life;

(e) contracts of a kind referred to in article 2(2)(e) of the *Consolidated Life Directive* (Collective insurance etc); and

(f) contracts of a kind referred to in article 2(3) of the *Consolidated Life Directive* (Social insurance);

but not including a *funeral plan contract* (or a contract which would be a *funeral plan contract* but for the exclusion in article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements)); in this definition, "annuities on human life" does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of *persons* engaged, or who have been engaged, in any particular profession, trade or employment, or of the dependants of such *persons*.

(in *LR*) a contract which represents in amount or value (or annual amount or value) a sum equal to 1% or more, calculated on a *group* basis where relevant, of:

(a) in the case of a capital transaction or a transaction of which the principal purpose or effect is the granting of credit, the aggregate of the *group's* share capital and reserves; or

(b) in other cases, the total annual purchases, sales, payments or receipts, as the case may be, of the *group*.

contract of significance

FCA PRA

contracts of large risks

FCA **PRA**

(in *ICOB*) contracts of insurance covering risks within the following categories, in accordance with article 5(d) of the *First Non-Life Directive*:

- (a) *railway rolling stock, aircraft, ships* (sea, lake, river and canal vessels), *goods in transit, aircraft liability* and *liability of ships* (sea, lake, river and canal vessels);
- (b) *credit* and *suretyship*, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;
- (c) *land vehicles* (other than *railway rolling stock*), *fire and natural forces*, other *damage to property, motor vehicle liability, general liability*, and *miscellaneous financial loss*, in so far as the *policyholder* exceeds the limits of at least two of the following three criteria:
 - (i) balance sheet total: €6.2 million;
 - (ii) net turnover: €12.8 million;
 - (iii) average number of *employees* during the financial year: 250.

contractual cross product netting agreement

FCA **PRA**

(for the purpose of **■** BIPRU 13.7 (Contractual netting)) has the meaning set out in **■** BIPRU 13.7.2 R, which is in summary a written bilateral agreement between a *firm* and a *counterparty* which creates a single legal obligation covering all included bilateral master agreements and transactions belonging to different product categories.

contractual scheme deed

FCA

(in *COLL*) the deed referred to in **■** COLL 3.2.3A R (The contractual scheme deed for ACSs), together with any deed expressed to be supplemental to it, made between the *authorised fund manager* and:

- (a) the *depository*, in the case of a *co-ownership scheme*; or
- (b) the *nominated partner*, in the case of a *limited partnership scheme*.

Contractual Scheme Regulations

FCA

the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (SI 2013/1388).

contractual scheme rules

FCA

rules in *COLL* made by the *FCA* under section 261I of the *Act* (Contractual scheme rules) in relation to:

- (a) the constitution, management and operation of ACSs;
- (b) the powers, duties, rights, and liabilities of the *authorised fund manager* and *depository* of any such *scheme*;
- (c) the rights and duties of the *participants* in any such *scheme*; and
- (d) the winding up of any such *scheme*.

contractually based investment

FCA **PRA**

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *life policy* (except a *long-term care insurance* contract which is not a qualifying *contract of insurance*);
- (b) an *option, future, contract for differences* or *funeral plan contract*;
- (c) *rights to or interests in an investment* falling within (a) or (b).

control

FCA **PRA**

(1) (except in (2) and (2A)) (in relation to the acquisition, increase or reduction of control of a *firm*) the relationship between a *person* and the *firm* or other *undertaking* of which the *person* is a controller.

(2) (in ■ SYSC 8 and ■ SYSC 10) control as defined in Article 1 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive) .

[Note: article 4 (1)(30) of *MiFID*]

(2A) (in relation to a *management company* carrying on *collective portfolio management* or an *AIFM*) control as defined in articles 1 and 2 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive).

(3) (except in (2) and (2A)) (in accordance with section 182 of the *Act*) a *controller* ("A") (whether acting alone or in concert) increases control over a *firm* ("B") when:

(a) the percentage of *shares* A holds in B or a *parent undertaking* ("P") of B increases by any of the following steps:

- (i) from less than 20% to 20% or more;
- (ii) from less than 30% to 30% or more;
- (iii) from less than 50% to 50% or more;

(b) the percentage of *voting power* A holds in B or P increases by any of the steps mentioned above; or

(c) A becomes a *parent undertaking* of B.

(4) (except in (2) and (2A)) (in accordance with section 183 of the *Act*) a *controller* ("A") (whether alone or acting in concert) reduces control over a *firm* ("B") whenever:

(a) the percentage of *shares* which A holds in B or a *parent undertaking* ("P") of B decreases by any of the following steps:

- (i) from 50% or more to less than 50%;
- (ii) from 30% or more to less than 30%;
- (iii) from 20% or more to less than 20%;

(b) the percentage of *voting power* which A holds in B or P decreases by any of the steps mentioned above; or

(c) A ceases to be a *parent undertaking* of B.

(5) (except in (2) and (2A)) (in accordance with section 183 of the *Act*) a *controller* ("A") (whether acting alone or in concert) ceases to have control over a *firm* ("B") if A ceases to hold any of the following:

(a) 10% or more of the *shares* in B or a *parent undertaking* ("P") of B;

(b) 10% or more of the *voting power* in B or P;

(c) *shares* or *voting power* in B or in P as a result of which A is able to exercise significant influence over the management of B.

(6) (for the purposes of the calculations in (3) to (5)) the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

(A) In the PRA Handbook:

(in accordance with section 21(9) of the *Act* (The classes of activity and investment)) any of the following activities specified in Part 1 of Schedule 1 to the Financial Promotions Order (Controlled Activities):

(a) *accepting deposits* (paragraph 1)

(b) *effecting contracts of insurance* (paragraph 2(1)):

controlled activity

FCA PRA

- (c) *carrying out contracts of insurance* (paragraph 2(2));
- (d) dealing in securities and contractually based investments as principal or agent (paragraph 3(1));
- (e) *arranging (bringing about) deals in investments* (paragraph 4(1));
- (f) *making arrangements with a view to transactions in investments* (paragraph 4(2));
- (fa) operating a *multilateral trading facility* (paragraph 4A);
- (g) *managing investments* (paragraph 5);
- (h) *safeguarding and administering investments* (paragraph 6);
- (i) *advising on investments* (paragraph 7);
- (j) *advising on syndicate participation at Lloyd's* (paragraph 8);
- (k) providing funeral plan contracts (paragraph 9);
- (l) providing qualifying credit (paragraph 10);
- (m) arranging qualifying credit etc. (paragraph 10A);
- (n) advising on qualifying credit etc. (paragraph 10B);
- (o) *entering into a home purchase plan* (paragraph 10C);
- (p) *making arrangements with a view to a home purchase plan* (paragraph 10D);
- (q) *advising on a home purchase plan* (paragraph 10E);
- (r) *entering into a home reversion plan* (paragraph 10F);
- (s) *making arrangements with a view to a home reversion plan* (paragraph 10G);
- (t) *advising on a home reversion plan* (paragraph 10H);
- (u) agreeing to carry on specified kinds of activity (paragraph 11) which are specified in paragraphs 3 to 10H (other than paragraph 4A) of Part 1 of Schedule 1 to the *Financial Promotion Order*.

(B) In the FCA Handbook:

- (a) *accepting deposits* (paragraph 1)
- (b) *effecting contracts of insurance* (paragraph 2(1));
- (c) *carrying out contracts of insurance* (paragraph 2(2));
- (d) dealing in securities and contractually based investments as principal or agent (paragraph 3(1));
- (e) *arranging (bringing about) deals in investments* (paragraph 4(1));
- (f) *making arrangements with a view to transactions in investments* (paragraph 4(2));
- (fa) operating a *multilateral trading facility* (paragraph 4A);
- (fab) credit broking (paragraph 4B);
- (fac) operating an electronic system in relation to lending (paragraph 4C);
- (g) *managing investments* (paragraph 5);
- (ga) debt adjusting (paragraph 5A);
- (gb) debt-counselling (paragraph 5B);
- (h) *safeguarding and administering investments* (paragraph 6);

- (i) *advising on investments* (paragraph 7);
- (j) *advising on syndicate participation at Lloyd's* (paragraph 8);
- (k) providing funeral plan contracts (paragraph 9);
- (l) providing qualifying credit (paragraph 10);
- (m) arranging qualifying credit etc. (paragraph 10A);
- (n) advising on qualifying credit etc. (paragraph 10B);
- (na) providing relevant consumer credit (paragraph 10BA);
- (nb) providing consumer hire (paragraph 10BB);
- (o) *entering into a home purchase plan* (paragraph 10C);
- (p) *making arrangements with a view to a home purchase plan* (paragraph 10D);
- (q) *advising on a home purchase plan* (paragraph 10E);
- (r) *entering into a home reversion plan* (paragraph 10F);
- (s) *making arrangements with a view to a home reversion plan* (paragraph 10G);
- (t) *advising on a home reversion plan* (paragraph 10H);
- (u) agreeing to carry on specified kinds of activity (paragraph 11) which are specified in paragraphs 3 to 10H (other than paragraph 4A) of Part 1 of Schedule 1 to the *Financial Promotion Order*.

controlled agreement

FCA **PRA**

(as defined in section 30 of the *Act* (Enforceability of agreements resulting from unlawful communications)) an agreement the making or performance of which by either party constitutes a *controlled activity*.

controlled function

FCA **PRA**

a function, relating to the carrying on of a *regulated activity* by a *firm*, which is specified by either the *FCA* (in the *table of FCA controlled functions*) or the *PRA* (in the *table of PRA controlled functions*), under section 59 of the *Act* (Approval for particular arrangements) .

controlled investment

FCA **PRA**

(A) In the PRA Handbook:

(in accordance with section 21(10) of the *Act* (Restrictions on financial promotion) and article 4 of the *Financial Promotion Order* (Definitions of controlled activities and controlled investments)) an *investment* specified in Part II of Schedule 1 to the *Financial Promotion Order* (Controlled investments).

(B) In the FCA Handbook:

(in accordance with section 21(10) of the *Act* (Restrictions on financial promotion) and article 4 of the *Financial Promotion Order* (Definitions of controlled activities and controlled investments)) an *investment* specified in Part II of Schedule 1 to the *Financial Promotion Order* (Controlled investments) (having regard to the effect of paragraph 4C (10) of that Schedule).

controlled undertaking

FCA **PRA**

any subsidiary undertaking within the meaning of the *Act* other than one falling within section 1162(4)(b) of the Companies Act 2006 or section 420(2)(b) of the *Act* .

controller

FCA PRA

(A) In the PRA Handbook

(1) (in relation to a *firm* or other *undertaking* ("B"), other than a *non-directive firm*) a *person* ("A") who (whether acting alone or in concert):

- (a) holds 10% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
- (b) holds 10% or more of the *voting power* in B or in P; or
- (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2) (in relation to a *non-directive firm* ("B")) a *person* ("A") who (whether acting alone or in concert):

- (a) holds 20% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
- (b) holds 20% or more of the *voting power* in B or in P; or
- (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(3) for the purposes of calculations relating to (1) and (2), the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

(4) *shares* and *voting power* that a *person* holds in a *firm* ("B") or in a *parent undertaking* of B ("P") are disregarded for the purposes of determining *control* in the following circumstances:

- (a) *shares* held for the sole purposes of clearing and settling within a short settlement cycle;
- (b) *shares* held by a *custodian* or its nominee in its custodian capacity are disregarded, provided that the *custodian* or nominee is only able to exercise *voting power* attached to the *shares* in accordance with instructions given in writing;
- (c) *shares* representing no more than 5% of the total *voting power* in B or P held by an *investment firm*, provided that:
 - (i) it holds the *shares* in the capacity of a *market maker* (as defined in article 4.1(8) of MIFID);
 - (ii) it is authorised by its *Home State regulator* under MIFID; and
 - (iii) it does not intervene in the management of B or P nor exerts any influence on B or P to buy the *shares* or back the share price;

(d) *shares* held by a *credit institution* or *investment firm* in its *trading book* are disregarded, provided that:

- (i) the *shares* represent no more than 5% of the total *voting power* in B or P; and

(ii) the *credit institution* or *investment firm* ensures that the *voting power* is not used to intervene in the management of B or P;

(e) *shares* held by a *credit institution* or an *investment firm* are disregarded, provided that:

(i) the *shares* are held as a result of performing the *investment services* and activities of:

(A) underwriting share issues; or

(B) placing shares on a firm commitment basis in accordance with Annex I, section A.6 of MIFID; and

(ii) the *credit institution* or *investment firm*:

(A) does not exercise *voting power* represented by the *shares* or otherwise intervene in the management of the issuer; and

(B) retains the holding for a period of less than one year;

(f) where a *management company* and its *parent undertaking* both hold *shares* or *voting power*, each may disregard holdings of the other, provided that each exercises its *voting power* independently of the other;

(g) but (f) does not apply if the *management company*:

(i) manages holdings for its *parent undertaking* or an *undertaking* in respect of which the *parent undertaking* is a *controller*;

(ii) has no discretion to exercise the *voting power* attached to such holdings; and

(iii) may only exercise the *voting power* in relation to such holdings under direct or indirect instruction from:

(A) its *parent undertaking*; or

(B) an *undertaking* in respect of which of the *parent undertaking* is a *controller*;

(h) where an *investment firm* and its *parent undertaking* both hold *shares* or *voting power*, the *parent undertaking* may disregard holdings managed by the *investment firm* on a client by client basis and the *investment firm* may disregard holdings of the *parent undertaking*, provided that the *investment firm*:

(i) has permission to provide *portfolio management*;

(ii) exercises its *voting power* independently from the *parent undertaking*; and

(iii) may only exercise the *voting power* under instructions given in writing, or has appropriate mechanisms in place for ensuring that individual portfolio management services are conducted independently of any other services.

(B) In the FCA Handbook

(1) (in relation to a *firm* or other *undertaking* ("B"), other than a *non-directive firm* or a firm within (2A)) a *person* ("A") who (whether acting alone or in concert):

- (a) holds 10% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
- (b) holds 10% or more of the *voting power* in B or in P; or
- (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2) (in relation to a *non-directive firm* ("B"), other than a firm within (2A)), a *person* ("A") who (whether acting alone or in concert):

- (a) holds 20% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
- (b) holds 20% or more of the *voting power* in B or in P; or
- (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2A) (in relation to a *firm* ("B") with *limited permission* where the only regulated activities (other than ones in relation to which sections 20(1) and (1A) and 23(1A) of the *Act* do not apply under section 39(1D) of the *Act*) that B carries on, or seeks to carry on, are relevant credit activities within article 6A of the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009) a *person* ("A") who (whether acting alone or in concert):

- (a) holds 33% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
- (b) holds 33% or more of the *voting power* in B or P; or
- (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(3) for the purposes of calculations relating to (1), (2) and (2A), the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

(4) *shares* and *voting power* that a *person* holds in a *firm* ("B") or in a *parent undertaking* of B ("P") are disregarded for the purposes of determining *control* in the following circumstances:

- (a) *shares* held for the sole purposes of clearing and settling within a short settlement cycle;
- (b) *shares* held by a *custodian* or its nominee in its custodian capacity are disregarded, provided that the *custodian* or nominee is only able to exercise *voting power*

attached to the *shares* in accordance with instructions given in writing;

(c) *shares* representing no more than 5% of the total voting power in B or P held by an *investment firm*, provided that:

(i) it holds the *shares* in the capacity of a *market maker* (as defined in article 4.1(8) of MIFID);

(ii) it is authorised by its *Home State regulator* under MIFID; and

(iii) it does not intervene in the management of B or P nor exerts any influence on B or P to buy the *shares* or back the share price;

(d) *shares* held by a *credit institution* or *investment firm* in its *trading book* are disregarded, provided that:

(i) the *shares* represent no more than 5% of the total *voting power* in B or P; and

(ii) the *credit institution* or *investment firm* ensures that the *voting power* is not used to intervene in the management of B or P;

(e) *shares* held by a *credit institution* or an *investment firm* are disregarded, provided that:

(i) the *shares* are held as a result of performing the *investment services* and activities of:

(A) underwriting share issues; or

(B) placing shares on a firm commitment basis in accordance with Annex I, section A.6 of MIFID; and

(ii) the *credit institution* or *investment firm*:

(A) does not exercise *voting power* represented by the *shares* or otherwise intervene in the management of the issuer; and

(B) retains the holding for a period of less than one year;

(f) where a *management company* and its *parent undertaking* both hold *shares* or *voting power*, each may disregard holdings of the other, provided that each exercises its *voting power* independently of the other;

(g) but (f) does not apply if the *management company*:

(i) manages holdings for its *parent undertaking* or an *undertaking* in respect of which the *parent undertaking* is a *controller*;

(ii) has no discretion to exercise the *voting power* attached to such holdings; and

(iii) may only exercise the *voting power* in relation to such holdings under direct or indirect instruction from:

(A) its *parent undertaking*; or

(B) an *undertaking* in respect of which of the *parent undertaking* is a *controller*;

(h) where an *investment firm* and its *parent undertaking* both hold *shares* or *voting power*, the *parent undertaking* may disregard holdings managed by the *investment firm* on a client by client basis and the *investment firm* may disregard holdings of the *parent undertaking*, provided that the *investment firm*:

(i) has permission to provide *portfolio management*;

(ii) exercises its *voting power* independently from the *parent undertaking*; and

(iii) may only exercise the *voting power* under instructions given in writing, or has appropriate mechanisms in place for ensuring that individual portfolio management services are conducted independently of any other services.

conventional group

FCA PRA

a group of *undertakings* that consists of a *parent undertaking* and the rest of its *sub-group*.

conversion factor

FCA

(A) In the PRA Handbook:

(in accordance with Article 4(28) of the *Banking Consolidation Directive* (Definitions)) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.

(B) In the FCA Handbook:

(in accordance with Article 4(28) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.

convertible

FCA PRA

(A) In the PRA Handbook:

(for the purposes of *BIPRU*) a *security* which gives the investor the right to convert the *security* into a *share* at an agreed price or on an agreed basis.

(B) In the FCA Handbook:

(for the purposes of *BIPRU* and *IFPRU*) a *security* which gives the investor the right to convert the *security* into a *share* at an agreed price or on an agreed basis.

convertible securities

FCA **PRA**

(in LR and FEES) a *security* which is:

- (a) convertible into, or exchangeable for, other *securities*; or
- (b) accompanied by a *warrant* or *option* to subscribe for or purchase other *securities*.

coordinator

FCA **PRA**

(in relation to a *financial conglomerate*) the *competent authority* which has been appointed, in accordance with Article 10 of the *Financial Groups Directive* (Competent authority responsible for exercising supplementary supervision (the coordinator)), as the competent authority which is responsible for the co-ordination and exercise of supplementary supervision of that *financial conglomerate*.

co-ownership scheme

FCA **PRA**

(as defined in section 235A(2) of the *Act* (Contractual schemes)) a *collective investment scheme* which satisfies the conditions in section 235A(3) and which is authorised for the purposes of the *Act* by an *authorisation order*.

core concentration risk group counterparty

FCA

(in relation to a *firm*) a counterparty which is its *parent undertaking*, its *subsidiary undertaking* or a *subsidiary undertaking* of its *parent undertaking*, provided that (in each case) both the counterparty and the *firm* are:

- (a) included within the scope of consolidation on a full basis with respect to the same *UK consolidation group*; and
- (b) (where relevant) held by one or more intermediate *parent undertaking* or *financial holding company*, all of which are incorporated in the *United Kingdom*.

core market participant

FCA **PRA**

an entity of a type listed in ■ BIPRU 5.4.64 R (The financial collateral comprehensive method: Conditions for applying a 0% volatility adjustment).

core provision

FCA **PRA**

(as defined in section 316(3) of the *Act* (Direction by a regulator)) a provision of the *Act* mentioned in section 317 of the *Act* (The core provisions) which applies to the carrying on of an insurance market activity by a *member*, or the *members* of the *Society* taken together, if the *appropriate regulator* so directs.

core tier one capital

FCA **PRA**

an item of capital that is stated in stage A of the *capital resources table* (Core tier one capital) to be core tier one capital.

core UK group

FCA **PRA**

(A) In the PRA Handbook:

has the meaning given in the *PRA Rulebook*: Large Exposures rules.

(B) In the FCA Handbook:

- (1) (in relation to a *BIPRU firm*) all *undertakings* which, in relation to the *firm*, satisfy the conditions set out in ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group).
- (2) (in relation to an *IFPRU investment firm*) all counterparties which:
 - (a) are listed in the *firm's core UK group permission*;
 - (b) satisfy the conditions in article 113(6) of the *EU CRR* (Calculation of risk-weighted exposure amounts: intragroup); and
 - (c) (unless it is an *IFPRU limited-activity firm* or *IFPRU limited-licence firm*, or an *exempt IFPRU commodities firm* to

core UK group
eligible capital

FCA PRA

which article 493(1) of the *EU CRR* (Transitional provision for large exposures) apply) for which *exposures* are exempted, under article 400(1)(f) of the *EU CRR* (Large exposures: exemptions), from the application of article 395(1) of the *EU CRR* (Limits to large exposures).

(A) In the PRA Handbook

has the meaning given in the PRA Rulebook: Large Exposure rules.

(B) In the FCA Handbook

means the eligible capital in the *core UK group* calculated in line with

■ IFPRU 8.2.7 R.

core UK group
permission

FCA PRA

(A) In the PRA Handbook

has the meaning given in the PRA Rulebook: Large Exposures rules

(B) In the FCA Handbook

a permission given by the FCA under article 113(6) of the *EU CRR* (see

■ IFPRU 8.1.14 G to ■ IFPRU 8.1.21 G).

core UK group
waiver

FCA PRA

(A) In the PRA Handbook:

a *waiver* that has the result of requiring a *firm* to apply:

(a) (in relation to the *credit risk capital requirement*) ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a *firm* to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with ■ BIPRU 3.2.20 R (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) (in relation to *large exposures*) ■ BIPRU 10.8A (Intra-group exposures: core UK group), which in summary exempts all *exposures* between members of a *core UK group* from the limits described in ■ BIPRU 10.5 (Limits on exposures).

(B) In the FCA Handbook:

(in BIPRU) a *waiver* that has the result of requiring a *firm* to apply:

(a) (in relation to the *credit risk capital requirement*) ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a *firm* to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with ■ BIPRU 3.2.20 R (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) [deleted]

corporate

FCA PRA

(in relation to the *IRB approach* or the *standardised approach* to credit risk) a *person* an *exposure* to whom is a *corporate exposure*.

corporate
exposure

FCA PRA

(1) (in relation to the *IRB approach*) an *exposure* falling into ■ BIPRU 4.3.2 R (3) (IRB exposure classes).

(2) (in relation to the *standardised approach* to credit risk) an *exposure* falling into ■ BIPRU 3.2.9 R (7) (Standardised approach to credit risk exposure classes).

corporate
finance
advisory firm

FCA PRA

a *firm* whose permission includes a *requirement* that the *firm* must not conduct *designated investment business* other than *corporate finance business*.

corporate
finance
business

FCA PRA

- (a) *designated investment business* carried on by a *firm* with or for:
- (i) any *issuer*, holder or owner of *designated investments*, if that business relates to the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those *investments*, or any related matter;
 - (ii) any *eligible counterparty* or *professional client*, or other *body corporate*, *partnership* or supranational organisation, if that business relates to the manner in which, or the terms on which, or the *persons* by whom, any business, activities or undertakings relating to it, or any *associate*, are to be financed, structured, managed, controlled, regulated or reported upon;
 - (iii) any *person* in connection with:
 - (A) a proposed or actual *takeover or related operation* by or on behalf of that *person*, or involving *investments* issued by that *person* (being a *body corporate*), its *holding company*, *subsidiary* or *associate*; or
 - (B) a merger, de-merger, reorganisation or reconstruction involving any *investments* issued by that *person* (being a *body corporate*), its holding company, subsidiary or *associate*;
 - (iv) any shareholder or prospective shareholder of a *body corporate* established or to be established for the purpose of effecting a *takeover or related operation*, where that business is in connection with that *takeover or related operation*;
 - (v) any *person* who, acting as a *principal* for his own account:
 - (A) is involved in negotiations or decisions relating to the commercial, financial or strategic intentions or requirements of a business or prospective business; or
 - (B) (provided he is acting otherwise than solely in his capacity as an investor) assists the interests of another *person* with or for whom the *firm*, or another *authorised person* or *overseas person*, is undertaking business as specified in (a)(i), (ii), (iii) or (iv), by himself undertaking all or part of any transactions involved in such business;
 - (vi) any *person* undertaking business with or for a *person* as specified in (a)(i), (ii), (iii), (iv) or (v) in respect of activities described in those sub-paragraphs;
- (b) *designated investment business* carried on by a *firm* as a *principal* for its own account where such business:
- (i) is in the course of, or arises out of, activities undertaken in accordance with (a); and
 - (ii) does not involve transactions with or for, or *advice on investments* to, any other *person* who is a *retail client* in respect of such business;
- (c) *designated investment business* carried on by a *firm* as *principal* for its own account if such business:
- (i) is in the course of, or arises out of:
 - (A) the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*, or any related matter; or

(B) a proposed or actual *takeover or related operation* by or on behalf of the *firm*, or involving *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; or

(C) a merger, de-merger, reorganisation or reconstruction involving any *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; and

(ii) does not involve *advice on investments* to any *person* who is a *retail client* ;

in this definition, "share warrants" and "debenture warrants" mean any *warrants* which relate to *shares* in the *firm* concerned or, as the case may be, *debentures* issued by the *firm*.

corporate
finance contact

FCA PRA

(when a *firm* carries on *regulated activities* with or for a *person* in the course of or as a result of either carrying on *corporate finance business* with or for a *client*, or carrying on *corporate finance business* for the *firm's* own account) that *person* in connection with that *regulated activity* if:

(a) the *firm* does not behave in a way towards that *person* which might reasonably be expected to lead that *person* to believe that he is being treated as a *client*; and

(b) the *firm* clearly indicates to that *person* that it:

(i) is not acting for him; and

(ii) will not be responsible to him for providing protections afforded to *clients* of the *firm* or be advising him on the relevant transaction.

corporate
governance
rules

FCA PRA

(in accordance with sections 73A(1) and 89O(1) of the *Act*) *rules* for the purpose of implementing, enabling the implementation of or dealing with matters arising out of or related to, any *EU* law obligation relating to the corporate governance of *issuers* who have requested or approved *admission to trading* of their securities and about corporate governance in relation to such *issuers* for the purpose of implementing, or dealing with matters arising out of or related to, any *EU* law obligation. The *corporate governance rules* are located in chapters 1B, 4 and 7 of *DTR*.

corporate
member

FCA PRA

a *member* that is a *body corporate* or a Scottish Limited partnership.

correlation
trading
portfolio

FCA PRA

(in ■ BIPRU 7) a portfolio consisting of *securitisation positions* and nth-to-default credit derivatives that meet the criteria set out at ■ BIPRU 7.2.42A R, or other *positions* which may be included in accordance with ■ BIPRU 7.2.42B R.

cost of credit

FCA

any costs, including interest, commission, taxes and any other kind of fees which are required to be paid by or on behalf of the *borrower* or a relative of the *borrower* in connection with the *credit agreement*, whether payable to the *lender* or to any other *person*, and which are known to the *lender*, except for notarial costs.

Council

FCA PRA

the *governing body* of the *Society* constituted by section 3 of Lloyd's Act 1982.

counterparty

FCA PRA

(A) In the PRA Handbook:

(1) (in *UPRU*) any *person* with or for whom a firm carries on *designated investment business* or an *ancillary activity*.

(2) (for the purposes of the rules relating to insurers in *GENPRU* and *INSPRU*) (in relation to an *insurer*, the *Society*, a *syndicate* or *member* ('A')):

(a) any one individual; or

(b) any one unincorporated body of *persons*; or

(c) any *company* which is not a member of a *group*; or

(d) any *group* of *companies* excluding:

(i) (for the purposes of ■ *INSPRU* 2.1) any *companies* within the *group* which are *subsidiary undertakings* of A and which fall within ■ *GENPRU* 1.3.43 R; and

(ii) (for all other purposes) any *companies* within the *group* which are *subsidiary undertakings* of A; or

(e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State, in which A, or any of its *subsidiary undertakings*, has made *investments* or against whom, or in respect of whom, it, or any of its *subsidiary undertakings*, has rights or obligations under a contract entered into by A or any of its *subsidiary undertakings*.

(3) (for the purposes of the *rules* relating to *BIPRU firms* in *GENPRU* and *BIPRU* and in relation to an *exposure* of a *person* ('A')) the counterparty with respect to that *exposure* or, if the context requires, another *person* in respect of whom, under that *exposure*, A is exposed to credit risk or the risk of loss if that *person* fails to meet its obligations, such as the issuer of the underlying *security* in relation to a *derivative* held by A.

(B) In the FCA Handbook:

(1) [deleted]

(2) (for the purposes of the rules relating to insurers in *GENPRU* and *INSPRU*) (in relation to an *insurer*, the *Society*, a *syndicate* or *member* ('A')):

(a) any one individual; or

(b) any one unincorporated body of *persons*; or

(c) any *company* which is not a member of a *group*; or

(d) any *group* of *companies* excluding:

(i) (for the purposes of ■ *INSPRU* 2.1) any *companies* within the *group* which are *subsidiary undertakings* of A and which fall within ■ *GENPRU* 1.3.43 R; and

(ii) (for all other purposes) any *companies* within the *group* which are *subsidiary undertakings* of A; or

(e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State, in which A, or any of its *subsidiary undertakings*, has made *investments* or against whom, or in respect of whom, it, or any of its *subsidiary undertakings*, has rights or obligations under a contract entered into by A or any of its *subsidiary undertakings*.

counterparty
credit risk

FCA PRA

(3) (for the purposes of the *rules* relating to *BIPRU firms* in *GENPRU* and *BIPRU* and in relation to an *exposure* of a *person* ('A')) the counterparty with respect to that *exposure* or, if the context requires, another *person* in respect of whom, under that *exposure*, A is exposed to credit risk or the risk of loss if that *person* fails to meet its obligations, such as the issuer of the underlying *security* in relation to a *derivative* held by A.

(A) In the PRA Handbook:

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

(2) (other than in (1)) has the meaning as used in the *EU CRR*.

(B) In the FCA Handbook:

(1) (in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

(2) (other than in (1)) has the meaning as used in the *EU CRR*.

counterparty
risk

FCA

(in *COLL* and *FUND*) the risk of loss for a *UCITS* or an *AIF* resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow.

counterparty
risk capital
component

FCA PRA

the part of the *credit risk capital requirement* calculated in accordance with ■ *BIPRU 14.2.1 R* (Calculation of the counterparty risk capital component).

country of
origin

FCA PRA

in relation to an *electronic commerce activity*, the *EEA State* in which the *establishment* from which the service in question is provided is situated.

coupon

FCA PRA

a dividend, interest payment or any similar payment.

covered bond

FCA PRA

(A) In the PRA Handbook:

(1) (in accordance with Article 52(4) of the *UCITS Directive* and except for the purposes of the *IRB approach* or the *standardised approach* to credit risk) a bond that is issued by a *credit institution* which has its registered office in an *EEA State* and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(2) (in accordance with point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds) and for the purposes of the *IRB approach* or the *standardised approach* to credit risk in *BIPRU*) a covered bond as defined in (1)

collateralised in accordance with ■ BIPRU 3.4.107 R (Exposures in the form of covered bonds).

(3) (in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a bond in relation to which the claims attaching to that bond are guaranteed to be paid by an *owner* from an *asset pool* it owns.

(4) (in accordance with Article 22(4) of the *Third Non-Life Directive* and Article 24(4) of the *Consolidated Life Directive* and for the purposes of ■ INSPRU 2.1) a *debenture* that is issued by a *credit institution* which:

(a) has its head office in an *EEA State*; and

(b) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to the *debenture* and which, in the event of failure of the *issuer*, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(B) In the FCA Handbook:

(1) (in accordance with Article 52(4) of the *UCITS Directive* and except for the purposes of the *IRB approach* or the *standardised approach* to credit risk) a bond that is issued by a *credit institution* which has its registered office in an *EEA State* and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(2) (in accordance with point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds) and for the purposes of the *IRB approach* or the *standardised approach* to credit risk in *BIPRU*) a covered bond as defined in (1) collateralised in accordance with ■ BIPRU 3.4.107 R (Exposures in the form of covered bonds).

(3) (in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a bond in relation to which the claims attaching to that bond are guaranteed to be paid by an *owner* from an *asset pool* it owns.

(4) (in accordance with Article 22(4) of the *Third Non-Life Directive* and Article 24(4) of the *Consolidated Life Directive* and for the purposes of ■ INSPRU 2.1) a *debenture* that is issued by a *credit institution* which:

(a) has its head office in an *EEA State*; and

(b) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to the *debenture* and which, in the event of failure of

the *issuer*, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

CPI

FCA

the Consumer Prices Index.

CRD

FCA PRA

(A) In the PRA Handbook:

the *Capital Adequacy Directive* and the *Banking Consolidation Directive*.

(B) In the FCA Handbook:

(1) (in *GENPRU* (except ■ *GENPRU* 3) and *BIPRU* (except ■ *BIPRU* 12)) the *Capital Adequacy Directive* and the *Banking Consolidation Directive*.

(2) (except in (1)) the Directive of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (No 2013/36/EU) and amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

CRD bank

FCA PRA

(A) In the PRA Handbook:

a *bank* which uses the *EU CRR* to measure the capital requirement on its trading book.

(B) In the FCA Handbook:

a *bank* which uses the *EU CRR* to measure the capital requirement on its trading book.

CRD credit institution

FCA PRA

(A) In the PRA Handbook:

a *credit institution* that has its registered office (or, if it has no registered office, its head office) in an *EEA State*, excluding an *institution* to which the *CRD* does not apply under article 2 of the *CRD* (see also *full CRD credit institution*).

(B) In the FCA Handbook:

a *credit institution* that has its registered office (or, if it has no registered office, its head office) in an *EEA State*, excluding an *institution* to which the *CRD* does not apply under article 2 of the *CRD* (see also *full CRD credit institution*).

CRD financial instrument

FCA PRA

has the meaning set out in ■ *BIPRU* 1.2.7 R to ■ *BIPRU* 1.2.8 R (*CRD* financial instruments), which is in summary any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

CRD full-scope firm

FCA

an investment firm as defined in article 4(1)(2) of the *EU CRR* that is subject to the requirements imposed by *MiFID* (or which would be subject to that Directive if its head office were in an *EEA State*) and that is not a *limited activity firm* or a *limited licence firm*.

CRD implementation measure

FCA PRA

(A) In the PRA Handbook:

(in relation to an *person* and for the purposes of *GENPRU* and *BIPRU* (except in ■ *GENPRU* 3)), a provision of the *Banking Consolidation Directive* or the *Capital Adequacy Directive* and an *EEA State* other than the *United Kingdom*) a measure implementing that provision of that Directive for that type of *person* in that *EEA State*.

CRED

FCA PRA

credit

FCA PRA

credit agreement

FCA

credit broker

FCA

credit broking

FCA

credit card cheque

FCA

(B) In the FCA Handbook:

(in relation to an *person* and for the purposes of *GENPRU* and *BIPRU* (except in ■ *GENPRU* 3 and ■ *BIPRU* 12), a provision of the *Banking Consolidation Directive* or the *Capital Adequacy Directive* and an *EEA State* other than the *United Kingdom*) a measure implementing that provision of that Directive for that type of *person* in that *EEA State*.

the Credit Unions sourcebook.

(A) In the PRA Handbook:

(1) (except in relation to a *class of contract of insurance*) any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit.

(2) (in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 14 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against risks of loss to the *persons* insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due.

(B) In the FCA Handbook:

(1) (except in relation to a *class of contract of insurance* and a *credit-related regulated activity*) any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit.

(2) (in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 14 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against risks of loss to the *persons* insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due.

(3) (in relation to a *credit-related regulated activity*) includes a cash loan and any other form of financial accommodation, but an item entering into the *total charge for credit* is not treated as credit even though time is allowed for its payment.

in accordance with article 60B of the *Regulated Activities Order*, an agreement between an *individual* ("A") and any other *person* ("B") under which B provides A with *credit* of any amount.

a *person* that carries on an activity, by way of business, of the kind specified in article 36A of the *Regulated Activities Order*.

an activity of the kind specified in article 36A of the *Regulated Activities Order*.

a cheque (whether or not drawn on a banker) which, whenever used, will result in the provision of *credit* under a *credit-token agreement*, which does not include a cheque to be used only in connection with a current account.

credit enhancement

FCA

(in accordance with Article 4(43) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a contractual arrangement whereby the credit quality of a *position* in a *securitisation* (within the meaning of paragraph (2) of the definition of *securitisation*) is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior *tranches* in the *securitisation* and other types of credit protection.

credit equalisation provision

FCA PRA

the provision required to be established by INSPRU 1.4.43R.

credit firm

FCA

a *firm* with *permission* to carry on a *credit-related regulated activity*.

credit information agency

FCA

a *person* who carries on by way of business one or more of the following activities specified in the *Regulated Activities Order*:

- (a) *credit broking* (article 36A);
- (b) *debt adjusting* (article 39D);
- (c) *debt counselling* (article 39E);
- (d) *debt collecting* (article 39F);
- (e) *debt administration* (article 39G);
- (f) *entering into a regulated credit agreement as lender* (article 60B(1) (disregarding the effect of article 60F));
- (g) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2) (disregarding the effect of article 60F));
- (h) *entering into a regulated consumer hire agreement as owner* (article 60N(1) (disregarding the effect of article 60P));
- (i) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2) (disregarding the effect of article 60P));
- (j) *providing credit references* (article 89B).

credit institution

FCA PRA

(A) In the PRA Handbook:

- (1) (except in *REC*)
 - (a) has the meaning in article 4(1)(1) of the *EU CRR*; or
 - (b) [deleted]
 - (c) [deleted]
 - (d) [deleted]
- (2) (in *REC* and in *SUP* 11 (Controllers and close links) and *SUP* 16 (Reporting requirements)):
 - (a) a credit institution authorised under the *CRD*; or
 - (b) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*.

<p>(3) (in relation to the definition of <i>electronic money issuer</i>) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of article 4(1)(17) of the <i>EU CRR</i> which is situated within the <i>EEA</i> and which has its head office in a territory outside the <i>EEA</i> in accordance with article 47 of the <i>CRD</i>.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (except in <i>REC</i>):</p> <p style="padding-left: 40px;">(a) has the meaning in article 4(1)(1) of the <i>EU CRR</i>; or</p> <p style="padding-left: 40px;">(b) [deleted]</p> <p style="padding-left: 40px;">(c) [deleted]</p> <p style="padding-left: 40px;">(d) [deleted]</p> <p>(2) (in <i>REC</i> and in <i>SUP</i> 11 (Controllers and close links) and <i>SUP</i> 16 (Reporting requirements)):</p> <p style="padding-left: 40px;">(a) a credit institution authorised under the <i>CRD</i>; or</p> <p style="padding-left: 40px;">(b) an institution which would satisfy the requirements for authorisation as a credit institution under the <i>CRD</i> if it had its registered office (or if it does not have a registered office, its head office) in an <i>EEA State</i>.</p> <p>(3) (in relation to the definition of <i>electronic money issuer</i>) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of article 4(1)(17) of the <i>EU CRR</i> which is situated within the <i>EEA</i> and which has its head office in a territory outside the <i>EEA</i> in accordance with article 47 of the <i>CRD</i>.</p>	<p>in accordance with article 60L of the <i>Regulated Activities Order</i>, in relation to <i>running-account credit</i>, as respects any period, the maximum debit balance which, under a <i>credit agreement</i>, is allowed to stand on the account during that period, disregarding any term of the agreement allowing that maximum to be exceeded on a temporary basis.</p> <p>the credit quality assessment scale:</p> <p>(1) onto which the credit assessments of an export credit agency are mapped under the table in ■ BIPRU 3.4.9 R (Exposure for which a credit assessment by an export credit agency is recognised); or</p> <p>(2) published by the <i>appropriate regulator</i> in accordance with the <i>Capital Requirements Regulations 2006</i> which determine:</p> <p style="padding-left: 40px;">(a) (in relation to an <i>eligible ECAI</i> whose recognition is for <i>risk weighting</i> purposes other than those in (2)(b)) with which of the <i>credit quality steps</i> set out in ■ BIPRU 3.4 (Risk weights under the standardised approach to credit risk) the relevant credit assessments of an <i>eligible ECAI</i> are to be associated; or</p> <p style="padding-left: 40px;">(b) (in relation to an <i>eligible ECAI</i> whose recognition is for <i>securitisation risk-weighting</i> purposes) with which of the <i>credit quality steps</i> set out in ■ BIPRU 9 (Securitisation) the relevant credit assessments of the <i>eligible ECAI</i> are to be associated.</p> <p>a credit quality step in a <i>credit quality assessment scale</i> as set out in ■ BIPRU 3.4 (Risk weights under the standardised approach to credit risk) and ■ BIPRU 9 (Securitisation).</p> <p>a <i>person providing credit references</i>.</p>
<p><i>credit limit</i></p> <p>FCA</p>	
<p><i>credit quality assessment scale</i></p> <p>FCA PRA</p>	
<p><i>credit quality step</i></p> <p>FCA PRA</p>	
<p><i>credit reference agency</i></p>	

FCA

credit repair firm

FCA

a *firm* which carries on the activity of *providing credit information services* with a view to securing or advising on the correction of or omission of anything from, or making of any modification of, information relevant to financial standing of an *individual* held by a *credit information agency* or to securing that the agency stops holding the information or does not provide it to another *person*.

credit risk capital component

FCA PRA

the part of the *credit risk capital requirement* calculated in accordance with ■ BIPRU 3.1.5 R (Calculation of the credit risk capital component).

credit risk capital requirement

FCA PRA

the part of the *capital resources requirement* of a *BIPRU firm* in respect of credit risk, calculated in accordance with ■ GENPRU 2.1.51 R (Calculation of the credit risk capital requirement).

credit risk mitigation

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 4(30) of the *Banking Consolidation Directive* (Definitions)) a technique used by an *undertaking* to reduce the credit risk associated with an *exposure* or *exposures* which the *undertaking* continues to hold.

(B) In the FCA Handbook:

(1) (in *GENPRU* (except in ■ GENPRU 3) and *BIPRU* (except in ■ BIPRU 12)) (in accordance with Article 4(30) of the *Banking Consolidation Directive* (Definitions)) a technique used by an *undertaking* to reduce the credit risk associated with an *exposure* or *exposures* which the *undertaking* continues to hold.

(2) (except in (1)) has the meaning in article 4(1)(58) of the *EU CRR*.

credit token

FCA

a credit token is a card, check, voucher, coupon, stamp, form, booklet or other document or thing given to an *individual* by a *person* carrying on a *credit-related regulated activity* ("the provider"), who undertakes that:

(a) on production of it (whether or not some other action is also required) the provider will supply *cash*, *goods* or services (or any of them) on *credit*; or

(b) where, on the production of it to a third party (whether or not any other action is also required), the third party supplies *cash*, *goods* and services (or any of them), the provider will pay the third party for them (whether or not deducting any discount or commission), in return for *payment* to the provider by the *individual* and the provider shall, without prejudice to the definition of *credit*, be taken to provide *credit* drawn on whenever a third party supplies the *individual* with *cash*, *goods* or services; and

the use of an object to operate a machine provided by the person giving the object or a third party shall be treated as the production of the object to that *person* or third party.

credit union

FCA PRA

a body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act which is an *authorised person* or a body corporate registered under the Credit Unions (Northern Ireland) Order 1985 which is an *authorised person* or a body corporate registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a credit union which is an *authorised person*.

credit unions day

FCA **PRA**

(in relation to a *Great Britain credit union*) 1 July 2002 or (in relation to a *Northern Ireland credit union*) 31 March 2012.

credit valuation adjustment

FCA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty; and so that this adjustment:

- (a) reflects the market value of the credit risk due to any failure to perform on contractual agreements with a counterparty; and
- (b) may reflect the market value of the credit risk of the counterparty or the market value of the credit risk of both the *firm* and the counterparty.

credit-related regulated activity

FCA

(in accordance with section 22 of the *Act* (the classes of activity and categories of investments)) any of the following activities specified in Part 2 or 3A of the *Regulated Activities Order* (Specified Activities):

- (a) *entering into a regulated credit agreement as lender* (article 60B(1));
- (b) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2));
- (c) *credit broking* (article 36A);
- (d) *debt adjusting* (article 39D(1) and (2));
- (e) *debt counselling* (article 39E(1) and (2));
- (f) *debt collecting* (article 39F(1) and (2));
- (g) *debt administration* (article 39G(1) and (2));
- (h) *entering into a regulated consumer hire agreement as owner* (article 60N(1));
- (i) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2));
- (j) *providing credit information services* (article 89A);
- (k) *providing credit references* (article 89B);
- (l) *operating an electronic system in relation to lending* (article 36H);
- (m) *agreeing to carry on a regulated activity* (article 64) so far as relevant to any of the activities in (a) to (l);

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (j) and (k), relates to information about a *person's* financial standing.

credit-sale agreement

FCA

an agreement for the sale of goods under which the purchase price, or part of it, is payable by instalments, but which is not a *conditional sale agreement* (see section 189 of the *CCA*).

credit-token agreement

FCA

a *regulated credit agreement* for the provision of *credit* in connection with the use of a *credit token*.

credit-worthiness assessment

FCA

the assessment, including as to the affordability of credit by the customer, required by ■ CONC 5.2.1 R.

CREDS

FCA **PRA**

the Credit Unions sourcebook.

CREST

FCA **PRA**

(A) In the PRA Handbook:

the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by CRESTCo Limited.

(B) In the FCA Handbook:

the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by Euroclear UK & Ireland Limited.

CRM eligibility conditions

FCA **PRA**

(1) (in relation to the *standardised approach* to credit risk),
 ■ BIPRU 5.3.1 R-■ BIPRU 5.3.2 R, ■ BIPRU 5.4.1 R-■ BIPRU 5.4.8 R, ■ BIPRU 5.5.1 R,
 ■ BIPRU 5.5.4 R, ■ BIPRU 5.5.8 R, ■ BIPRU 5.6.1 R and
 ■ BIPRU 5.7.1 R-■ BIPRU 5.7.4 R; or

(2) (in relation to the *IRB approach*), the provisions in (1) and
 ■ BIPRU 4.4.83 R, ■ BIPRU 4.10-■ BIPRU 4.10.7 R, ■ BIPRU 4.10.9 R,
 ■ BIPRU 4.10.10 R-■ BIPRU 4.10.12 R, ■ BIPRU 4.10.14 R, ■ BIPRU 4.10.16 R,
 ■ BIPRU 4.10.19 R, and ■ BIPRU 4.10.38 R-■ BIPRU 4.10.39 R.

CRM minimum requirements

FCA **PRA**

(1) in relation to the *standardised approach* to credit risk);
 ■ BIPRU 5.2.9 R-■ BIPRU 5.2.10 R, ■ BIPRU 5.3.3 R,
 ■ BIPRU 5.4.9 R-■ BIPRU 5.4.13 R, ■ BIPRU 5.5.2 R, ■ BIPRU 5.5.5 R-■ BIPRU 5.5.6 R,
 ■ BIPRU 5.6.2 R-■ BIPRU 5.6.3 R, ■ BIPRU 5.7.6 R-■ BIPRU 5.7.14 R; or

(2) (in relation to the *IRB approach*), the provisions in (1) and
 ■ BIPRU 4.4.85 R, ■ BIPRU 4.10.13 R, ■ BIPRU 4.10.15 R, and
 ■ BIPRU 4.10.18 R-■ BIPRU 4.10.19 R.

cross border services

FCA **PRA**

(1) (in relation to a *UK firm*) services provided within an *EEA State* other than the *United Kingdom* under the freedom to provide services.

(2) (in relation to an *incoming EEA firm* or an *incoming Treaty firm*) services provided within the *United Kingdom* under the freedom to provide services.

cross product netting

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the inclusion of transactions of different product categories within the same *netting set* pursuant to the *rules* about cross-product netting set out in ■ BIPRU 13.

Cross-Border Payments in Euro Regulations

FCA **PRA**

the Cross-Border Payments in Euro Regulations 2010 (SI 2010/89).

cross-border UCITS merger

FCA **PRA**

(in *COLL* and in accordance with article 2(1)(q) of the *UCITS Directive*) a *UCITS merger* of two or more *UCITS*:

(a) at least two of which are established in different *EEA States*; or

(b) established in the same *EEA State* into a newly constituted *UCITS* established in another *EEA State*;

but at least one of which is established in the *United Kingdom*.

cross-transaction

FCA PRA

(a) a transaction by which a *person* matches, at the same price and on the same terms, the *buy* and *sell* orders of two or more *persons* for whom he is acting as agent;

(b) a transaction to which only one *person* is a party, by which he purports to *sell* to and *buy* from himself.

CRR

FCA PRA

capital resources requirement.

CRR *firm*

FCA PRA

(A) (in the PRA Handbook):

for the purposes of SYSC means *UK banks, buildings society and investment firms* that are subject to the *EU CRR*.

(B) (in the FCA Handbook)

(for the purposes of SYSC) a *UK bank, building society and an investment firm* that is subject to the *EU CRR*.

CTF

FCA PRA

(as defined in section 1(2) of the Child Trust Funds Act 2004) a child trust fund, that is, an account which:

(1) is held by a child who is or has been an eligible child (as defined in section 2 of that Act);

(2) satisfies the requirements imposed by or under the Child Trust Funds Act 2004; and

(3) has been opened in accordance with the Child Trust Funds Act 2004.

CTF *bank account*

FCA PRA

a bank account which fulfils the requirements of Regulation 11(5) of the *CTF Regulations*.

CTF *provider*

FCA PRA

(in accordance with section 3(1) of the Child Trust Funds Act 2004) a *person* approved by HM Revenue and Customs in accordance with the *CTF Regulations*.

CTF *Regulations*

FCA PRA

the Child Trust Funds Regulations 2004 (SI 2004/1450) .

CTF *transfer*

FCA PRA

a transaction resulting from a decision by a *customer*, made with or without advice from a *firm*, to transfer the *investments* (or their value) held in an existing *CTF* into another *CTF* whether or not provided by the same *CTF provider*.

currency class unit

FCA PRA

(in *COLL*) a class of *unit* denominated in a currency that is not the *base currency* of the *authorised fund*, or if permitted, by ■ *COLL 3.3.4 R(1)* (Currency class units: requirements).

current account

FCA

(in ■ *CONC App 1*) an account under which the customer may, by means of cheques or similar orders payable to the customer or to any other *person* or by any other means, obtain or have the use of money held or made available by the *person* with whom the account is kept and which records alterations in the financial relationship between the said *person* and the customer.

<p><i>current approved person approval</i></p> <p>FCA PRA</p>	<p>(in relation to an <i>approved person</i> in relation to a particular <i>firm</i> and <i>controlled function</i> as at any particular time) an approval under section 59 of the <i>Act</i> (Approval for particular arrangements) given by the <i>FCA</i> or the <i>PRA</i> in relation to that <i>person</i> for the performance of that <i>controlled function</i> in relation to that <i>firm</i> that is in force at that time.</p>
<p><i>current customer order</i></p> <p>FCA PRA</p>	<p>(a) a <i>customer order</i> to be <i>executed</i> immediately;</p> <p>(b) a <i>customer order</i> which is to be <i>executed</i> only on fulfilment of a condition, after the condition has been fulfilled.</p>
<p><i>current exposure</i></p> <p>FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the larger of zero, or the market value of a transaction or portfolio of transactions within a <i>netting set</i> with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in bankruptcy.</p>
<p><i>current FCA approved person approval</i></p> <p>FCA PRA</p>	<p>a <i>current approved person approval</i> given by the <i>FCA</i>.</p>
<p><i>current market value</i></p> <p>FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13.5 (CCR standardised method)) the net market value of the portfolio of transactions within the <i>netting set</i> with the counterparty; both positive and negative market values are used in computing <i>current market value</i>.</p>
<p><i>current PRA approved person approval</i></p> <p>FCA PRA</p>	<p>a <i>current approved person approval</i> given by the <i>PRA</i>.</p>
<p><i>custodian</i></p> <p>FCA PRA</p>	<p>(A) In the <i>PRA Handbook</i>:</p> <ul style="list-style-type: none"> (a) an <i>approved bank</i>; (b) an <i>approved depositary</i>; (c) a member of a <i>recognised investment exchange</i>; (d) a <i>firm</i> whose <i>permitted activities</i> include <i>safeguarding and administering investments</i>; (e) a regulated <i>clearing firm</i>; (f) where it is not feasible to use a <i>custodian</i> in (a) to (e), and there are reasonable grounds to show that a <i>person</i> outside the <i>United Kingdom</i>, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the <i>client</i> and in the <i>client's</i> best interest to use, that <i>person</i>. <p>(B) In the <i>FCA Handbook</i>:</p> <ul style="list-style-type: none"> (a) an <i>approved bank</i>;

custody

FCA PRA

custody asset

FCA PRA

custody chapter

FCA PRA

custody rules

FCA PRA

customer

FCA PRA

- (b) an *approved depositary*
- (c) a *member* of a *recognised investment exchange*;
- (d) a *firm* whose *permitted activities* include *safeguarding and administering investments*;
- (e) a regulated *clearing firm*;
- (f) where it is not feasible to use a *custodian* in (a) to (e), and there are reasonable grounds to show that a *person* outside the *United Kingdom*, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the *client* and in the *client's* best interest to use, that *person*.

(in relation to *clients'* assets) *safeguarding and administering investments*.

(A) (in the *FCA Handbook*)

- (1) other than when *acting as trustee or depositary of an AIF*:
 - (a) a *designated investment* held for or on behalf of a *client*;
 - (b) any other asset which is or may be held with a *designated investment* held for, or on behalf of, a *client*.

(2) in relation to *acting as trustee or depositary of an AIF* in
 ■ CASS 6:

- (a) an *AIF custodial asset* held by a *depositary* in line with ■ FUND 3.11.21 R (Depositary functions: safekeeping of financial instruments); or
- (b) any other asset of an *AIF* in respect of which a *depositary* exercises safe-keeping functions in line with ■ FUND 3.11.23 R (Depositary functions: safekeeping of other assets).

(B) (in the *PRA Handbook*)

- (a) a *designated investment* held for or on behalf of a *client*;
- (b) any other asset which is or may be held with a *designated investment* held for, or on behalf of, a *client*.

■ CASS 6.

■ CASS 6.

(A) in the *PRA Handbook*:

- (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 *ICOBS*, a *credit-related regulated activity*, ■ *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*.

(5) (in relation to a *credit-related regulated activity*) an *individual* who enters, may enter or has entered into a *credit agreement* or a *consumer hire agreement*; and:

(-a) (in relation to *consumer credit lending*) includes an *individual* who the *firm* treats as a *person* who is, or has been, the *borrower* under a *regulated credit agreement*;

(-aa) (in relation to *consumer hiring*) includes an *individual* who the *firm* treats as a *person* who is, or has been, the *hirer* under a *regulated consumer hire agreement*;

(a) (in relation to *credit broking*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;

(b) (in relation to *operating an electronic system in relation to lending*) an *individual* who is, may be, has been or may have been the *borrower* under a *P2P agreement*;

(c) (in relation to *debt adjusting*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;

(d) (in relation to *debt counselling*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;

(e) (in relation to *debt collecting*) a *person* within (i) to (iv) in relation to whom the *firm* takes steps to procure the payment of a debt due under a *credit agreement* or a *consumer hire agreement* or a *P2P agreement* (whether or not that *person* is a party to the *credit agreement* or *consumer hire agreement* or *P2P agreement*):

(i) an *individual* who is or has been the *borrower* under a *credit agreement*, or is or has been the *hirer* under a *consumer hire agreement*, or is or has been the *borrower* under a *P2P agreement*;

(ii) an *individual* who the *firm* treats as a *person* within (i);

(iii) a *person* providing a guarantee or indemnity under the agreement; and

<p><i>customer function</i> FCA PRA</p>	<p>(iv) a <i>person</i> to whom the rights and duties of a <i>person</i> within (iii) have passed by <i>assignment</i> or operation of law;</p> <p>(f) (in relation to <i>debt administration</i>) a <i>person</i> within (i) to (iv) in relation to whom the <i>firm</i> takes steps to perform duties or exercise or enforce rights under a <i>credit agreement</i> on behalf of the <i>lender</i> or under a <i>consumer hire agreement</i> on behalf of the <i>owner</i> or under a <i>P2P agreement</i> on behalf of the <i>lender</i>:</p> <p>(i) an <i>individual</i> who is or has been the <i>borrower</i> under a <i>credit agreement</i>, or is or has been the <i>hirer</i> under a <i>consumer hire agreement</i>, or is or has been the <i>borrower</i> under a <i>P2P agreement</i>;</p> <p>(ii) an <i>individual</i> who the <i>firm</i> treats as a <i>person</i> within (i);</p> <p>(iii) a <i>person</i> providing a guarantee or indemnity under the agreement; and</p> <p>(iv) a <i>person</i> to whom the rights and duties of a <i>person</i> within (iii) have passed by <i>assignment</i> or operation of law;</p> <p>(g) (in relation to <i>providing credit information services</i>) an <i>individual</i> who uses, may use or has used the services of a <i>firm</i> in carrying on that <i>regulated activity</i>; and</p> <p>(h) (in relation to <i>providing credit references</i>) an <i>individual</i> about whom information relevant to the <i>individual's</i> financial standing is or was, may be or may have been held by the <i>credit reference agency</i>.</p> <p>(in the <i>FCA Handbook</i>) FCA controlled function CF30 in Parts 1 and 2 of the table of <i>FCA controlled functions</i>, described more fully in ■ SUP 10A.10.7 R.</p>
<p><i>customer order</i> FCA PRA</p>	<p>(a) an order to a <i>firm</i> from a <i>customer</i> to <i>execute</i> a transaction as agent;</p> <p>(b) any other order to a <i>firm</i> from a <i>customer</i> to <i>execute</i> a transaction in circumstances giving rise to duties similar to those arising on an order to <i>execute</i> a transaction as agent;</p> <p>(c) a decision by a <i>firm</i> in the exercise of discretion to <i>execute</i> a transaction with or for a <i>customer</i>.</p>
<p><i>customer-dealing function</i> FCA PRA</p>	<p>(in accordance with section 59(7A) of the <i>Act</i> (Approval for particular arrangements) in relation to the carrying on of a <i>regulated activity</i> by an <i>authorised person</i> ("A") a function that will involve the <i>person</i> performing it in dealing with:</p> <p>(a) customers of A; or</p> <p>(b) property of customers of A;</p> <p>in a manner substantially connected with the carrying on of the activity.</p>

<p><i>damage to property</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 9 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of that Schedule (L and vehicles, Railway rolling stock, Aircraft, Ships and Goods in transit) relate) due to hail or frost or any other event (such as theft) other than those mentioned in paragraph 8 of that Schedule (Fire and natural forces).</p>
<p><i>data element</i> FCA PRA</p>	<p>A discrete fact or individual piece of information relating to a particular field within a <i>data item</i> required to be submitted to the <i>appropriate regulator</i> by a <i>firm</i> or other regulated entity.</p>
<p><i>data item</i> FCA PRA</p>	<p>One or more related <i>data elements</i> that are grouped together into a prescribed format and required to be submitted by a <i>firm</i> or other regulated entity under ■ SUP 16 or provisions referred to in ■ SUP 16.</p>
<p><i>data set</i> FCA PRA</p>	<p>One or more <i>data items</i> relating to the same <i>regulated activity</i>.</p>
<p><i>date of allotment</i> FCA PRA</p>	<p>the date on which amounts of the <i>relevant security</i> are allotted to subscribers or purchasers and, where there is an initial or preliminary allotment subject to confirmation, the date of that initial or preliminary allotment.</p>
<p><i>day</i> FCA PRA</p>	<p>a period of 24 hours beginning at midnight.</p>
<p>DCG FCA</p>	<p>the Office of Fair Trading's Debt Collection Guidance.</p>
<p><i>deal</i> FCA PRA</p>	<p>a <i>dealing</i> transaction.</p>
<p><i>deal on own account</i> FCA PRA</p>	<p>(A) In the PRA Handbook: (for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ BIPRU 1.1.23 R (Meaning of dealing on own account) which is in summary the service referred to in point 3 of Section A Annex I to <i>MiFID</i>, subject to the adjustments in ■ BIPRU 1.1.23 R (2) and ■ BIPRU 1.1.23 R (3) (Implementation of Article 5(2) of the <i>Capital Adequacy Directive</i>).</p> <p>(B) In the FCA Handbook:</p> <p>(1) (for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ BIPRU 1.1.23 R (Meaning of dealing on own account) which is in summary the service referred to in point 3 of Section A Annex I to <i>MiFID</i>, subject to the adjustments in ■ BIPRU 1.1.23 R (2) and ■ BIPRU 1.1.23 R (3) (Implementation of Article 5(2) of the <i>Capital Adequacy Directive</i>).</p> <p>(2) (other than in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ IFPRU 1.1.12 R (Meaning of dealing on own account) which is, in summary, the service referred to in point 3 of Section A of Annex I to <i>MiFID</i>, subject to the adjustments in ■ IFPRU 1.1.12 R (2) and ■ IFPRU 1.1.12 R (3) (Implementation of article 29(2) of <i>CRD</i>).</p>
<p><i>dealer</i></p>	<p>in relation to a <i>hire-purchase agreement</i>, <i>credit-sale agreement</i> or <i>conditional sale agreement</i> under which this <i>person</i> is not the <i>lender</i>, a <i>person</i> who sells or</p>

FCA

proposes to sell *goods, land* or other things to the *lender* before they form the subject matter of any such agreements and, in relation to any other agreements, means a *supplier* or the *supplier's* agent.

dealing

FCA PRA

(1) (other than in ■ MAR 1 (The Code of Market Conduct)) (in accordance with paragraph 2 of Schedule 2 to the *Act* (*Regulated activities*) buying, selling, subscribing for or underwriting *investments* or offering or agreeing to do so, either as a *principal* or as an agent, including, in the case of an *investment* which is a *contract of insurance*, carrying out the contract.

(2) (in ■ MAR 1) (as defined as in section 130A(3) of the *Act*), in relation to an investment, means acquiring or disposing of the investment whether as principal or agent or directly or indirectly, and includes agreeing to acquire or dispose of the investment, and entering into and bringing to an end a contract creating it.

dealing day

FCA PRA

(in *COLL*) the period in a *business day* (in accordance with provisions of the *prospectus*) during which the *ACD* or the *operator* is open for business.

dealing in investments as agent

FCA PRA

the *regulated activity*, specified in article 21 of the *Regulated Activities Order* (Dealing in investments as agent), which is in summary: *buying, selling, subscribing for or underwriting designated investments, pure protection contracts* or *general insurance contracts* as agent.

dealing in investments as principal

FCA PRA

the *regulated activity*, specified in article 14 of the *Regulated Activities Order* (Dealing in investments as principal), which is in summary: *buying, selling, subscribing for or underwriting designated investments* as principal.

dealing on own account

FCA PRA

trading against proprietary capital resulting in the conclusion of transactions in one or more *financial instruments*.

[Note: article 4(1)(6) of *MIFID*]

dealing period

FCA PRA

(in *COLL*) the period between one *valuation point* and the next.

debenture

FCA PRA

the *investment*, specified in article 77 of the *Regulated Activities Order* (Instruments creating or acknowledging indebtedness), which is in summary: any of the following which are not *government and public securities*:

- (a) debentures;
- (b) debenture stock;
- (c) loan stock;
- (d) bonds;
- (e) certificates of deposit;
- (f) any other instrument creating or acknowledging indebtedness.

debt adjuster

FCA

a *person* who has, or ought to have, a *Part 4A permission* to carry on the *regulated activity of debt adjusting* and who negotiates with a *lender* on behalf of a *customer* the terms of discharge of a debt due under a *credit agreement* or a *consumer hire agreement*, or takes over the *customer's* obligations to discharge such debts in return for payments by the *customer*, or carries on any similar activity concerned with the liquidation of such a debt.

<i>debt adjusting</i> FCA	a <i>regulated activity</i> of the kind specified in article 39D of the <i>Regulated Activities Order</i> .
<i>debt administration</i> FCA	a <i>regulated activity</i> of the kind specified in article 39G of the <i>Regulated Activities Order</i> .
<i>debt capital</i> FCA PRA	(in <i>IPRU(INV) 13</i>) a <i>security</i> of indeterminate duration or other instrument the debt agreement for which provides that: <ul style="list-style-type: none"> (a) it may not be reimbursed on the holder's initiative; (b) the borrower has the option of deferring the payment of interest on the debt; (c) the lender's claims on the borrower must be wholly subordinated to those of all non-subordinated creditors; (d) debt and unpaid interest should be such as to absorb losses, whilst leaving the borrower in a position to continue trading; and which is fully paid-up.
<i>debt collecting</i> FCA	a <i>regulated activity</i> of the kind specified in article 39F of the <i>Regulated Activities Order</i> .
<i>debt collector</i> FCA	a <i>person</i> who has, or ought to have, a <i>Part 4A permission</i> to carry on the <i>regulated activity</i> of <i>debt adjusting</i> and who takes steps to procure payment of debts due under <i>credit agreements</i> or <i>consumer hire agreements</i> .
<i>debt counselling</i> FCA	a <i>regulated activity</i> of the kind specified in article 39E of the <i>Regulated Activities Order</i> .
<i>debt counsellor</i> FCA	a <i>person</i> who has, or ought to have, a <i>Part 4A permission</i> to carry on the <i>regulated activity</i> of <i>debt counselling</i> and who gives advice to <i>borrowers</i> or <i>hirers</i> about the liquidation of debts under <i>credit agreements</i> or <i>consumer hire agreements</i> .
<i>debt management activity</i> FCA	the activities of <i>debt counselling</i> or <i>debt adjusting</i> , alone or together, carried on with a view to an <i>individual</i> entering into a particular <i>debt solution</i> or in relation to any such <i>debt solution</i> , and activities connected with those activities.
<i>debt management client money chapter</i> FCA	■ CASS 11.
<i>debt management client money distribution rules</i>	the rules and guidance in ■ CASS 11.13.

FCA

debt management client money rules

the rules and guidance in ■ CASS 11.1 to ■ CASS 11.12.

FCA

debt management firm

(a) a *firm* which carries on the activities of *debt counselling* or *debt adjusting*, alone or together, with a view to an *individual* entering into a particular *debt solution*; or

(b) a *firm* which carries on the activity of *debt counselling* where an *associate* carries on *debt adjusting* with the aim in (a) in view; or

(c) a *firm* which carries on the activity of *debt adjusting* where an *associate* carries on *debt counselling* with the aim in (a) in view; and

in each case, other than a *not-for-profit debt advice body*.

FCA

debt management plan

a non-statutory agreement between a *customer* and one or more of the *customer's lenders* the aim of which is to discharge or liquidate the *customer's* debts, by making regular payments to a third party which administers the plan and distributes the money to the *lenders*.

FCA

debt security

(1) (in ■ DTR 2, ■ DTR 3 and LR) *debentures, alternative debentures*, debenture stock, loan stock, bonds, certificates of deposit or any other instrument creating or acknowledging indebtedness.

(2) (in ■ DTR 4, ■ DTR 5 and ■ DTR 6) (in accordance with article 2.1(b) of the *Transparency Directive*) bonds or other forms of transferable securitised debts, with the exception of securities which are equivalent to *shares* in companies or which, if converted or if the rights conferred by them are exercised, give rise to a right to acquire *shares* or securities equivalent to *shares*.

(3) (except in DTR and LR) any of the following:

(a) a *debenture*;

(aa) an *alternative debenture*;

(b) a *government and public security*;

(c) a *warrant* which confers a right in respect of an *investment* in (a) or (b).

FCA

debt solution

an arrangement, scheme or procedure, whether statutory or not, the aim of which is to discharge or liquidate a *customer's* debts.

FCA

decision notice

a notice issued by the *appropriate regulator* in accordance with section 388 of the *Act* (Decision notices).

FCA

dedicated

(in relation to *investments* of an *authorised fund*) intended that the holders should participate in or receive:

(a) profits or income arising from the acquisition, holding, management or disposal of *investments* of the relevant description; or

<p><i>deductions plan</i> FCA PRA</p>	<p>(b) sums paid out of profits or income in (a); or</p> <p>(c) other benefits where expressly permitted by a provision in <i>COLL</i>.</p> <p>(in <i>COBS</i>) a plan that describes the deductions from asset share that a <i>firm</i> expects to make for the cost of guarantees and the use of capital (■ <i>COBS</i> 20.2.8 R).</p>
<p><i>default</i> FCA</p>	<p>(in relation to the <i>IRB approach</i> and for the purposes of <i>BIPRU</i>) has the meaning in ■ <i>BIPRU</i> 4.3 (The <i>IRB approach</i>: Provisions common to different exposure classes).</p>
<p><i>default rules</i> FCA PRA</p>	<p>(1) (in relation to a <i>UK RIE</i>) the default rules which it is required to have under paragraph 10 of the Schedule to the <i>Recognition Requirements Regulations</i>.</p> <p>(2) (in relation to a <i>UK RCH</i>) the default rules which it is required to have under paragraph 24 of the Schedule to the <i>Recognition Requirements Regulations</i>.</p>
<p><i>deferred acquisition costs</i> FCA PRA</p>	<p>deferred acquisition costs as defined in the <i>insurance accounts rules</i>.</p>
<p><i>deferred bonus</i> FCA PRA</p>	<p>(in <i>LR</i>) any arrangement pursuant to the terms of which an <i>employee</i> or <i>director</i> may receive a bonus (including cash or any security) in respect of service and/or performance in a period not exceeding the length of the relevant financial year notwithstanding that the bonus may, subject only to the <i>person</i> remaining a <i>director</i> or <i>employee</i> of the group, be receivable by the <i>person</i> after the end of the period to which the award relates.</p>
<p><i>deferred share</i> FCA PRA</p>	<p>(1) (other than in <i>CREDS</i> and <i>COMP</i>) in relation to a <i>building society</i>, a deferred share as defined in the Building Societies (Deferred Shares) Order 1991.</p> <p>(2) (in <i>CREDS</i> and ■ <i>COMP</i> 5.3.1 R (2)(cA)) in relation to a <i>Great Britain credit union</i>, means any share of a class defined as a deferred share by section 31A of the Credit Unions Act 1979.</p>
<p><i>deficit reduction amount</i> FCA PRA</p>	<p>in respect of a <i>defined benefit occupational pension scheme</i>, the sum, determined by a <i>firm</i> in conjunction with the <i>defined benefit occupational pension scheme's</i> actuaries or trustees (or both), of the additional funding (net of tax) that will be required to be paid into that scheme by the <i>firm</i> over the following five year period for the purpose of reducing the <i>firm's defined benefit liability</i>.</p>
<p><i>defined benefit asset</i> FCA PRA</p>	<p>the excess of the value of the assets in a <i>defined benefit occupational pension scheme</i> over the present value of the scheme liabilities, to the extent that a <i>firm</i>, as employer, in accordance with the accounting principles applicable to it, should recognise that excess as an asset in its balance sheet.</p>
<p><i>defined benefit liability</i> FCA PRA</p>	<p>the shortfall of the value of the assets in a <i>defined benefit occupational pension scheme</i> below the present value of the scheme liabilities, to the extent that a <i>firm</i>, as employer, in accordance with the accounting principles applicable to it, should recognise that shortfall as a liability in its balance sheet.</p>

<p><i>defined benefit occupational pension scheme</i></p> <p>FCA PRA</p>	<p>an <i>occupational pension scheme</i> which is not a <i>defined contribution occupational pension scheme</i>.</p>
<p><i>defined benefit scheme</i></p> <p>FCA PRA</p>	<p>in relation to a <i>director</i>, means a pension scheme which is not a <i>money purchase scheme</i>.</p>
<p><i>defined benefits pension scheme</i></p> <p>FCA PRA</p>	<p>a <i>pension policy</i> or <i>pension contract</i> under which the only <i>money-purchase benefits</i> are benefits ancillary to other benefits which are not <i>money-purchase benefits</i>.</p>
<p><i>defined contribution occupational pension scheme</i></p> <p>FCA PRA</p>	<p>an <i>occupational pension scheme</i> into which a <i>firm</i>, as employer, pays regular fixed contributions and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.</p>
<p><i>defined liquidity group</i></p> <p>FCA PRA</p>	<p>a <i>DLG by default</i> or <i>DLG by modification</i>.</p>
<p><i>delivery by value</i></p> <p>FCA PRA</p>	<p>a transaction type, described as "delivery by value", used to deliver and receive <i>securities</i> within <i>CREST</i>.</p>
<p><i>deposit</i></p> <p>FCA PRA</p>	<p>(1) (except in <i>COMP</i>) the <i>investment</i>, specified in article 74 and defined in articles 5(2) and 5(3) of the <i>Regulated Activities Order</i>, which is in summary: a sum of money (other than one excluded by any of articles 6 to 9 AB of the <i>Regulated Activities Order</i>) paid on terms:</p> <p style="margin-left: 40px;">(a) under which it will be repaid, with or without interest or a premium, and either on demand or at a time or in circumstances agreed by or on behalf of the <i>person</i> making the payment and the <i>person</i> receiving it; and</p> <p style="margin-left: 40px;">(b) which are not referable to the provision of property (other than currency) or services or the giving of security; in this definition, money is paid on terms which are referable to the provision of property or services or the giving of security if, and only if:</p> <p style="margin-left: 80px;">(i) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is or are not in fact sold, hired or otherwise provided; or</p> <p style="margin-left: 80px;">(ii) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract; or</p>

(iii) without prejudice to (ii), it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.

(2) (in COMP) the *investment* within (1), but including a sum of money that would otherwise be excluded:

(a) by article 6(1)(a)(ii) of the *Regulated Activities Order*, where the *person* making the payment is a *credit union* (unless the *person* receiving the payment is also a *credit union*); or

(b) by article 6(1)(d) of the *Regulated Activities Order*, where the *person* receiving it is a *credit union*; or

(c) by article 6 of the *Regulated Activities Order*, where the *person* paying it is an *eligible claimant*.

deposit back arrangement

FCA PRA

(in relation to any contract of *reinsurance*) an arrangement whereby an amount is deposited by the *reinsurer* with the cedant.

Deposit Guarantee Directive

FCA PRA

the Council Directive of 13 May 1994 on deposit-guarantee schemes (No 94/19/EC).

depository

FCA PRA

(1) (except in LR):

(a) (in relation to an *ICVC*) the *person* to whom is entrusted the safekeeping of all of the *scheme property* of the *ICVC* and who has been appointed for this purpose in accordance with regulation 5 (Safekeeping of scheme property by depository) of and Schedule 1 (Depositaries) to the *OEIC Regulations*;

(b) (in relation to an *AUT*) the *trustee*;

(c) (in relation to any other *unit trust scheme* other than an *AIF* specified in (e)) the *person* holding the property of the *scheme* on trust for the *participants*;

(ca) (in relation to an *EEA UCITS scheme*) the *person* fulfilling the function of a depository in accordance with article 2(1)(a) of the *UCITS Directive*;

(cb) (in relation to an *ACS* which is a *co-ownership scheme*) the *person* who holds the property subject to the *scheme* or to whose order that property is held, as required by section 235A(3)(d) of the *Act* (Contractual schemes);

(cc) (in relation to an *ACS* which is a *limited partnership scheme*) the *person* who holds the property subject to the *scheme* or to whose order that property is held, and who has been appointed to be the *person* to whom the *property* subject to the *scheme* is entrusted for safekeeping, as required by section 235A(6)(e)(i) of the *Act* (Contractual schemes);

(d) (in relation to any other *fund* other than an *AIF* specified in (e)) any *person* to whom the *fund* property is entrusted for safekeeping.

(e) (for an *AIF* managed by a *full-scope UK AIFM* or a *full-scope EEA AIFM* (other than an *AIF* which is an *ICVC*, an *AUT* or an *ACS*)) the *person* fulfilling:

(i) the function of a depository in accordance with article 21(1) of *AIFMD*; or

<p><i>deposit-based stakeholder product</i></p> <p>FCA PRA</p>	<p>(ii) one or more of the functions of cash monitoring, safekeeping or oversight for a <i>non-EEA AIF</i>, in line with FUND 3.11.33 R (1)(a) (AIFM of a non-EEA AIF).</p> <p>(2) (in LR) a <i>person</i> that issues <i>certificates representing certain securities</i> that have been <i>admitted to listing</i> or are the subject of an application for <i>admission to listing</i> .</p> <p>the <i>stakeholder product</i> specified by regulation 4 (certain deposit accounts) of the <i>Stakeholder Regulations</i>;</p>
<p><i>deposit-taking firm</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> which is a <i>bank</i>, <i>building society</i> or <i>credit union</i>.</p>
<p>DEPP</p> <p>FCA PRA</p>	<p>the Decision Procedure and Penalties manual.</p>
<p><i>derivative</i></p> <p>FCA PRA</p>	<p>a <i>contract for differences</i>, a <i>future</i> or an <i>option</i>.(see also <i>securitised derivative</i>.)</p>
<p><i>designated clearing house</i></p> <p>FCA PRA</p>	<p>one of the following <i>clearing houses</i>:</p> <ul style="list-style-type: none"> (a) ASX Settlement and Transfer Corporation Pty Ltd (ASTC); (b) Austrian Kontroll Bank (OKB); (c) Board of Trade Clearing Corporation; (d) Cassa di Compensazione e Garanzia S.p.A (CCG); (e) Commodity Clearing Corporation; (f) Emerging Markets Clearing Corporation; (g) FUTOP Clearing Centre (FUTOP Clearing Centralen A/S); (h) Hong Kong Futures Exchange Clearing Corporation Ltd; (i) Hong Kong Securities Clearing Company Ltd; (j) Kansas City Board of Trade Clearing Corporation; (k) Norwegian Futures & Options Clearing House (Norsk Opsjonsentral A.S. (NOS)); (l) N.V. Nederlandse Liquidatiekas (NLKKAS); (m) OM Stockholm Exchange; (n) Options Clearing Corporation; (o) Options Clearing House Pty Ltd (OCH); (p) Sydney Futures Exchange Clearing House (SFECH Ltd); and (q) TNS Clearing Pty Ltd (TNSC).
<p><i>designated client bank account</i></p>	<p>a <i>client bank account</i> with the following characteristics:</p> <ul style="list-style-type: none"> (a) the account holds the money of one or more <i>clients</i>;

FCA PRA

(b) the account includes in its title the word "designated";

(c) the *clients* whose *money* is in the account have each consented in writing to the use of the bank with which the *client money* is to be held; and

(d) in the event of the *failure* of that bank, the account is not pooled with any other type of account unless a *primary pooling event* occurs.

*designated
client fund
account*

FCA PRA

a *client bank account* with the following characteristics:

(a) the account holds at least part of the *client money* of one or more *clients*, each of whom has consented to that *money* being held in the same *client bank* accounts at the same banks (the *client money* of such *clients* constituting a designated fund);

(b) the account includes in its title the words "designated fund"; and

(c) in the event of the *failure* of a bank with which part of a designated fund is held, each *designated client fund account* held with the failed bank will form a pool with any other *designated client fund account* containing part of that same designated fund unless a *primary pooling event* occurs.

*designated
committee*

FCA PRA

(in relation to a firm) a management body of the *firm* with delegated authority from the *firm's governing body* for approving either:

(a) (in relation to a *firm* that uses the *IRB approach*) all material aspects of the *firm's rating systems* and material changes to the *firm's rating systems*; or

(b) (in relation to a *firm* that uses the *advanced measurement approach*) all material aspects of the *advanced measurement approach* as carried out by the *firm* and material changes to the *firm's advanced measurement approach*; and

(c) a policy statement defining the *firm's* overall approach to material aspects of rating and estimation processes for all *rating systems* including non-material *rating systems* in relation to the *IRB approach*, or its overall approach to the *advanced measurement approach*, as relevant;

at least one of whose members is a member of the *firm's governing body*.

*designated
investment*

FCA PRA

(A) In the PRA Handbook:

a *security* or a contractually-based investment (other than a *funeral plan contract* and a right to or interest in a *funeral plan contract*), that is, any of the following *investments*, specified in Part III of the *Regulated Activities Order* (Specified Investments), and a *long-term care insurance contract* which is a *pure protection contract*:

(a) *life policy* (subset of article 75 (Contracts of insurance));

(b) *share* (article 76);

(c) *debenture* (article 77);

(ca) *alternative debenture* (article 77A);

(d) *government and public security* (article 78);

(e) *warrant* (article 79);

(f) *certificate representing certain securities* (article 80);

(g) *unit* (article 81);

(h) *stakeholder pension scheme* (article 82(1))

(ha) *personal pension scheme* (article 82(2));

(hb) *emissions auction product* (article 82A) where it is a *financial instrument*.

(i) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:

(i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);

(ii) *commodity option* and *option* on a *commodity future*;

(j) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:

(i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);

(ii) *commodity future*;

(iii) *rolling spot forex contract*;

(k) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:

(i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);

(ii) *spread bet*;

(iii) *rolling spot forex contract*;

(l) *rights to or interests in investments* in (a) to (k) (article 89) but not including rights to or interests in rights under a *long-term care insurance contract* which is a *pure protection contract*.

(B) In the FCA Handbook:

a *security* or a contractually-based investment (other than a *funeral plan contract* and a right to or interest in a *funeral plan contract*), that is, any of the following *investments*, specified in Part III of the *Regulated Activities Order* (Specified Investments), a *P2P agreement*, and a *long-term care insurance contract* which is a *pure protection contract*:

(a) *life policy* (subset of article 75 (Contracts of insurance));

(b) *share* (article 76);

(c) *debenture* (article 77);

(ca) *alternative debenture* (article 77A);

(d) *government and public security* (article 78);

(e) *warrant* (article 79);

(f) *certificate representing certain securities* (article 80);

(g) *unit* (article 81);

(h) *stakeholder pension scheme* (article 82(1))

(ha) *personal pension scheme* (article 82(2));

(hb) *emissions auction product* (article 82A) where it is a *financial instrument*.

(i) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:

(i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);

(ii) *commodity option* and *option* on a *commodity future*;

(j) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:

designated
investment
business

FCA PRA

- (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
- (ii) *commodity future*;
- (iii) *rolling spot forex contract*;
- (k) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;
- (l) *rights to or interests in investments* in (a) to (k) (article 89) but not including rights to or interests in rights under a *long-term care insurance contract* which is a *pure protection contract*.

(A) In the PRA Handbook:

any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business:

- (a) *dealing in investments as principal* (article 14), but disregarding the exclusion in article 15 (Absence of holding out etc);
- (b) *dealing in investments as agent* (article 21) but only in relation to *designated investments*;
- (ba) *MiFID business bidding* (part of *bidding in emissions auctions*) (article 24A);
- (c) *arranging (bringing about) deals in investments* (article 25(1)), but only in relation to *designated investments*;
- (d) *making arrangements with a view to transactions in investments* (article 25(2)), but only in relation to *designated investments*;
- (da) *operating a multilateral trading facility* (article 25D);
- (e) *managing investments* (article 37), but only if the assets consist of or include (or may consist of or include) *designated investments*;
- (ea) assisting in the administration and performance of a *contract of insurance*, but only if the *contract of insurance* is a *designated investment*.
- (f) *safeguarding and administering investments* (article 40), but only if the assets consist of or include (or may consist of or include) *designated investments*; for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *safeguarding and administration of assets (without arranging)*;
 - (ii) *arranging safeguarding and administration of assets*;
- (g) *sending dematerialised instructions* (article 45(1));
- (h) *causing dematerialised instructions to be sent* (article 45(2));
- (i) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *establishing, operating or winding up a regulated collective investment scheme*;
 - (ii) *establishing, operating or winding up an unregulated collective investment scheme*;

- (j) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));
 - (k) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));
 - (ka) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));
 - (l) *establishing, operating or winding up a stakeholder pension scheme* (article 52(a))
 - (la) *establishing, operating or winding up a personal pension scheme* (article 52(b));
 - (lb) *providing basic advice on a stakeholder product* (article 52B);
 - (m) *advising on investments* (article 53), but only in relation to *designated investments*; for the purposes of the *permission regime*, this is sub-divided into:
 - (i) *advising on investments* (except *pension transfers* and *pension opt-outs*);
 - (ii) *advising on pension transfers and pension opt-outs*;
 - (n) *agreeing to carry on a regulated activity* in (a) to (h) and (m) (article 64).
 - (o) [deleted]
 - (p) *managing a UCITS*;
 - (q) *acting as trustee or depositary of a UCITS*;
 - (r) *managing an AIF*;
 - (s) *acting as trustee or depositary of an AIF*;
 - (t) *establishing, operating or winding up a collective investment scheme*.
- (B) In the FCA Handbook:
- any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business:
- (a) *dealing in investments as principal* (article 14), but disregarding the exclusion in article 15 (Absence of holding out etc);
 - (b) *dealing in investments as agent* (article 21) but only in relation to *designated investments*;
 - (ba) *MiFID business bidding* (part of *bidding in emissions auctions*) (article 24A);
 - (c) *arranging (bringing about) deals in investments* (article 25(1)), but only in relation to *designated investments*;
 - (d) *making arrangements with a view to transactions in investments* (article 25(2)), but only in relation to *designated investments*;
 - (da) *operating a multilateral trading facility* (article 25D);
 - (db) *operating an electronic system in relation to lending* (article 36H) but only in relation to facilitating a *person* becoming a lender under a *P2P agreement* and in relation to the supplemental activities in article 36H(3)(a), (b) and (d);
 - (e) *managing investments* (article 37), but only if the assets consist of or include (or may consist of or include) *designated investments*;
 - (ea) assisting in the administration and performance of a *contract of insurance*, but only if the *contract of insurance* is a *designated investment*.

(f) *safeguarding and administering investments* (article 40), but only if the assets consist of or include (or may consist of or include) *designated investments*; for the purposes of the *permission* regime, this is sub-divided into:

- (i) *safeguarding and administration of assets (without arranging)*;
- (ii) *arranging safeguarding and administration of assets*;

(g) *sending dematerialised instructions* (article 45(1));

(h) *causing dematerialised instructions to be sent* (article 45(2));

(i) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:

- (i) *establishing, operating or winding up a regulated collective investment scheme*;
- (ii) *arranging safeguarding and administration of assets*;

(j) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));

(k) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));

(ka) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));

(l) *establishing, operating or winding up a stakeholder pension scheme* (article 52(a))

(la) *establishing, operating or winding up a personal pension scheme* (article 52(b));

(lb) *providing basic advice on a stakeholder product* (article 52B);

(m) *advising on investments* (article 53), but only in relation to *designated investments*; for the purposes of the *permission* regime, this is sub-divided into:

- (i) *advising on investments (except pension transfers and pension opt-outs)*;
- (ii) *advising on pension transfers and pension opt-outs*;

(n) *agreeing to carry on a regulated activity in (a) to (h) and (m)* (article 64).

(o) [deleted]

(p) *managing a UCITS*;

(q) *acting as trustee or depositary of a UCITS*;

(r) *managing an AIF*;

(s) *acting as trustee or depositary of an AIF*;

(t) *establishing, operating or winding up a collective investment scheme*.

Any of the following investment exchanges:

American Stock Exchange

Australian Stock Exchange

Bermuda Stock Exchange

Bolsa Mexicana de Valores

Bourse de Montreal Inc

*designated
investment
exchange*

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Channel Islands Stock Exchange
 Chicago Board of Trade
 Chicago Board Options Exchange
 Chicago Stock Exchange
 Coffee, Sugar and Cocoa Exchange, Inc
 Euronext Amsterdam Commodities Market
 Hong Kong Exchanges and Clearing Limited
 International Securities Market Association
 Johannesburg Stock Exchange
 Kansas City Board of Trade
 Korea Stock Exchange
 Mid-America Commodity Exchange
 Minneapolis Grain Exchange
 New York Cotton Exchange
 New York Futures Exchange
 New York Stock Exchange
 New Zealand Stock Exchange
 Osaka Securities Exchange
 Pacific Exchange
 Philadelphia Stock Exchange
 Singapore Exchange
 South African Futures Exchange
 Tokyo International Financial Futures Exchange
 Tokyo Stock Exchange
 Toronto Stock Exchange

*designated
investment
firm*

FCA **PRA**

(A) (In the *PRA Handbook*)

an *authorised person* that has been designated by the *PRA* under article 3 of the *PRA-regulated Activities Order*.

(B) (In the *FCA Handbook*)

an authorised person that has been designated by the *PRA* under article 3 of the *PRA-regulated Activities Order*.

*designated
money market
fund*

FCA **PRA**

(in **■ BIPRU 12** and *BSOCS*) a *collective investment scheme* authorised under the *UCITS Directive* or which is subject to supervision and, if applicable, authorised by an authority under the national law of an *EEA State*, and which satisfies the following conditions:

(a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;

(b) it must, with a view to achieving that primary investment objective, invest exclusively in either or both assets (i) of the kind mentioned in *BIPRU 12.7.2R(1)* and (2), or (ii) sight deposits with *credit institutions*

that are at all times fully secured against assets of the kind mentioned in BIPRU 12.7.2R(1) and (2);

(c) it must, for the purpose of condition (b), only count assets with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;

(d) it must, for the purpose of condition (b), ensure that if it invests in sight deposits with *credit institutions* of the kind mentioned in (b)(ii), no more than 20% of those deposits are held with any one body; and

(e) it must provide liquidity through same day settlement in respect of any request for redemption made at or before 1200 hours GMT or, as the case may be, BST.

*designated
multilateral
development
bank*

FCA **PRA**

Any of the following:

- (a) African Development Bank;
- (b) Asian Development Bank;
- (c) Council of Europe Development Bank;
- (d) European Bank for Reconstruction and Development;
- (e) European Investment Bank;
- (f) Inter-American Development Bank;
- (g) International Bank for Reconstruction and Development;
- (h) International Finance Corporation;
- (i) Islamic Development Bank; and
- (j) Nordic Investment Bank.

*designated
non-member*

FCA **PRA**

(in *REC*) (in relation to a *UK RIE*) a *person* in respect of whom action may be taken under the *default rules* of the *RIE* but who is not a *member* of the *RIE*.

*designated
professional
body*

FCA **PRA**

a professional body designated by the Treasury under section 326 of the *Act* (Designation of professional bodies) for the purposes of Part XX of the *Act* (Provision of Financial Services by Members of the Professions); the following professional bodies have been designated in the Financial Services and Markets Act 2000 (Designated Professional Bodies) Order 2001 (SI 2001/1226), the Financial Services and Markets Act 2000 (Designated Professional Bodies) (Amendment) Order 2004 (SI 2004/3352) and the Financial Services and Markets Act 2000 (Designated Professional Bodies) (Amendment) Order 2006 (SI 2006/58):

- (a) The Law Society of England & Wales;
- (b) The Law Society of Scotland;
- (c) The Law Society of Northern Ireland;
- (d) The Institute of Chartered Accountants in England and Wales;
- (e) The Institute of Chartered Accountants of Scotland;
- (f) The Institute of Chartered Accountants in Ireland;
- (g) The Association of Chartered Certified Accountants;
- (h) The Institute of Actuaries;
- (i) The Council for Licensed Conveyancers; and

designated State or territory

FCA PRA

(j) The Royal Institution of Chartered Surveyors.

any *EEA State* (other than the *United Kingdom*), Australia, Canada or a province of Canada, Hong Kong, Singapore, South Africa, Switzerland, a State in the United States of America, the District of Columbia or Puerto Rico.

DGD claim

FCA PRA

(A) In the PRA Handbook:

a *claim*, in relation to a *protected deposit*, against a *CRD credit institution*, whether established in the *United Kingdom* or in another *EEA State*.

(B) In the FCA Handbook:

a *claim*, in relation to a *protected deposit*, against a *CRD credit institution*, whether established in the *United Kingdom* or in another *EEA State*.

dilution

FCA PRA

(in *COLL*) the amount of *dealing* costs incurred, or expected to be incurred, by or for the account of a *single-priced authorised fund* to the extent that these costs may reasonably be expected to result, or have resulted, from the acquisition or disposal of *investments* by or for the account of the *single-priced authorised fund* as a consequence (whether or not immediate) of the increase or decrease in the cash resources of the *single-priced authorised fund* resulting from the *issue* or *cancellation* of *units* over a period;

for the purposes of this definition, *dealing* costs include both the costs of *dealing* in an *investment*, professional fees incurred, or expected to be incurred, in relation to the acquisition or disposal of an immovable land, where there is a spread between the *buying* and *selling* prices of the *investment*, the indirect cost resulting from the differences between those prices .

dilution adjustment

FCA PRA

an adjustment to the *price* of a *unit* determined by the *authorised fund manager* of a *single-priced authorised fund* , under ■ COLL 6.3.8 R (Dilution) for the purpose of reducing *dilution*.

dilution levy

FCA PRA

a charge of such amount or at such rate as is determined by the *authorised fund manager* of a *single-priced authorised fund* to be made for the purpose of reducing the effect of *dilution*.

dilution risk

FCA PRA

(in accordance with Article 4(24) of the *Banking Consolidation Directive* (Definitions)) the risk that an amount receivable is reduced through cash or non-cash credits to the obligor.

Diploma Directives

FCA PRA

the First and Second Diploma Directives, that is:

(a) the Council Directive of 21 December 1988 on a general system for the recognition of higher-education diplomas, awarded on completion of professional education and training of at least three years' duration (No 89/48/EEC);

(b) the Council Directive of 18 June 1992 on a second general system for the recognition of professional education and training to supplement Directive 89/48/EEC (No 92/51/EEC).

direct offer financial promotion

FCA PRA

a *financial promotion* that contains:

(a) an offer by the *firm* or another *person* to enter into a *controlled agreement* with any *person* who responds to the communication; or

(b) an invitation to any *person* who responds to the communication to make an offer to the *firm* or another *person* to enter into a *controlled agreement*; and which specifies the manner of response or includes a form by which any response may be made.

In relation to *MiFID* or *equivalent third country business* "controlled agreement" includes an agreement to carry on an *ancillary service*.

directed at

FCA PRA

a *financial promotion* is directed at *persons* if it is addressed to *persons* generally (for example where it is contained in a television broadcast or web site).

directed only at

FCA PRA

(a) If all the conditions set out in (c) are met, a communication is to be regarded as "directed only at" a certain *group* of *persons*.

(b) In any other case in which one or more of those conditions are met, that fact is to be taken into account in determining whether the communication is "directed only at" a certain *group* of *persons* (but a communication may still be regarded as so directed even if none of the conditions in (c) are met).

(c) The conditions are that:

(i) the communication includes an indication of the description of *persons* to whom it is directed and an indication of the fact that the *investment* or service to which it relates is available only to such *persons*;

(ii) the communication includes an indication that *persons* of any other description should not rely upon it;

(iii) there are in place proper systems and procedures to prevent recipients other than *persons* to whom it is directed engaging in the investment activity, or participating in the *collective investment scheme*, to which the communication relates with the *person* directing the communication, a *close relative* of his or a member of the same *group*.

directive friendly society

FCA PRA

a *friendly society* other than a *non-directive friendly society*.

director

FCA PRA

(1) (except in *COLL*, *DTR*, *LR* and *PR*) (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):

(a) an unincorporated association;

(b) a *body corporate*;

(c) (in *SYSC*, ■ *MIPRU 2* (Insurance mediation activity: responsibility, knowledge, ability and good repute) and ■ *SUP 10* (Approved persons)) a *partnership*;

(d) (in *SYSC* and ■ *SUP 10* (Approved persons)) a *sole trader*;

any *person* appointed to direct its affairs, including a *person* who is a member of its *governing body* and (in accordance with section 417(1) of the *Act*):

(i) a *person* occupying in relation to it the position of a director (by whatever name called); and

(ii) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that body are accustomed to *act*.

*director
function*

FCA **PRA**

(2) (in *COLL*) a director of an *ICVC*, including (in accordance with regulation 2(1) of the *OEIC Regulations*) a *person* occupying in relation to the *ICVC* the position of director, by whatever name called.

(3) (in *DTR*, *LR* and *PR*) (in accordance with section 417(1)(a) of the *Act*) a *person* occupying in relation to it the position of a director (by whatever name called) and, in relation to an *issuer* which is not a *body corporate*, a *person* with corresponding powers and duties.

(1) (in the *FCA Handbook*) *FCA controlled functions* CF1 in Part 1 of the *table of FCA controlled functions*, described more fully in

■ SUP 10A.6.7 R and ■ SUP 10A.6.8 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF1 in the *table of PRA controlled functions*, described more fully in

■ SUP 10B.6.1 R and

■ SUP 10B.6.2 R.

*director of
unincorporated
association
function*

FCA **PRA**

(1) (in the *FCA Handbook*) *FCA controlled function* CF5 in Part 1 of the *table of FCA controlled functions*, described more fully in

■ SUP 10A.6.29 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF5 in the *table of PRA controlled functions*, described more fully in

■ SUP 10B.6.15 R.

*Disciplinary
Tribunal*

FCA **PRA**

a Tribunal appointed under Schedule 2 to Lloyd's Disciplinary Committees Byelaw (No 31 of 1996).

*disclosable
information*

FCA **PRA**

any information which has to be disclosed in the market in accordance with any legal or regulatory requirement.

*disclosure
obligations*

FCA **PRA**

(in *REC*) the initial, ongoing and ad hoc disclosure requirements contained in the *relevant articles* and given effect:

(1) in the *United Kingdom* by Part 6 of the *Act* and Part 6 rules (within the meaning of section 73A of the *Act*); or

(2) in another *EEA State* by legislation transposing the *relevant articles* in that State.

*disclosure
regulations*

FCA

as the case may be, the Consumer Credit (Disclosure of Information) Regulations 2010, SI 2010/1013 or the Consumer Credit (Disclosure of Information) Regulations 2004, SI 2004/1481.

disclosure rules

FCA **PRA**

(in accordance with sections 73A(1) and 73A(3) of the *Act*) *rules* relating to the disclosure of information in respect of *financial instruments* which have been admitted to trading on a *regulated market* or for which a request for *admission to trading* on such a market has been made.

discounting

FCA **PRA**

discounting or deductions to take account of investment income as set out in paragraph 48 of the *insurance accounts rules*.

*discretionary
investment
manager*

FCA **PRA**

(in *COBS* and (in relation to *firm type*) in ■ SUP 16.10 (Confirmation of standing data)) a *person* who, acting only on behalf of a *client*, manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement.

discretionary pension benefit

FCA **PRA**

(A) In the PRA Handbook:

(in **■ SYSC 19A**) enhanced pension benefits granted on a discretionary basis by a *firm* to an *employee* as part of that *employee's* variable *remuneration* package, but excluding accrued benefits granted to an *employee* under the terms of his company pension scheme.

[Note: article 4(49) of the *Banking Consolidation Directive*]

(B) In the FCA Handbook:

(1) (in **■ SYSC 19C**) enhanced pension benefits granted on a discretionary basis by a *firm* to an *employee* as part of that *employee's* variable *remuneration* package, but excluding accrued benefits granted to an *employee* under the terms of his company pension scheme.

[Note: article 4(49) of the *Banking Consolidation Directive*]

(2) (in *IFPRU* and **■ SYSC 19A**) has the meaning in article 4(1)(73) of the *EU CRR*.

DISP

FCA **PRA**

Dispute Resolution: the Complaints sourcebook.

distance contract

FCA **PRA**

any contract concerning financial services concluded between a *supplier* and a *consumer* under an organised distance sales or service provision scheme run by the *supplier* which, for the purpose of that contract, makes exclusive use (directly or through an intermediary) of one or more means of distance communication (that is, any means which, without the simultaneous physical presence of the *supplier* or intermediary and the *consumer*, may be used for the distance marketing of a service between those parties) up to and including the time at which the contract is concluded.

A contract is not a distance contract if:

(a) making, performing or marketing it does not constitute or form part of a *regulated activity*; or

(b) it is entered into on a strictly occasional basis outside a commercial structure dedicated to the conclusion of distance contracts; or

(c) a *consumer*, and an intermediary acting for a product provider, are simultaneously physically present at some stage before the conclusion of the contract; or

(d) it is entered into to comply with the requirement in Part 1 of the Pensions Act 2008 to automatically enrol or re-enrol employees into an *automatic enrolment scheme*.

[Note: recitals 15 and 18 to, and articles 2(a) and (e) of, the *Distance Marketing Directive*]

distance home purchase mediation contract

FCA **PRA**

a *distance contract*, the making or performance of which constitutes, or is part of:

(a) *advising on a home purchase plan*;

(b) *arranging (bringing about) a home purchase plan*;

(c) *making arrangements with a view to a home purchase plan*; or

(d) *agreeing to carry on a regulated activity* in (a) to (c).

Distance Marketing Directive

The Directive of the Council and Parliament of 23 September 2002 on distance marketing of consumer financial services (No 2002/65/EC).

FCA PRA

Distance Marketing Regulations

The Financial Services (Distance Marketing) Regulations 2004 (SI 2004/2095).

FCA PRA

distance mortgage mediation contract

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on regulated mortgage contracts*; or
- (b) *arranging (bringing about) regulated mortgage contracts*; or
- (c) *making arrangements with a view to regulated mortgage contracts*; or
- (d) agreeing to carry on a regulated mortgage activity in (a) to (c).

FCA PRA

distance regulated sale and rent back mediation contract

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on a regulated sale and rent back agreement*; or
- (b) *arranging (bringing about) a regulated sale and rent back agreement*; or
- (c) *making arrangements with a view to a regulated sale and rent back agreement*; or
- (d) agreeing to carry on a *regulated sale and rent back mediation activity* in (a) to (c).

FCA PRA

distance selling contract

(in *BCOBS*) has the same meaning as "distance contract" in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).

FCA PRA

distribution account

(in *COLL*) the account to which the amount of income of an *authorised fund* allocated to *classes of units* that distribute income must be transferred as at the end of each *annual accounting period* under ■ *COLL 6.8.3 R* (Income allocation and distribution) or ■ *COLL 8.5.15 R* (Income) .

FCA PRA

distribution channels

a channel through which information is, or is likely to become, publicly available. Information which is "likely to become publicly available" means information to which a large number of *persons* have access.

FCA PRA

[Note: article 2(1) of the *MiFID implementing Directive*]

distribution of exposures

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ *BIPRU 13* (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of market values that is generated by setting forecast instances of negative net market values equal to zero.

FCA PRA

distribution of market values

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ *BIPRU 13* (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of net market values of transactions within a *netting set* for some future date (the forecasting horizon), given the realised market value of those transactions up to the present time.

FCA PRA

DLG by
default

FCA PRA

(A) In the PRA Handbook:

(in relation to a *UK ILAS BIPRU firm* (a *group liquidity reporting firm*) and any reporting period under ■ SUP 16 (Reporting requirements)) the *firm* and each *person* identified in accordance with the following:

(a) (in a case in which the *firm* is the only *UK ILAS BIPRU firm* in its *group*) that *person* meets any of the following conditions for any part of that period:

(i) that *person* provides material support to the *firm* against *liquidity risk*; or

(ii) that *person* is committed to provide such support or would be committed to do so if that *person* were able to provide it; or

(iii) the *firm* has reasonable grounds to believe that that *person* would supply such support if asked or would do so if it were able to provide it; or

(iv) the *firm* provides material support to that *person* against *liquidity risk*; or

(v) the *firm* is committed to provide such support to that *person* or would be committed to do so if the *firm* were able to provide it; or

(vi) the *firm* has reasonable grounds to believe that that *person* would expect the *firm* to supply such support if asked or that the *firm* would do so if it were able to provide it; or

(b) (in a case in which the *firm* is not the only *UK ILAS BIPRU firm* in its *group*):

(i) each of those other *UK ILAS BIPRU firms*; and

(ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other *UK ILAS BIPRU firms*, so that applying (b) to the *firm* and to each of those *UK ILAS BIPRU firms* results in their having the same *defined liquidity group*;

(iii) no *DLG by default* exists where the group consists only of *UK ILAS BIPRU firms*.

The following provisions also apply for the purpose of this definition.

(c) A *person* is not a member of a firm's *DLG by default* unless it also satisfies one of the following conditions:

(i) it is a member of the *firm's group*; or

(ii) it is a *securitisation special purpose entity* or a *special purpose vehicle*; or

(iii) it is an *undertaking* whose main purpose is to raise funds for the *firm* or for a *group* to which that *firm* belongs.

(ca) In the case of a *group liquidity reporting firm* that is within paragraph (a) of the definition of *UK lead regulated firm* (it is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*), paragraph (c)(i) of the definition of *DLG by default* is amended so that it only includes a member of the *firm's group* that falls into one of the following categories:

- (i) it is a *credit institution*; or
- (ii) it is an *investment firm* or *third country investment firm* authorised to *deal on own account*.

For these purposes:

(iii) *credit institution* has the meaning used in ■ SUP 16 (Reporting requirements), namely either of the following:

(A) a credit institution authorised under the *CRD*; or

(B) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and

(iv) a *person* is authorised to *deal on own account* if:

(A) it is a *firm* and its *permission* includes that activity; or

(B) it is an *EEA firm* and it is authorised by its *Home State regulator* to do that activity; or

(C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *person* has such an authorisation.

(d) *Group* has the meaning in paragraph (1) of the definition in the *Glossary* (the definition in section 421 of the *Act*).

(e) The conditions in (a) are satisfied even if the *firm* or *person* in question provides or is committed or expected to provide support for only part of the period.

(f) In deciding for the purpose

(f) In deciding for the purpose of (a) or (b) whether the *firm* is the only *UK ILAS BIPRU firm* in its *group* and identifying which are the other *UK ILAS BIPRU firms* in its *group*, any *group* member that is a member of the group through no more than a *participation* is ignored.

(g) A *firm* has a *DLG by default* for a period even if it only has one during part of that period.

(h) Liquidity support may be supplied by or to the *firm* directly or indirectly.

(i) Support is material if it is material either by reference to the *person* giving it or by reference to the *person* receiving it.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (*Guidance on designated liquidity groups in* ■ SUP 16.12).)

(B) In the FCA Handbook:

(in relation to a *UK ILAS BIPRU firm* (a *group liquidity reporting firm*) and any reporting period under ■ SUP 16 (*Reporting requirements*)) the *firm* and each *person* identified in accordance with the following:

(a) (in a case in which the *firm* is the only *UK ILAS BIPRU firm* in its *group*) that *person* meets any of the following conditions for any part of that period:

(i) that *person* provides material support to the *firm* against *liquidity risk*; or

(ii) that *person* is committed to provide such support or would be committed to do so if that *person* were able to provide it; or

(iii) the *firm* has reasonable grounds to believe that that *person* would supply such support if asked or would do so if it were able to provide it; or

(iv) the *firm* provides material support to that *person* against *liquidity risk*; or

(v) the *firm* is committed to provide such support to that *person* or would be committed to do so if the *firm* were able to provide it; or

(vi) the *firm* has reasonable grounds to believe that that *person* would expect the *firm* to supply such support if asked or that the *firm* would do so if it were able to provide it; or

(b) (in a case in which the *firm* is not the only *UK ILAS BIPRU firm* in its *group*):

(i) each of those other *UK ILAS BIPRU firms*; and

(ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other *UK ILAS BIPRU firms*, so that applying (b) to the *firm* and to each of those *UK ILAS BIPRU firms* results in their having the same *defined liquidity group*;

(iii) no *DLG by default* exists where the group consists only of *UK ILAS BIPRU firms*.

The following provisions also apply for the purpose of this definition.

(c) A *person* is not a member of a firm's DLG by default unless it also satisfies one of the following conditions:

(i) it is a member of the *firm's group*; or

(ii) it is a *securitisation special purpose entity* or a *special purpose vehicle*; or

(iii) it is an *undertaking* whose main purpose is to raise funds for the *firm* or for a *group* to which that *firm* belongs.

(ca) In the case of a *group liquidity reporting firm* that is within paragraph (a) of the definition of *UK lead regulated firm* (it is not part of a group that is subject to consolidated supervision by the FCA or the PRA or any other *regulatory body*), paragraph (c)(i) of the definition of *DLG by default* is amended so that it only includes a member of the *firm's group* that falls into one of the following categories:

(i) it is a *credit institution*; or

(ii) it is an *investment firm* or *third country investment firm* authorised to *deal on own account*.

For these purposes:

(iii) *credit institution* has the meaning used in ■ SUP 16 (Reporting requirements), namely either of the following:

(A) a credit institution authorised under the *CRD* or

(B) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and

(iv) a *person* is authorised to *deal on own account* if:

(A) it is a *firm* and its *permission* includes that activity; or

(B) it is an *EEA firm* and it is authorised by its *Home State regulator* to do that activity; or

(C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *person* has such an authorisation.

(d) *Group* has the meaning in paragraph (1) of the definition in the *Glossary* (the definition in section 421 of the *Act*).

(e) The conditions in (a) are satisfied even if the *firm* or *person* in question provides or is committed or

expected to provide support for only part of the period.
(f) In deciding for the purpose

(f) In deciding for the purpose of (a) or (b) whether the *firm* is the only *UK ILAS BIPRU firm* in its *group* and identifying which are the other *UK ILAS BIPRU firms* in its *group*, any *group* member that is a member of the group through no more than a *participation* is ignored.

(g) A *firm* has a *DLG by default* for a period even if it only has one during part of that period.

(h) Liquidity support may be supplied by or to the *firm* directly or indirectly.

(i) Support is material if it is material either by reference to the *person* giving it or by reference to the *person* receiving it.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)

DLG by
modification

FCA PRA

either of the following:

(a) a *DLG by modification (firm level)*; or

(b) a *non-UK DLG by modification (DLG level)*.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)

DLG by
modification
(firm level)

FCA PRA

(in relation to any reporting period under ■ SUP 16 (Reporting requirements) and a *UK ILAS BIPRU firm* that has an *intra-group liquidity modification* during any part of that period (a *group liquidity reporting firm*) the *firm* and each *person* on whose liquidity support the *firm* can rely, under that *intra-group liquidity modification*, for any part of that period for the purpose of the *overall liquidity adequacy rule* (as the *overall liquidity adequacy rule* applies to the *firm* on a solo basis). A *firm* has a 'DLG by modification (firm level)' for a period even if it only has one during part of that period.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)

DMG

FCA

the Office of Fair Trading's Debt Management (and credit repair services Guidance).

document

FCA PRA

any piece of recorded information, including (in accordance with section 417(1) of the *Act* (Interpretation)) information recorded in any form; in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form.

document
evidencing title

FCA PRA

any means of evidencing title whether in documentary form or otherwise.

document
viewing facility

FCA PRA

(in *LR*) a location identified on the *FCA* website where the public can inspect documents referred to in the *listing rules* as being documents to be made available at the document viewing facility.

domestic UCITS merger

FCA **PRA**

(in *COLL* and in accordance with article 2(1)(r) of the *UCITS Directive*) a *UCITS merger* between two or more *UCITS schemes* in relation to which a *UCITS marketing notification* has been made in respect of at least one of the relevant *schemes*.

dormant account

FCA **PRA**

has the meaning given in section 10 of the Dormant Bank and Building Society Accounts Act 2008, which is in summary an *account* that at a particular point in time:

(a) has been open throughout the period of 15 years ending at that time; and

(b) during that period no transactions have been carried out in relation to the *account* by or on the instructions of the holder of the *account*.

dormant account fund operator

FCA **PRA**

a *firm* with *permission* for operating a *dormant account fund*.

dormant account funds

FCA **PRA**

has the meaning given in section 5(6) of the Dormant Bank and Building Society Accounts Act 2008, which is *money* paid to a *dormant account fund operator* by a *bank* or *building society* in respect of a *dormant account*.

drawdown mortgage

FCA **PRA**

a *lifetime mortgage* contract where:

(a) the amount borrowed is paid by the *mortgage lender* to the *customer* in instalments during the life of the mortgage; and

(b) the size and frequency of the instalments are:

(1) agreed between the *mortgage lender* and the *customer*; or

(2) set by reference to an index or interest rate (such as the Official Bank Rate).

drawdown pension

FCA **PRA**

(as defined in paragraph 4 of Schedule 28 to the Finance Act 2004):

(a) a *short-term annuity*; or

(b) an *income withdrawal*.

drawn down capital

FCA **PRA**

(in ■ SUP 16, in the case of an *investment management firm* carrying out *venture capital business*) the total current value of contributions committed by investors under contractual agreement which has been invested by the *firm*.

DTR

FCA **PRA**

(A) In the PRA Handbook:

the Disclosure Rules and Transparency Rules sourcebook containing the *disclosure rules*, *transparency rules*, *corporate governance rules* and the *rules* relating to *primary information providers*.

(B) In the FCA Handbook:

the Disclosure Rules and Transparency Rules sourcebook containing the *disclosure rules*, *transparency rules*, *corporate governance rules* and the *rules* relating to *primary information providers*.

*dual-priced
authorised
fund*

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate *fund*), that is not a *single-priced authorised fund*.

*durable
medium*

FCA PRA

(a) paper; or

(b) any instrument which enables the recipient to store information addressed personally to him in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored. In particular, *durable medium* covers floppy disks, CD-ROMs, DVDs and hard drives of personal computers on which electronic mail is stored, but it excludes Internet sites, unless such sites meet the criteria specified in the first sentence of this paragraph.

(in relation to *MiFID* or equivalent *third country business* or *collective portfolio management*, if the relevant rule implements the *MiFID implementing Directive*, the *UCITS Directive*, the *UCITS implementing Directive* or the *UCITS implementing Directive No 2*) the instrument used must be:

- (i) appropriate to the context in which the business is to be carried on; and
- (ii) specifically chosen by the recipient when offered the choice between that instrument and paper.

For the purposes of this definition, the provision of information by means of electronic communications shall be treated as appropriate to the context in which the business between the *firm* and the *client* is, or is to be, carried on if there is evidence that the *client* has regular access to the internet. The provision by the *client* of an e-mail address for the purposes of the carrying on of that business is sufficient.

[Note: article 2(f) and Recital 20 of the *Distance Marketing Directive*, article 2(12) of the *Insurance Mediation Directive*, articles 2(2), 3(1) and 3(3) of the *MiFID implementing Directive*, articles 75(2) and 81(1) of the *UCITS Directive*, article 20(3) of the *UCITS implementing Directive* and article 7 of the *UCITS implementing Directive No 2*]

(a) any *regulated activity* other than *bidding in emissions auctions* in relation to an *energy investment* or to *energy*, or in relation to a *biomass investment* or *biomass* that is ancillary to activities related to *energy investments* or *energy*, which:

(i) is the *executing of own account transactions* on any *recognised investment exchange* or *designated investment exchange*; or

(ii) if it is not the *executing of transactions* on such exchanges, is performed in connection with or for persons who are not *retail clients*;

(b) [deleted]

(A) In the PRA Handbook:

a firm:

(a) whose permission:

(i) includes a *requirement* that the firm must not carry on any *designated investment business* other than *energy market activity*;

(ii) does not include a *requirement* that it comply with ■ IPRUINV link 5 (Investment management firms) or 13 (Personal investment firms); and

(b) which is not an *authorised professional firm*, *bank*, *BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society*, *credit union*, *friendly society*, *ICVC*, *insurer*, *MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or *exempt IFPRU commodities firm*), *media firm*, *oil market participant*, *service company*, *insurance intermediary*, *home finance administrator*, *home finance provider*, *incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

(B) In the FCA Handbook:

a firm:

(a) whose permission:

(i) includes a *requirement* that the firm must not carry on any *designated investment business* other than *energy market activity*;

(ii) does not include a *requirement* that it comply with ■ IPRUINV link 5 (Investment management firms) or 13 (Personal investment firms); and

(b) which is not an *authorised professional firm*, *bank*, *BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society*, *credit union*, *friendly society*, *ICVC*, *insurer*, *MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or *exempt IFPRU commodities firm*), *media firm*, *oil market participant*, *service company*, *insurance intermediary*, *home finance administrator*, *home finance provider*, *incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

energy market
participant

FCA PRA

engage in investment activity

FCA **PRA**

(as defined in section 21(8) of the *Act*) (Restrictions on financial promotion)):

(a) enter or offer to enter into an agreement the making or performance of which by either party constitutes a *controlled activity*; or

(b) exercise any rights conferred by a *controlled investment* to acquire, dispose of, underwrite or convert a *controlled investment*.

enhanced capital requirement

FCA **PRA**

(1) (in relation to a *firm* carrying on *general insurance business*) the amount calculated in accordance with INSPRU 1.1.72CR.

(2) (in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that a *firm* must hold as set out in GENPRU 2.1.38R.

entering as provider into a funeral plan contract

FCA **PRA**

the *regulated activity*, specified in article 59 of the *Regulated Activities Order* (Funeral plan contracts) which comes into force on 1 January 2002, of entering as provider into a *funeral plan contract*.

entering into a home finance transaction

FCA **PRA**

any of the *regulated activities* of *entering into a regulated mortgage contract*, *entering into a home purchase plan*, *entering into a home reversion plan* or *entering into a regulated sale and rent back agreement*.

entering into a home purchase plan

FCA **PRA**

the *regulated activity*, specified in article 63F(1) of the *Regulated Activities Order*, which is in summary: entering into a *home purchase plan* as provider.

entering into a home reversion plan

FCA **PRA**

the *regulated activity*, specified in article 63B(1) of the *Regulated Activities Order*, which is in summary: entering into a *home reversion plan* as provider, or acquiring any obligations or rights (including his interest in land) of the plan provider under a *home reversion plan* entered into by him on or after 6 April 2007.

entering into a regulated consumer hire agreement as owner

FCA

the *regulated activity* specified in article 60N(1) of the *Regulated Activities Order*.

entering into a regulated credit agreement as lender

FCA

the *regulated activity* specified in article 60B(1) of the *Regulated Activities Order*.

entering into a regulated mortgage contract

the *regulated activity*, specified in article 61(1) of the *Regulated Activities Order*, which is in summary: entering into a *regulated mortgage contract* as lender.

FCA PRA

entering into a regulated sale and rent back agreement

the *regulated activity*, specified in article 63J(1) of the *Regulated Activities Order*, which is in summary entering into a *regulated sale and rent back agreement* as an agreement provider, including acquiring any obligations or rights of the agreement provider, including the agreement provider's interest in land or interests under one or more such *agreements*.

FCA PRA

Enterprise Investment Scheme

an arrangement which is an *EIS managed portfolio* or an *EIS fund*.

FCA PRA

Enterprise Zone Property Unit Trust

an *unregulated collective investment scheme* of which the underlying assets are industrial and commercial buildings in an Enterprise Zone in accordance with section 749(2) of the Finance Act 1980.

PRA

EPE

expected positive exposure.

FCA PRA

equalisation provision

a provision required to be established under the *rules* in INSPRU 1.4 .

FCA PRA

equity

(A) In the PRA Handbook:
(for the purposes of ■ BIPRU 7) a *share*.

FCA PRA

(B) In the FCA Handbook:
(for the purposes of ■ BIPRU 7 and ■ IFPRU 6) a *share*.

equity exposure

(in relation to the *IRB approach*) an exposure falling into the *IRB exposure class* referred to in ■ BIPRU 4.3.2 R (5) (equity exposures).

FCA PRA

equity market adjustment ratio

(1) (in relation to the *resilience capital requirement*) has the meaning set out in INSPRU 3.1.19R.

FCA PRA

(2) (in relation to the *market risk* scenario for the *risk capital margin* of a *with-profits fund*) has the meaning set out in INSPRU 1.3.71R.

equity PRR

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) but so that:

FCA PRA

(a) the *equity PRR* excludes the part of the *market risk capital requirement* calculated under ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives); and

(b) in relation to a particular *position*, it means the portion of the overall *equity PRR* attributable to that *position*.

equity release activity

FCA **PRA**

any *regulated mortgage activity* carried on in relation to a *lifetime mortgage*, or a *reversion activity*.

equity release adviser

FCA **PRA**

a *firm* with *permission* (or which ought to have *permission*) for:

- (a) *advising on regulated mortgage contracts* (when carried on in relation to a *lifetime mortgage*); or
- (b) *advising on a home reversion plan*.

equity release arranger

FCA **PRA**

a *firm* with *permission* (or which ought to have *permission*) for *arranging* a:

- (a) *regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or
- (b) *home reversion plan*.

equity release intermediary

FCA **PRA**

a *firm* with *permission* (or which ought to have *permission*) to carry on *equity release mediation activity*.

equity release mediation activity

FCA **PRA**

any of the *regulated activities* of:

- (a) *arranging a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*;
- (b) *advising on a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*; or
- (c) *agreeing to carry on a regulated activity* in (a) or (b).

equity release provider

FCA **PRA**

a *firm* with *permission* (or which ought to have *permission*) for:

- (a) *entering into a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or
- (b) *entering into a home reversion plan*.

equity release transaction

FCA **PRA**

a *lifetime mortgage* or a *home reversion plan*.

equity security

FCA **PRA**

- (1) (in *LR*) *equity shares* and *securities* convertible into *equity shares*; and
- (2) (in *PR*) (as defined in Article 2.1(b) of the *prospectus directive*) shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer.

equity share

FCA **PRA**

shares comprised in a *company's equity share capital*.

equity share capital

FCA **PRA**

(for a *company*), its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

<p><i>equity stake</i> FCA PRA</p>	<p>(in relation to a <i>company</i>) any kind of equity stake in that <i>company</i>, including <i>shares</i> in it (including non-voting and non-equity <i>shares</i>, <i>debt securities</i> that are convertible or exchangeable into such <i>shares</i>, a call <i>option</i> on such <i>shares</i> or an in-the-money put <i>option</i> on such <i>shares</i>, but excluding a <i>contract for differences</i> or other <i>investment</i> that provides merely an economic exposure to movement in the price of the company's shares).</p>
<p><i>equivalent</i> FCA PRA</p>	<p>see <i>commission equivalent</i>.</p>
<p><i>equivalent business of a third country investment firm</i> FCA PRA</p>	<p>the business of a <i>third country investment firm</i> carried on from an establishment in the <i>United Kingdom</i> that would be <i>MiFID business</i> if that firm were a <i>MiFID investment firm</i>.</p>
<p><i>equivalent document</i> FCA PRA</p>	<p>(in <i>LR</i> and <i>FEES</i>) a document containing information equivalent to a <i>prospectus</i> for the purposes of ■ PR 1.2.2 R (2) or ■ (3) or ■ PR 1.2.3 R (3) or ■ (4).</p>
<p><i>ESMA</i> FCA PRA</p>	<p>European Securities and Markets Authority.</p>
<p><i>ESMA AIFMD key concepts guidelines</i> FCA</p>	<p>ESMA's guidelines on key concepts of the <i>AIFMD</i>.</p>
<p><i>ESMA recommendations</i></p>	<p>the recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 published by the European Securities and Markets Authority (ESMA/2011/81).</p>
<p><i>established</i> FCA PRA</p>	<p>(in accordance with article 4(1)(j) <i>AIFMD</i>):</p> <ul style="list-style-type: none"> (a) for <i>AIFMs</i>, 'having its registered office in'; (b) for <i>AIFs</i>, 'being authorised or registered in' or, if the <i>AIF</i> is not authorised or registered, 'having its registered office in'; or (c) for <i>depositories</i>, 'having its registered office or branch in'.
<p><i>established surplus</i> FCA PRA</p>	<p>has the meaning in ■ IPRU-INS 3.3(4).</p>
<p><i>establishing, operating or winding up a collective investment scheme</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 51(1)(a) or 51ZE of the <i>Regulated Activities Order</i> (Establishing etc a collective investment scheme), of establishing, operating or winding up a <i>collective investment scheme</i>.</p>

establishing, operating or winding up a personal pension scheme

FCA **PRA**

the *regulated activity*, specified in article 52(b) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *personal pension scheme*.

establishing, operating or winding up a regulated collective investment scheme

FCA **PRA**

establishing, operating or winding up a collective investment scheme if the scheme is a *regulated collective investment scheme*.

establishing, operating or winding up a stakeholder pension scheme

FCA **PRA**

the *regulated activity*, specified in article 52 (a) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *stakeholder pension scheme*.

establishing, operating or winding up an unregulated collective investment scheme

FCA **PRA**

establishing, operating or winding up a collective investment scheme if the scheme is an *unregulated collective investment scheme*.

establishment

FCA **PRA**

(in relation to an *information society service*) the place at which the provider of the service effectively pursues an economic activity for an indefinite period; in this definition:

(a) the presence or use in a particular place of equipment or other technical means of providing an *information society service* does not, of itself, constitute that place as an establishment; and

(b) where it is unclear from which of a number of establishments a particular *information society service* is provided, that service is to be regarded as provided from the establishment where the provider has the centre of his activities relating to the service.

establishment conditions

FCA **PRA**

(in relation to the establishment of a *branch* in the *United Kingdom*) the conditions specified in paragraph 13 of Schedule 3 to the *Act* (EEA Passport Rights), which are that:

(a) if the *firm* falls within paragraph (a), (b), (c), (d) or (f) in the definition of "*EEA firm*":

(i)...

(b) if the *firm* falls within paragraph (e) in the definition of "*EEA firm*":

(i) the *EEA firm* has given its *Home State regulator* notice of its intention to establish a *branch* in the *United Kingdom*;

<p>(ii) the <i>FCA</i> or <i>PRA</i> (as the case may be) has received notice ("a regulator's notice") from the firm's Home State regulator that the firm intends to establish a <i>branch</i> in the <i>United Kingdom</i>;</p> <p>(iii) the EEA firm's Home State regulator has informed it that the regulator's notice has been sent to the <i>FCA</i> or <i>PRA</i> (as the case may be) ; and</p> <p>(iv) one <i>month</i> has elapsed beginning with the date on which the EEA firm's Home State regulator informed the <i>firm</i> that it had sent the regulator's notice to the <i>FCA</i> or <i>PRA</i> (as the case may be) .</p> <p>(c) the <i>EEA firm</i> has been informed of the <i>applicable provisions</i> or two <i>months</i> have elapsed beginning with the date when the <i>FCA</i> or <i>PRA</i> (as the case may be) received the consent notice.</p>	<p>(1) (in ■ FEES 6) the costs of establishing the <i>compensation scheme</i>.</p> <p>(2) (in ■ FEES 5) the costs of establishing the <i>Financial Ombudsman Service</i>.</p>
<p><i>establishment costs</i></p> <p>FCA PRA</p>	
<p><i>EU</i></p> <p>FCA PRA</p>	<p>the European Union, being the Union established by the Treaty on European Union signed at Maastricht on 7 February 1992 (as amended).</p>
<p><i>EU Cross-Border Regulation</i></p> <p>FCA PRA</p>	<p>Regulation (EC) No. 924/2009 of the European Parliament and of the Council on cross-border payments in the European Community.</p>
<p><i>EU CRR</i></p> <p>FCA PRA</p>	<p>(A) (In the PRA Handbook)</p> <p>Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012.</p> <p>(B) (In the FCA Handbook)</p> <p>Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012.</p>
<p><i>European Economic Area</i></p> <p>FCA PRA</p>	<p>the area established by the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being and which consists of the <i>EEA States</i>.</p>
<p><i>EuSEF manager</i></p> <p>FCA</p>	<p>the manager of a qualifying social entrepreneurship fund (as defined in the <i>EuSEF Regulation</i>) that is registered in accordance with article 15 of the <i>EuSEF Regulation</i>.</p>
<p><i>EuSEF regulation</i></p> <p>FCA</p>	<p>Regulation (EU) No 346/2013 of the European Parliament and the Council of 17 April 2013 on European social entrepreneurship funds.</p>
<p><i>EuVECA manager</i></p> <p>FCA</p>	<p>the manager of a qualifying venture capital fund (as defined in the <i>EuVECA Regulation</i>) that is registered in accordance with article 14 of the <i>EuVECA Regulation</i>.</p>

EuVECA regulation

FCA

Regulation (EU) No 345/2013 of the European Parliament and the Council of 17 April 2013 on European venture capital funds.

evidential provision

FCA PRA

a *rule*, contravention of which does not give rise to any of the consequences provided for by other provisions of the *Act*; and which provides, in accordance with section 138C of the *Act*, that:

- (a) contravention may be relied on as tending to establish contravention of such other *rule* as may be specified; or
- (b) compliance may be relied on as tending to establish compliance with such other *rule* as may be specified; or
- (c) both (a) and (b).

excepted contract

FCA PRA

(in *BCOBS*) has the same meaning as in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).

excess LLP members' drawings

FCA PRA

the amount by which the aggregate of the amounts withdrawn by a *limited liability partnership's* members exceeds the profits of that *firm*, as calculated in accordance with *IPRU(INV)* Annex A 2.5R (Limited liability partnership excess drawings).

excess spread

FCA PRA

(for the purposes of ■ *BIPRU 9* (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) finance charge collections and other fee income received in respect of the *securitised exposures* net of costs and expenses.

excess surplus

FCA PRA

a *firm* will have an excess surplus in a *with-profits fund* if, and to the extent that:

- (a) the *regulatory surplus* (or, in the case of a *realistic basis life firm*, the excess of *realistic value of assets* over *realistic value of liabilities*) in that *with-profits fund*; and
- (b) any other financial resources applied to, or expected to be applied to, that *with-profits fund*;

exceed:

- (c) the amount required to meet the higher of any regulatory capital requirement or the *firm's individual capital assessment* (at the *firm's* own risk appetite) for existing business; and
- (d) any further amount necessary to support the new business plans of that *with-profits fund*.

excess trading book position

FCA PRA

has the meaning in ■ *GENPRU 2.2.264 R* (Deductions from total capital: Excess trading book position).

exchange traded

FCA PRA

(in *IPRU(INV)* 13) listed or traded on a *recognised* or *designated investment exchange*.

exchange traded fund

[deleted]

exchange traded product

FCA

any of the following *investments*:

(a) a *unit* or *share* in an *open-ended investment company*, a *debt security* or a *contract for differences* which meets all of the following criteria:

(i) it is admitted to trading on a *regulated market* or a market operated by a *ROIE*;

(ii) it is created and redeemed in response to demand from investors or arbitrage opportunities arising from the difference in price from the *unit*, *share*, *debt security* or *contract for differences* and the price of the underlying asset(s) it seeks to track;

(iii) it aims to closely simulate the performance of a specified index or other benchmark (relating to any assets such as *shares*, *debentures*, *commodities* or currencies), whether or not the simulated performance is delta 1, inverse, leveraged, achieved by physical replication or synthetically through *derivatives*.

(b) a senior, unsubordinated *debt security* traded on a *regulated market* or a market operated by a *ROIE* featuring no periodic coupon payments and whose return tracks the performance of a specific index or other benchmark (relating to any assets such as *shares*, *debentures*, *commodities* or currencies), minus applicable fees, whether or not featuring delta 1, inverse or leveraged exposure to the index or other benchmark being tracked.

excluded communication

FCA PRA

the following types of *financial promotion* (a *firm* may rely on more than one of the paragraphs in relation to the same *financial promotion*):

(a) a *financial promotion* that would benefit from an exemption in the *Financial Promotion Order* if it were *communicated* by an *unauthorised person*, or which originates outside the *United Kingdom* and is not capable of having an effect in the *United Kingdom* (within the meaning of s.21(3) of the *Act*);

(b) a *financial promotion* from outside the *United Kingdom* that would be exempt under articles 30, 31, 32 or 33 of the *Financial Promotion Order* (Overseas communicators) if the office from which the *financial promotion* is *communicated* were a separate *unauthorised person*;

(c) a *financial promotion* that is subject to, or exempted from, the *Takeover Code* or to the requirements relating to takeovers or related operations in another *EEA State*;

(d) a personal quotation or illustration form;

(e) a "one-off" *financial promotion* that is not a *cold call*. If the conditions set out in (i) to (iii), below, are satisfied, a *financial promotion* is "one-off". If not, the fact that any one or more of these conditions is met is to be taken into account in determining if a *financial promotion* is "one-off". However, a *financial promotion* may be regarded as "one-off" even if none of the conditions are met. The conditions are that:

(i) the *financial promotion* is *communicated* only to one recipient or only to one group of recipients in the expectation that they would engage in any investment activity jointly;

(ii) the identity of the product or service to which the *financial promotion* relates has been determined having regard to the particular circumstances of the recipient;

(iii) the *financial promotion* is not part of an organised marketing campaign; or

excluded material

FCA **PRA**

(f) a communication that is exempted by the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001.

(in relation to access to *appropriate regulator* material) (as defined in section 394(7) of the *Act* (Access to FCA or PRA material)) material which:

- (a) has been intercepted in obedience to a warrant issued under any enactment relating to the interception of communications; or
- (b) indicates that such a warrant has been issued or that material has been intercepted in obedience to such a warrant; or
- (c) is a *protected item*.

excluded security

FCA

any of the following *investments*:

- (a) a *security* whereby the issuer's ability to fulfil its payment obligations to the investor, or the *investment* returns received in connection with the *security*, are wholly or predominantly linked to, contingent on, highly sensitive to or dependent on, the performance of or changes in the value of *shares*, *debentures* or *government and public securities*, whether or not such performance or changes in value are measured directly or via a market index or indices, and provided the relevant *shares* and *debentures* are not themselves issued by *special purpose vehicles*;
- (b) a *covered bond*;
- (c) a *security* issued by an *investment trust*;
- (d) a *share* in a *company* resident outside the *EEA*, where that *company* would qualify for approval as an *investment trust* by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 if resident in the *United Kingdom*;
- (e) a *share* in a *venture capital trust*;
- (f) a *share* in a *company* to which Part 12 of the Corporation Tax Act 2010 (Real Estate Investment Trusts) applies or a member of a group to which that Part applies;
- (g) an *exchange traded product*.;
- (h) a *security* issued by a *regulated collective investment scheme* other than a *qualified investor scheme*.

execute

FCA **PRA**

(in relation to a transaction) carry into effect or perform the transaction, whether as *principal* or as agent, including instructing another *person* to execute the transaction.

execution criteria

FCA **PRA**

(A) In the PRA Handbook:

the criteria set out in ■ COBS 11.2.6 R, that is:

- (a) the characteristics of the *client* including the categorisation of the *client* as retail or professional;
- (b) the characteristics of the *client* order;
- (c) the characteristics of *financial instruments* that are the subject of that order;
- (d) the characteristics of the *execution venues* to which that order can be directed; and
- (e) for a *management company*, the objectives, investment policy and risks specific to the *UCITS scheme* or *EEA UCITS scheme*, as indicated in its *prospectus* or *instrument constituting the scheme*.

<p><i>execution factors</i> FCA PRA</p>	<p>(B) In the FCA Handbook: the criteria set out in ■ COBS 11.2.6 R, that is:</p> <ul style="list-style-type: none"> (a) the characteristics of the <i>client</i> including the categorisation of the <i>client</i> as retail or professional; (b) the characteristics of the <i>client</i> order; (c) the characteristics of <i>financial instruments</i> that are the subject of that order; (d) the characteristics of the <i>execution venues</i> to which that order can be directed; and (e) for a <i>management company</i>, the objectives, investment policy and risks specific to the <i>UCITS scheme</i> or <i>EEA UCITS scheme</i>, as indicated in its <i>prospectus</i> or <i>instrument constituting the fund</i>. <p>price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.</p>
<p><i>execution of orders on behalf of clients</i> FCA PRA</p>	<p>acting to conclude agreements to buy or sell one or more <i>financial instruments</i> on behalf of <i>clients</i>.</p> <p>[Note: article 4 (1)(5) of <i>MiFID</i>]</p>
<p><i>execution venue</i> FCA PRA</p>	<p>for the purposes of the provisions relating to best execution in ■ COBS 11.2 and in <i>COLL</i>, execution venue means a <i>regulated market</i>, an <i>MTF</i>, a <i>systematic internaliser</i>, or a <i>market maker</i> or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.</p> <p>[Note: article 44(1) of the <i>MiFID implementing Directive</i>]</p>
<p><i>execution-only transaction</i> FCA PRA</p>	<p>a transaction <i>executed</i> by a <i>firm</i> upon the specific instructions of a <i>client</i> where the <i>firm</i> does not give <i>advice on investments</i> relating to the merits of the transaction and in relation to which the <i>rules</i> on assessment of appropriateness (■ COBS 10) do not apply .</p>
<p><i>executive procedures</i> FCA PRA</p>	<p>the procedures relating to the giving of warning notices, decision notices and <i>supervisory notices</i> that are described in ■ DEPP 4 (Decisions by <i>FCA</i> staff under executive procedures) .</p>
<p><i>exempt activity</i> FCA PRA</p>	<p>(in relation to a <i>recognised body</i>) any <i>regulated activity</i> in respect of which the body is exempt from the <i>general prohibition</i> as a result of section 285(2) or (3) of the <i>Act</i> (Exemption for recognised investment exchanges and clearing houses).</p>
<p><i>exempt BIPRU commodities firm</i> FCA PRA</p>	<p>a <i>BIPRU firm</i> to which the exemption in ■ BIPRU TP 15.6R (Exemption for a BIPRU firm whose main business relates to commodities) applies.</p>

exempt CAD firm

FCA **PRA**

(A) In the PRA Handbook:

(1) (except in SYSC and IPRU(INV)) has the meaning set out in **■ BIPRU 1.1.16 R** (Types of investment firm: exempt CAD firm) which is in summary an *investment firm* that satisfies certain specified conditions.

(2) (in SYSC and IPRU(INV)) a *firm* in (1) whose head office (or, if it has a registered office, that office) is in the United Kingdom.

(B) In the FCA Handbook:

(1) (except in SYSC and IPRU(INV)) a firm as defined in article 4(1)(2)(c) of the EU CRR that is authorised to provide only one or more the following *investment services*:

(a) investment advice;

(b) receive and transmit orders from investors as referred to in Section A of Annex I of MiFID).

(2) (in SYSC and IPRU(INV)) a *firm* in (1) whose head office (or, if it has a registered office, that office) is in the United Kingdom.

exempt full scope BIPRU investment firm

PRA

a *full scope BIPRU investment firm* falling into BIPRU 12.1.4R.

exempt full scope IFPRU investment firm

FCA

a *full-scope IFPRU investment firm* falling into BIPRU 12.1.4R.

exempt IFPRU commodities firm

FCA

an *IFPRU investment firm* which falls within the meaning in articles 493(1) and 498(1) of the EU CRR.

exempt insurance intermediary

FCA **PRA**

an *insurance intermediary*:

(a) whose *Part 4A permission* is limited to or includes *insurance mediation activity*;

(b) which, in relation to *insurance mediation activity* (but disregarding *money* or other assets held in relation to other activities) either:

(i) does not hold any *client money* or other *client* assets in any form; or

(ii) holds *client money* as trustee under a statutory trust imposed by **■ CASS 5.3** (statutory trust) but does not otherwise hold *client money*; and

(c) which (when aggregating the amount calculated in accordance with **■ CASS 5.5.65 R**) does not in relation to *insurance mediation activity* hold *client money* in excess of £30,000 at any time during a *financial year*.

<p><i>exempt person</i></p> <p>FCA PRA</p>	<p>(1) (as defined in section 417(1) of the <i>Act</i> (Definitions)) (in relation to a <i>regulated activity</i>) a <i>person</i> who is exempt from the <i>general prohibition</i> in respect of that activity as a result of:</p> <ul style="list-style-type: none"> (a) the <i>Exemption Order</i>; or (b) being an <i>appointed representative</i>; or (c) section 285(2) or (3) of the <i>Act</i> (Exemption for recognised investment exchanges and clearing houses) ; <p>and</p> <p>(2) a <i>person</i> who is exempt from the general prohibition as a result of section 312A(2) of the <i>Act</i>.</p>
<p><i>exempt professional firm</i></p> <p>FCA PRA</p>	<p>a <i>person</i> to whom, under section 327 of the <i>Act</i>, the <i>general prohibition</i> does not apply; guidance is given in ■ PROF 2.1 (<i>Exempt regulated activities</i>).</p>
<p><i>exempt regulated activity</i></p> <p>FCA PRA</p>	<p>(as defined in section 325(2) of the <i>Act</i> (FCA's general duty)) a <i>regulated activity</i> which may, as a result of Part XX of the <i>Act</i> (Provision of Financial Services by Members of the Professions), be carried on by <i>members</i> of a profession which is supervised and regulated by a <i>designated professional body</i> without breaching the <i>general prohibition</i>.</p>
<p><i>Exemption Order</i></p> <p>FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Exemption) Order 2001 (SI 2001/1201).</p>
<p><i>exercise notice</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) (in relation to <i>securitised derivatives</i>), a document that notifies the <i>issuer</i> of a holder's intention to exercise its rights under the <i>securitised derivative</i>.</p>
<p><i>exercise price</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) (in relation to <i>securitised derivatives</i>), the price stipulated by the <i>issuer</i> at which the holder can buy or sell the <i>underlying instrument</i> from or to the <i>issuer</i>.</p>
<p><i>exercise time</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) (in relation to <i>securitised derivatives</i>), the time stipulated by the <i>issuer</i> by which the holder must exercise their rights.</p>
<p><i>exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement</i></p> <p>FCA</p>	<p>the <i>regulated activity</i> specified in article 60B(2) of the <i>Regulated Activities Order</i>.</p>
<p><i>exercising, or having the right to</i></p>	<p>the <i>regulated activity</i> specified in article 60N(2) of the <i>Regulated Activities Order</i>.</p>

exercise, the owner's rights and duties under a regulated consumer hire agreement

FCA

expected exposure

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the average of the distribution of *exposures* at any particular future date before the longest maturity transaction in the *netting set* matures.

expected loss

FCA PRA

(in accordance with Article 4(29) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach* and the *standardised approach* to credit risk) the ratio of the amount expected to be lost on an *exposure* from a potential *default* of a counterparty or dilution over a one year period to the amount outstanding at default.

expected positive exposure

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the weighted average over time of *expected exposures* where the weights are the proportion that an individual *expected exposures* represents of the entire time interval; when calculating the minimum capital requirement, the average is taken over the first year or, if all the contracts within the *netting set* mature before one year, over the time period of the longest-maturity contract in the *netting set*.

expiration date

FCA PRA

(in LR) (in relation to *securitised derivatives*), the date stipulated by the *issuer* on which the holder's rights in respect of the *securitised derivative* ends.

exposure

FCA PRA

(A) In the PRA Handbook:

(1) (in relation to a *firm* but subject to (2) and (3)) the maximum loss which the firm might suffer if:

(a) a counterparty or a group of connected counterparties fail to meet their obligations; or

(b) it realises assets or off-balance sheet positions

(2) (in accordance with Article 77 of the *Banking Consolidation Directive* and for the purposes of the calculation of the *credit risk capital component* and the *counterparty risk capital component* (including ■ BIPRU 3 (Standardised credit risk), ■ BIPRU 4 (The IRB approach), ■ BIPRU 5 (Credit risk mitigation) and ■ BIPRU 9 (Securitisation)) an asset or off-balance sheet item.

(3) (for the purposes of ■ BIPRU 10 (Large exposures requirements)) has the meaning in ■ BIPRU 10.2 (Identification of exposures and recognition of credit risk mitigation).

(B) In the FCA Handbook:

(1) (in relation to a *firm* but subject to (2) and (3)) the maximum loss which the firm might suffer if:

	(a) a counterparty or a group of connected counterparties fail to meet their obligations; or
	(b) it realises assets or off-balance sheet positions
	(2) (in accordance with Article 77 of the <i>Banking Consolidation Directive</i> and for the purposes of the calculation of the <i>credit risk capital component</i> and the <i>counterparty risk capital component</i> (including ■ BIPRU 3 (Standardised credit risk), ■ BIPRU 4 (The IRB approach), ■ BIPRU 5 (Credit risk mitigation) and ■ BIPRU 9 (Securitisation) an asset or off-balance sheet item.
	(3) [delete]
	(4) (in <i>IFPRU</i> and to calculate <i>own funds requirements</i> under Part Three Title II (credit risk and counterparty credit risk)) has the meaning in article 5(1) of the <i>EU CRR</i> .
	(5) (in ■ <i>IFPRU</i> 8.2 (Large exposures) for the purpose of Part Four ((Large exposures) of the <i>EU CRR</i>) has the meaning in article 389 of the <i>EU CRR</i> (Large exposures: definitions).
<i>ex-section 43 firm</i>	a <i>firm</i> that was a listed institution, as defined in section 43 of the Financial Services Act 1986, immediately before <i>commencement</i> .
	FCA PRA
<i>ex-section 43 lead regulated firm</i>	an <i>ex-section 43 firm</i> for which the <i>FSA</i> (in its capacity as the regulatory body under section 43 of the Financial Services Act 1986) was lead regulator for financial supervision purposes, and that was subject to the <i>section 43 capital requirements</i> , immediately before <i>commencement</i> .
	FCA PRA
<i>external AIFM</i>	(in accordance with regulation 4(3)(a) of the <i>AIFMD UK regulation</i>) an <i>AIFM</i> appointed by, or on behalf of, an <i>AIF</i> and which, through that appointment, is responsible for managing the <i>AIF</i> .
	FCA
<i>external management company</i>	(in <i>LR</i> and <i>PR</i>) has the meaning in ■ <i>PR</i> 5.5.3A R.
	FCA PRA
<i>external valuer</i>	a person who performs the valuation function described in article 19 of the <i>AIFMD</i> in respect of an <i>AIF</i> managed by a <i>full-scope UK AIFM</i> , and is not the <i>AIFM</i> of that <i>AIF</i> .
	FCA
<i>extraction</i>	(in relation to <i>mineral companies</i>), includes mining, production, quarrying or similar activities and the reworking of mine tailings or waste dumps.
	FCA PRA
<i>extraordinary resolution</i>	(in <i>COLL</i>) a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution at a general meeting or (as the case may be) <i>class meeting</i> of holders, of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given.
	FCA PRA
<i>EZPUT</i>	<i>Enterprise Zone Property Unit Trust</i> .
	PRA

issuance of *electronic money* by itself or if it is a *credit union*, a municipal bank or the National Savings Bank);

(d) the Post Office Limited;

(e) the Bank of England, other than when acting in its capacity as a monetary authority or carrying out functions of a public nature; and

(f) government departments and local authorities, other than when carrying out functions of a public nature.

A *full credit institution* that is an *EEA firm* is only a *fee-paying payment service provider* if it is exercising an *EEA right* in accordance with Part 2 of Schedule 3 to the *Act* (exercise of passport rights) to provide *payment services* in the *United Kingdom*. An *EEA authorised payment institution* or an *EEA authorised electronic money institution* is only a *fee-paying payment service provider* if it is exercising a right under Article 25 of the *Payment Services Directive* or Article 3 of the *Electronic Money Directive* to provide *payment services* in the *United Kingdom*.

FEES

FCA PRA

the *FEES* manual.

FICOD 1

FCA PRA

the European Parliament and Council Directive amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC regarding the supplementary supervision of financial entities in a financial conglomerate (No 2011/89/EU).

field representative

FCA PRA

an *appointed representative* or, where applicable, a *tied agent*, or an *employee* of the *firm* (or of its *appointed representative* or, where applicable, its *tied agent*), whose normal fixed place of business is not a business address of the *firm* which appears on the *firm's* stationery.

final bonus

FCA PRA

(in relation to a *with-profits insurance contract*) a discretionary payment which might be made by a *long-term insurer*, in addition to the guaranteed benefits, when the benefits under the *with-profits insurance contract* become payable.

final notice

FCA PRA

a notice given by the *appropriate regulator* under section 390 of the *Act* (Final notices).

final response

FCA PRA

(1) (in ■ CREDS 9) a written response from the *firm* which:

(a) accepts the complaint, and, where appropriate, offers redress; or

(b) offers redress without accepting the complaint; or

(c) rejects the complaint and gives reasons for doing so;

and which informs the complainant that, if he remains dissatisfied with the *firm's* response, he may now refer his complaint to the *Financial Ombudsman Service* and must do so within six months.

(2)

[deleted]

(3) (in *DISP*) has the meaning given in ■ DISP 1.6.2 R (1).

final terms

FCA PRA

(in *LR*) the document containing the final terms of each issue which is intended to be *listed*.

finance

in accordance with article 60L of the *Regulated Activities Order*, includes financing in whole or in part and "refinance" is to be read accordingly.

FCA

*Financial
Action Task
Force*

the inter-governmental body responsible for developing and promoting policies, both nationally and internationally, to combat money laundering.

FCA PRA

*financial
analyst*

a *relevant person* who produces the substance of *investment research*.

[Note: article 2(4) of the *MiFID implementing Directive*]

FCA PRA

*financial
collateral
comprehensive
method*

the method for calculating the effects of credit risk mitigation described in those parts of ■ BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.

FCA PRA

*Financial
Collateral
Directive*

the Council Directive of 6 June 2002 relating to financial collateral arrangements (No. 2002/47/EC).

FCA PRA

*financial
collateral
simple method*

the method for calculating the effects of credit risk mitigation described in those parts of ■ BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.

FCA PRA

*financial
conglomerate*

(in accordance with Article 2(14) of the *Financial Groups Directive* (Definitions)) a *consolidation group* that is identified as a *financial conglomerate* by the *financial conglomerate definition decision tree*.

FCA PRA

*financial
conglomerate
definition
decision tree*

the decision tree in GENPRU 3 Ann 4R.

FCA PRA

financial crime

(in accordance with section 1H of the *Act*) any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:

FCA PRA

- (a) fraud or dishonesty; or
- (b) misconduct in, or misuse of information relating to, a financial market; or
- (c) handling the proceeds of crime; or
- (d) the financing of terrorism;

in this definition, "offence" includes an act or omission which would be an offence if it had taken place in the *United Kingdom*.

financial derivative instrument

FCA

(for the purposes of *BIPRU*) has the meaning in ■ [BIPRU 13.3.3 R](#) (Definition of a financial derivative instrument); the definition is adjusted for the purposes of the definition of *counterparty risk capital component* in accordance with ■ [BIPRU 14.2.3 R](#) (Credit derivatives).

Financial Groups Directive

FCA PRA

Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.

Financial Groups Directive Regulations

FCA PRA

the Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862).

financial holding company

FCA PRA

(A) In the PRA Handbook:

a *financial institution* that fulfils the following conditions:

- (a) its *subsidiary undertakings* are either exclusively or mainly *credit institutions, investment firms or financial institutions*;
- (b) at least one of those *subsidiary undertakings* is a *credit institution* or an *investment firm*; and
- (c) it is not a *mixed financial holding company*.

(B) In the FCA Handbook:

a *financial institution* that fulfils the following conditions:

- (1) (except in (2)) has the meaning in article 4(1)(20) of the *EU CRR*.
- (2) (in *GENPRU* (except ■ [GENPRU 3](#)) and *BIPRU* (except ■ [BIPRU 12](#)) a *financial institution* that fulfils the following conditions:
 - (a) its *subsidiary undertakings* are exclusively or mainly *CAD investment firms or financial institutions*;
 - (b) at least one of those *subsidiary undertakings* is a *CAD investment firm*; and
 - (c) it is not a *mixed financial holding company*.

financial information table

FCA PRA

(in *LR*) financial information presented in tabular form that covers the reporting period set out in ■ [LR 13.5.13 R](#) in relation to the entities set out in ■ [LR 13.5.14 R](#), and to the extent relevant ■ [LR 13.5.17A R](#).

financial institution

FCA PRA

(A) In the PRA Handbook:

- (1) (in accordance with paragraph 5(c) of Schedule 3 to the Act (EEA Passport Rights: EEA firm) and article 4 (5) of the *Banking Consolidation Directive* (Definitions)), but not for the purposes of *GENPRU*, *BIPRU* and *INSPRU*), an undertaking, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the listed activities listed in points 2 to 12 and 15 of Annex I to the *BCD*, which is a subsidiary of the kind mentioned in article 24 of the *BCD* and which fulfils the conditions in that article

(2) for the purposes of *GENPRU*, *BIPRU* and *INSPRU* and in accordance with Articles 1(3) (Scope) and 4(5) (Definitions) of the *Banking Consolidation Directive* the following :

(a) an *undertaking*, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the *listed activities* listed in points 2 to 12 and 15 of Annex I to the *Banking Consolidation Directive* including the services and activities provided for in Sections A and B of Annex I of the *MIFID* when referring to the financial instruments provided for in Section C of Annex I of that Directive

(b) (for the purposes of consolidated requirements) those institutions permanently excluded by Article 2 of the *Banking Consolidation Directive* (Scope), with the exception of the *central banks* of *EEA States*

(B) In the FCA Handbook:

(1) (in accordance with paragraph 5(c) of Schedule 3 to the Act (EEA Passport Rights: EEA firm) and article 3 (22) of the *CRD* (Definitions)), but not for the purposes of *GENPRU*, *BIPRU*, *IFPRU* and *INSPRU*), an undertaking, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the listed activities listed in points 2 to 12 and 15 of Annex I to the *CRD*, which is a subsidiary of the kind mentioned in article 34 of the *CRD* and which fulfils the conditions in that article

(2) for the purposes of *GENPRU* (except ■ *GENPRU* 3), *BIPRU* (except in ■ *BIPRU* 12) and in accordance with Articles 1(3) (Scope) and 4(5) (Definitions) of the *Banking Consolidation Directive*):

(a) an *undertaking*, other than a *credit institution* or an *investment firm*, the principal activity of which is to acquire holdings or to carry on one or more of the *listed activities* listed in points 2 to 12 and 15 of Annex I to the *Banking Consolidation Directive* including the services and activities provided for in Sections A and B of Annex I of the *MIFID* when referring to the financial instruments provided for in Section C of Annex I of that Directive

(b) (for the purposes of consolidated requirements) those institutions permanently excluded by Article 2 of the *Banking Consolidation Directive* (Scope), with the exception of the *central banks* of *EEA States*

(3) (except in (1) and (2) and subject to (4)) has the meaning in article 4(1)(26) of the *EU CRR*.

(4) (for the purposes of consolidated requirements in *IFPRU* and in accordance with article 2(6) of *CRD*) the following:

(a) financial institutions within the meaning in article 4(1)(26) of the *EU CRR*; and

(b) those institutions permanently excluded by article 2(5) of *CRD* (Scope) with the exception of the ESCB central banks as defined in article 4(1)(45) of the *EU CRR*.

(A) In the PRA Handbook:

(1) (other than in (2)) instruments specified in Section C of Annex I of *MiFID*, that is:

(a) *transferable securities*;

(b) *money-market instruments*;

(c) units in collective investment undertakings;

financial
instrument

FCA PRA

PAGE
F8

(d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;

(e) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);

(f) options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a *regulated market* and/or an *MTF*;

(g) options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in (f) and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls (see articles 38(1), (2) and (4) of the *MiFID Regulation*);

(h) derivative instruments for the transfer of credit risk;

(i) financial contracts for differences; and

(j) options, futures, swaps, forward rate agreements and any other derivative contracts relating to

(i) climatic variables;

(ii) freight rates;

(iii) emission allowances;

(iv) inflation rates or other official economic statistics;

(v) telecommunications bandwidth;

(vi) commodity storage capacity;

(vii) transmission or transportation capacity relating to commodities, whether cable, pipeline or other means;

(viii) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;

(ix) a geological, environmental or other physical variable;

(x) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;

(xi) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where the conditions in Articles 38(3) and (4) of the *MiFID Regulation* are met.

[Note: article 4(1)(17) and section C of Annex I to *MiFID* and articles 38 and 39 of the *MiFID Regulation*]

(2) (in ■ MAR 1 and ■ MAR 2, ■ DTR 1, ■ 2 and ■ 3 and otherwise where used in relation to the *Market Abuse Directive*) (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

(B) In the FCA Handbook:

(1) (other than in (2) and (3)) instruments specified in Section C of Annex I of *MiFID*, that is:

(a) *transferable securities*;

(b) *money-market instruments*;

(c) units in collective investment undertakings;

(d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;

(e) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);

(f) options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a *regulated market* and/or an *MTF*;

(g) options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in (f) and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls (see articles 38(1), (2) and (4) of the *MiFID Regulation*);

(i) financial contracts for differences; and

(j) options, futures, swaps, forward rate agreements and any other derivative contracts relating to

(i) climatic variables;

(ii) freight rates;

(iii) emission allowances;

(iv) inflation rates or other official economic statistics;

(v) telecommunications bandwidth;

(vi) commodity storage capacity;

(vii) transmission or transportation capacity relating to commodities, whether cable, pipeline or other means;

(viii) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;

(ix) a geological, environmental or other physical variable;

(x) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;

(xi) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

<p><i>Financial Ombudsman Service</i> FCA PRA</p>	<p>where the conditions in Articles 38(3) and (4) of the <i>MiFID Regulation</i> are met.</p> <p>[Note: article 4(1)(17) and section C of Annex I to <i>MiFID</i> and articles 38 and 39 of the <i>MiFID Regulation</i>]</p> <p>(2) (in ■ MAR 1 and ■ MAR 2, ■ DTR 1, ■ 2 and ■ 3 and otherwise where used in relation to the <i>Market Abuse Directive</i>) (as defined in Article 5 of the <i>Prescribed Markets and Qualifying Investments Order</i> and Article 1(3) of the <i>Market Abuse Directive</i>, and which consequently carries the same meaning in the <i>Buy-back and Stabilisation Regulation</i>):</p> <p>(3) (in <i>IFPRU</i>) has the meaning in article 4(50) of the <i>EU CRR</i>.</p> <p>the scheme provided under Part XVI of the <i>Act</i> (The Ombudsman Scheme) under which certain disputes may be resolved quickly and with minimum formality by an independent <i>person</i>.</p>
<p><i>Financial Ombudsman Service Limited</i> FCA PRA</p>	<p>the <i>body corporate</i> established by the <i>FSA</i> under paragraph 2(1) of Schedule 17 to the <i>Act</i> (The Scheme Operator) (as originally enacted) to administer the <i>Financial Ombudsman Service</i>.</p>
<p><i>financial promotion</i> FCA PRA</p>	<p>(1) an invitation or inducement to <i>engage in investment activity</i> that is communicated in the course of business;</p> <p>[Note: section 21 of the <i>Act</i> (Restrictions on financial promotion)]</p> <p>(2) (in relation to ■ COBS 3.2.1 R (3), ■ COBS 4.3.1 R, ■ COBS 4.5.8 R and ■ COBS 4.7.1 R) (in addition to (1)) a marketing communication within the meaning of <i>MiFID</i> made by a <i>firm</i> in connection with its <i>MiFID or equivalent third country business</i>.</p>
<p><i>Financial Promotion Order</i> FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529).</p>
<p><i>financial promotion rules</i> FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>(1) (in relation to <i>COBS</i>) any or all of the <i>rules</i> in ■ COBS 4 that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> <p>(2) (in relation to <i>ICOBS</i>) ■ ICOBS 2.2.</p> <p>(3) (in relation to <i>MCOB</i>) ■ MCOB 3.</p> <p>(4) (in relation to <i>BCOBS</i>) all or any of the <i>rules</i> in ■ BCOBS 2 that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (in relation to <i>COBS</i>) any or all of the <i>rules</i> in ■ COBS 4 that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> <p>(2) (in relation to <i>ICOBS</i>) ■ ICOBS 2.2.</p> <p>(3) (in relation to <i>MCOB</i>) ■ MCOB 3.</p>

<p><i>financial resources</i> FCA PRA</p>	<p>(4) (in relation to <i>BCOBS</i>) all or any of the <i>rules</i> in ■ BCOBS 2 that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> <p>(5) (in relation to <i>CONC</i>) any or all of the <i>rules</i> in ■ CONC 3, that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p>
<p><i>financial resources requirement</i> FCA PRA</p>	<p>(in <i>UPRU</i>) the financial resources calculated in accordance with ■ UPRU 2.2.1 R (Financial resources) that a <i>UCITS firm</i> needs to meet its <i>financial resources requirement</i>.</p>
<p><i>financial return</i> FCA PRA</p>	<p>(in <i>UPRU</i>) has the meaning given in ■ UPRU 2.1.2 R.</p>
<p><i>financial sector</i> FCA PRA</p>	<p>(in <i>UPRU</i>) means <i>annual financial return</i>, <i>quarterly financial return</i> or <i>monthly financial return</i> as the case may be.</p>
<p><i>financial sector entity</i> FCA</p>	<p>(1) (subject to (2)) one of the <i>banking sector</i>, the <i>insurance sector</i> or the <i>investment services sector</i>.</p> <p>(2) (for the purposes of the definition of <i>financial conglomerate</i> and for any other provision of <i>GENPRU 3</i> that treats the <i>banking sector</i> and the <i>investment services sector</i> as one) one of the <i>banking and investment services sector</i> or the <i>insurance sector</i>.</p>
<p><i>Financial Services Compensation Scheme Limited</i> FCA PRA</p>	<p>has the meaning in article 4(1)(27) of the <i>EU CRR</i>.</p>
<p><i>Financial Services Register</i> FCA PRA</p>	<p>the <i>body corporate</i> established by the <i>FSA</i> under section 212 of the <i>Act</i> (The scheme manager) (as originally enacted) to administer the <i>compensation scheme</i>.</p> <p>the public record, as required by section 347 of the <i>Act</i> (The public record), regulation 4 of the <i>Payment Services Regulations</i> (The register of certain payment service providers) and regulation 4 of the <i>Electronic Money Regulations</i>, of every:</p> <ul style="list-style-type: none"> (a) <i>authorised person</i> (aa) <i>authorised payment institution</i> and its <i>EEA branches</i>; (ab) <i>small payment institution</i>; (ac) <i>agent of an authorised payment institution</i> or <i>small payment institution</i>; (aca) <i>authorised electronic money institution</i> and an <i>EEA branch of an authorised electronic money institution</i>; (acb) <i>small electronic money institution</i>;

- (acc) *agent of an authorised electronic money institution or small electronic money institution;*
- (ad) *credit union, municipal bank and the National Savings Bank where such persons provide a payment service; or issue electronic money;*
- (b) *AUT;*
- (c) *ICVC;*
- (ca) *ACS;*
- (d) *recognised scheme;*
- (e) *recognised investment exchange;*
- (f) [deleted]
- (g) *individual to whom a prohibition order relates;*
- (h) *approved person; and*
- (i) *person within such other class (if any) as the FCA may determine; except as provided by any transitional provisions.*

financial stability information power

FCA PRA

the PRA's power under section 165A of the Act (PRA's power to require information: financial stability) which, in summary, is a power to require a person to provide information or documents relevant to the stability of one or more aspects of the UK financial system.

financial stability information requirement

FCA PRA

a requirement imposed on a person by the PRA using the financial stability information power or the overseas financial stability information power.

financial year

FCA PRA

- (1) (in DISP and ■ FEES 5) the 12 months ending with 31 March.
- (3) (in GENPRU and INSPRU) the period at the end of which the balance of the accounts of the insurer is struck, or, if no balance is struck, the calendar year.

financial year in question

FCA PRA

(for the purposes of INSPRU 1.1 and of the definition of non-directive insurer) the last financial year to end before the date on which the latest accounts of the insurer are required to be deposited with the appropriate regulator ; the preceding financial year and previous financial years are construed accordingly.

financing cost amount

FCA PRA

(in relation to a share, debenture or other investment in, or external contribution to the capital of, a firm) an amount that represents a reasonable estimate of the part of the coupon on that instrument that reflects the cost of financing generally but excludes costs reflecting factors relating to the issuer, guarantor or other person to whom the instrument creates an exposure.

FINMAR

FCA PRA

the Financial Stability and Market Confidence sourcebook.

FINREP firm

FCA PRA

- (A) (In the PRA Handbook)
 - a credit institution or investment firm subject to the EU CRR that is also subject to article 4 of Regulation (EC) No 1606/2002; or

a *credit institution* other than one referred to in Article 4 of Regulation (EC) No 1606/2002 that prepares its consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in article 6(2) of that Regulation.

[Note: article 99 of the *EU CRR*]

(B) in the *FCA Handbook*)

(a) a *credit institution* or *investment firm* subject to the *EU CRR* that is also subject to article 4 of Regulation (EC) No 1606/2002; or

(b) a *credit institution* other than one referred to in article 4 of Regulation (EC) No 1606/2002 that prepares its consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in article 6(2) of that Regulation.

[Note: article 99 of the *EU CRR*]

fire and natural forces

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 8 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of Part I of Schedule 1 to the *Regulated Activities Order* (Land vehicles; railway rolling stock; aircraft; ships; goods in transit) relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence.

firm

FCA **PRA**

(A) In the *PRA Handbook*:

(1) in the *FCA Handbook*, an *authorised person*, but not a *professional firm* unless it is an *authorised professional firm* (see also [■ GEN 2.2.18 R](#) for the position of an authorised partnership or unincorporated association which is dissolved).

(1A) in the *PRA Handbook*, a *PRA-authorised person*.

(2) (in [■ DISP 2](#) and [■ 3](#)) includes, in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(3) (in [■ DISP 2](#) and [■ 3](#)) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, former *firms* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(4) (in [■ DISP 2](#) and [■ 3](#)) includes, as a result of the *insurance market direction* given in [■ DISP 2.1.7 D](#) under section 316 of the *Act* (Direction by a regulator), *members* of the *Society of Lloyd's*.

(5) (in [■ FEES 3](#), [■ FEES 4](#), [■ FEES 5](#) and [■ FEES 7](#)) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with [■ FEES 3.1.1A R](#), [■ FEES 4.1.1A R](#), [■ FEES 5.1.1A R](#) and [■ FEES 7.1.1 R](#).

(6) (in *CONRED*):

(a) an *authorised person*; or

(b) a *person* who was an *authorised person* when the relevant activity took place but has since ceased to be one.

(B) In the *FCA Handbook*:

(1) in the *FCA Handbook*, an *authorised person*, but not a *professional firm* unless it is an *authorised professional firm* (see also [■ GEN 2.2.18 R](#) for the position of an authorised partnership or unincorporated association which is dissolved).

(1A) in the *PRA Handbook*, a *PRA-authorised person*.

(2) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(3) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, former *firms* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(4) (in ■ DISP 2 and ■ 3) includes, as a result of the *insurance market direction* given in ■ DISP 2.1.7 D under section 316 of the *Act* (Direction by a regulator), *members* of the *Society of Lloyd's*.

(5) (in ■ FEES 3, ■ FEES 4, ■ FEES 5 and ■ FEES 7) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with ■ FEES 3.1.1A R, ■ FEES 4.1.1A R, ■ FEES 5.1.1A R and ■ FEES 7.1.1 R.

(6) (in CONRED):

(a) an *authorised person*; or

(b) a *person* who was an *authorised person* when the relevant activity took place but has since ceased to be one.

(7) (in ■ DISP 2 and ■ 3) includes, in accordance with the transitional provisions in article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and *relevant new credit-related complaints*.

firm in run-off

FCA PRA

a *firm* whose *Part 4A permission* has been varied so as to remove the *regulated activity* of *effecting contracts of insurance*.

firm type

FCA PRA

one of a list of firm types set out in ■ SUP 16 Annex 17 G used for the purposes of checking and correcting *standing data* under ■ SUP 16.10.4 R.

firm-specific liquidity stress

FCA PRA

(in relation to a *firm* and any reporting obligations under ■ SUP 16 (Reporting requirements)):

(a) (in the case of reporting obligations on a solo basis (including on the basis of the *firm's UK branch*) the *firm* failing to meet, not complying with or being in breach of:

(i) the liquidity resources requirement calculated by that *firm* as adequate in its current *Individual Liquidity Adequacy Assessment* or *Individual Liquidity Systems Assessment*; or

(ii) the level of its liquid assets buffer advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iii) its funding profile advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iv) the *overall liquidity adequacy rule*; or

(v) BIPRU 12.2.8R (*ILAS BIPRU firm* adequate buffer of high quality, unencumbered assets) or BIPRU 12.2.11R (liquid assets buffer is at least equal to the *simplified buffer requirement*); or

(vi) the *simplified buffer requirement* (taking into account ■ BIPRU TP 29 (Liquid assets buffer scalar: simplified ILAS BIPRU firms) unless this has been superseded by *individual liquidity guidance* that it has accepted; or

<p>(vii) any requirement imposed by or under the <i>regulatory system</i> under which the <i>firm</i> must hold a specified level of liquidity resources;</p> <p>or it being likely that the <i>firm</i> will do so;</p> <p>(b) (in the case of reporting obligations with respect to the <i>firm</i> and a group of other <i>persons</i>) has the same meaning as in (a) except that references to any <i>rule</i> or other requirement, <i>Individual Liquidity Adequacy Assessment</i>, <i>Individual Liquidity Systems Assessment</i> or <i>individual liquidity guidance</i> are to any such thing so far as it applies to the <i>firm</i> and that group considered together.</p>	<p>the Council Directive of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance (No 79/267/EEC).</p>
<p><i>First Life Directive</i> FCA PRA</p>	<p>the Council Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life insurance (No 73/239/EEC).</p>
<p><i>First Non-Life Directive</i> FCA PRA</p>	<p>the part of the <i>Handbook</i> in High Level Standards which has the title the Fit and Proper test for Approved Persons.</p>
<p><i>FIT</i> FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>(1) (except in ■ IPRU(INV)) and for the purposes of <i>GENPRU</i> (except in ■ <i>GENPRU</i> 3) and <i>BIPRU</i> (except in ■ <i>BIPRU</i> 12)) the part of the <i>capital resources requirement</i> calculated in accordance with ■ <i>GENPRU</i> 2.1.53 R (Calculation of the fixed overheads requirement).</p> <p>(2) (in ■ <i>IPRU(INV)</i>) the part of the <i>own funds</i> requirement calculated in accordance with ■ <i>IPRU(INV)</i> 11.3.3R (Fixed overheads requirement).</p> <p>(B) In the FCA Handbook:</p> <p>(1) (except in ■ <i>IPRU(INV)</i> and for the purposes of <i>GENPRU</i> (except ■ <i>GENPRU</i> 3 and <i>BIPRU</i> (except ■ <i>BIPRU</i> 12)) the part of the <i>capital resources requirement</i> calculated in accordance with ■ <i>GENPRU</i> 2.1.53 R (Calculation of the fixed overheads requirement).</p> <p>(2) (in ■ <i>IPRU(INV)</i>) the part of the <i>own funds</i> requirement calculated in accordance with ■ <i>IPRU(INV)</i> 11.3.3R (Fixed overheads requirement).</p>
<p><i>fixed overheads requirement</i> FCA PRA</p>	<p>(1) (except in <i>CONC</i>) (in accordance with section 10(1)(b) of the Consumer Credit Act 1974) any facility under a contract, other than <i>running-account credit</i>, by which the <i>customer</i> is enabled to receive credit (whether in one amount or by instalments).</p> <p>(2) (in <i>CONC</i>) a facility under a <i>credit agreement</i> whereby the <i>borrower</i> is enabled to receive <i>credit</i> (whether in one amount or by instalments) but which is not <i>running-account credit</i>.</p>
<p><i>fixed-sum credit</i> FCA</p>	<p>a <i>friendly society</i> whose <i>insurance business</i> is restricted to the provision of benefits which vary according to the resources available and in which the contributions of members are determined on a flat rate basis.</p>
<p><i>flat rate benefits</i></p>	

business friendly society

FCA PRA

foreign currency

FCA PRA

foreign currency PRR

FCA PRA

foreign law contract

FCA PRA

former member

FCA PRA

former Ombudsman

FCA PRA

former scheme

FCA PRA

former underwriting member

FCA PRA

forward

FCA PRA

(in *GENPRU* and *BIPRU*) (in relation to a *firm*) any currency other than the *base currency*.

the part of the *market risk capital requirement* calculated in accordance with ■ *BIPRU 7.5* (Foreign currency PRR) or, in relation to a particular position, the portion of the overall *foreign currency PRR* attributable to that *position*.

any contract other than a contract:

- (a) governed by the laws of any part of the *United Kingdom*; and
- (b) whose parties agree to the exclusive jurisdiction of the courts of any part of the *United Kingdom*.

a *person* who has ceased to be a *member*, whether by resignation or otherwise, in accordance with Lloyd's Act 1982 and any *byelaw* made under it.

an ombudsman, arbitrator or independent investigator appointed under a *former scheme*.

(1) (except in relation to a *relevant transitional complaint*) any of the following:

- (a) the *Banking Ombudsman scheme*;
- (b) the *Building Societies Ombudsman scheme*;
- (c) the *FSA scheme*;
- (d) the *IMRO scheme*;
- (e) the *Insurance Ombudsman scheme*;
- (f) the *Personal Insurance Arbitration Service*;
- (g) the *PIA Ombudsman scheme*;
- (h) the *SFA scheme*;

(2) (in relation to a *relevant transitional complaint*)

- (a) the *GISC facility*; or
- (b) the *MCAS scheme*.

(as defined in section 324(1) of the *Act* (Interpretation of Part XIX: Lloyd's)) a *person* ceasing to be an *underwriting member* on, or at any time after, 24 December 1996.

a contract to buy or sell where the date for settlement has been agreed as a particular date in the future but excluding a *future*.

<p><i>forward price</i> FCA PRA</p>	<p>(in relation to <i>units</i>) a <i>price</i> calculated by reference to the <i>valuation point</i> next following the <i>authorised fund manager's</i> agreement to <i>sell</i> or, as the case may be, to redeem the <i>units</i> in question.</p>
<p><i>forward rate agreement</i> FCA PRA</p>	<p>an agreement under which one party agrees to pay another an amount of interest based on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount but under which no commitment is made by either party to lend or borrow the principal amount.</p>
<p>FOS Ltd FCA PRA</p>	<p><i>Financial Ombudsman Service Limited.</i></p>
<p><i>foundation IRB approach</i> FCA PRA</p>	<p>one of the following:</p> <ul style="list-style-type: none"> (a) (in relation to the <i>sovereign, institutional and corporate IRB exposure class</i>) the approach under the <i>IRB approach</i>, described in ■ BIPRU 4.4 (The IRB approach: Exposures to corporates, institutions and sovereigns) under which a <i>firm</i> uses the values for <i>LGD</i> and <i>conversion factors</i> set out in ■ BIPRU 4.4 rather than supplying its own estimates; (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or (c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<p><i>Fourth Company Law Directive</i> FCA PRA</p>	<p>Council Directive 78/660/EEC on the annual accounts of certain types of companies as amended by, amongst other instruments, Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006.</p>
<p>FRA FCA PRA</p>	<p><i>forward rate agreement.</i></p>
<p><i>framework contract</i> FCA PRA</p>	<p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a contract for <i>payment services</i> which governs the future execution of individual and successive payment transactions and which may contain the obligation and conditions for setting up a payment account.</p> <p>[Note: article 4(12) of the <i>Payment Services Directive</i>]</p>
<p><i>free delivery</i> FCA</p>	<p>(for the purposes of <i>BIPRU</i>) a transaction of the type set out in ■ BIPRU 14.4.2 R (Requirement to hold capital resources with respect to free deliveries) which, in summary, is a transaction under which a <i>person</i>:</p> <ul style="list-style-type: none"> (a) has paid for <i>securities, foreign currencies</i> or <i>commodities</i> before receiving them or it has delivered <i>securities, foreign currencies</i> or <i>commodities</i> before receiving payment for them; and (b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.
<p><i>friendly society</i> FCA PRA</p>	<p>an <i>incorporated friendly society</i> or a <i>registered friendly society</i>.</p>

<p><i>front end loaded</i></p> <p>FCA PRA</p>	<p>(in relation to an <i>investment</i>) one where deductions for <i>charges</i> and expenses are loaded disproportionately on the early years.</p>
<p>FSA</p> <p>FCA PRA</p>	<p>the Financial Services Authority.</p>
<p>FSA scheme</p> <p>FCA PRA</p>	<p>the <i>former scheme</i> operated by the FSA under paragraph 4 of Schedule 7 to the Financial Services Act 1986 for the investigation of complaints arising out of the conduct of investment business.</p>
<p>FSA VC</p> <p>FCA PRA</p>	<p>an arrangement which allows a member of an <i>occupational pension scheme</i> to make AVCs to a private <i>pension policy</i> or <i>pension contract</i>, where the policy or contract is separate from, but associated with, an <i>occupational pension scheme</i> which is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.</p>
<p>FSB Compensation Standards</p> <p>FCA PRA</p>	<p>the Implementation Standards for Principles for Sound Compensation Practices issued by the Financial Stability Board on 25 September 2009.</p>
<p>FSCS</p> <p>FCA PRA</p>	<p><i>Financial Services Compensation Scheme Limited.</i></p>
<p>full CRD credit institution</p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook</p> <p>a <i>CRD credit institution</i> that falls within paragraph (1)(a) of the definition of <i>credit institution</i></p> <p>(B) In the FCA Handbook</p> <p>an <i>undertaking</i> whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account and that has its registered office (or, if it has no registered office, its head office) in an <i>EEA state</i>, excluding an institution to which CRD does not apply under article 2 of CRD.</p>
<p>full credit institution</p> <p>FCA PRA</p>	<p>a <i>credit institution</i> that falls within paragraph (1) (a) of the definition of <i>credit institution</i>.</p>
<p>full scope BIPRU investment firm</p> <p>PRA</p>	<p>has the meaning in BIPRU ■ BIPRU 1.1.17 R (Types of BIPRU investment firm) which is in summary a <i>CAD full scope firm</i> that satisfies the following conditions:</p> <p>(a) it is a <i>firm</i>; and</p> <p>(b) its head office is in the <i>United Kingdom</i> and it is not otherwise excluded from the definition of <i>BIPRU firm</i> under ■ BIPRU 1.1.17 R (Exclusion of certain types of firm from the definition of BIPRU firm).</p>
<p>full-scope EEA AIFM</p> <p>FCA</p>	<p>an <i>EEA AIFM</i> which is authorised by its <i>Home State</i> in accordance with article 6(1) of AIFMD.</p>

full-scope IFPRU investment firm

FCA

a *CRD full-scope firm* that is an *IFPRU investment firm*.

full-scope UK AIFM

FCA PRA

a *UK AIFM* which:

(a) is not a *small AIFM*; or

(b) is a *small AIFM* but has opted in to *AIFMD* in accordance with article 3(4) of *AIFMD*.

fund

FCA PRA

an *AIF* or a *collective investment scheme*.

fund application rules

FCA PRA

(in *COLL* and *SUP*) the rules set out in ■ **COLL 12.3.5 R** (*COLL fund rules under the management company passport: the fund application rules*) that relate to the constitution and functioning of a *UCITS scheme* and that an *EEA UCITS management company* must comply with when acting as the *operator* of the *UCITS scheme*, whether from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*, as required by article 19(3) of the *UCITS Directive*.

fund of alternative investment funds

FCA PRA

a *non-UCITS retail scheme*, or a *sub-fund* of a *non-UCITS retail scheme* which is an *umbrella* whose *authorised fund manager* operates, or proposes to operate, it in accordance with the investment and borrowing powers in ■ **COLL 5.7** (*Investment powers and borrowing limits for NURS operating as FAIFs*).

funded credit protection

FCA

(in accordance with Article 4(31) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the right of the *undertaking*, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the *exposure* to, or to replace it with, the amount of the difference between the amount of the *exposure* and the amount of a claim on the *undertaking*.

funds at Lloyd's

FCA PRA

assets (not being *syndicate assets*) provided by or on behalf of a *member* to meet the liabilities arising from the *member's insurance business* at Lloyd's which are held in a *Lloyd's trust fund* and managed by the *Society* as trustee.

funds under management

FCA PRA

(A) In the *PRA Handbook*:

(1) (in *UPRU*)

(a) *collective investment schemes* other than *OEICs managed* by the *firm* including *schemes* where it has delegated the management function but excluding *schemes* that it is *managing* as delegate; and

(b) *OEICs* for which the *firm* is the designated management company.

(2) (in ■ **IPRU(INV)** and *GENPRU*) *funds* managed by the *firm*, calculated as the sum of the absolute value of all assets of all *funds*

managed by the *firm*, including assets acquired through the use of leverage and, for such purpose, derivative instruments shall be converted into their equivalent positions in the underlying assets using the conversion methodologies in article 10 of the *AIFMD level 2 regulation* and valued on the basis of that equivalent position. This includes *funds* where the *firm* has delegated the management function but excludes *funds* that it is managing as a delegate.

(B) In the FCA Handbook:

(1) (in *UPRU*)

(a) *collective investment schemes* other than *OEICs* managed by the *firm* including *schemes* where it has delegated the management function but excluding *schemes* that it is *managing* as delegate; and

(b) *OEICs* for which the *firm* is the designated management company.

(2) (in ■ *IPRU(INV)*) *funds* managed by the *firm*, calculated as the sum of the absolute value of all assets of all *funds* managed by the *firm*, including assets acquired through the use of leverage and, for such purpose, derivative instruments shall be converted into their equivalent positions in the underlying assets using the conversion methodologies in article 10 of the *AIFMD level 2 regulation* and valued on the basis of that equivalent position. This includes *funds* where the *firm* has delegated the management function but excludes *funds* that it is managing as a delegate.

(1) (in ■ *IPRU(INV)* 11) an amount of *own funds* that a *collective portfolio management firm* must hold under ■ *IPRU(INV)* 11.3.2R (Funds under management requirement).

[deleted]

the *investment*, specified in articles 59(2), 60 and 87 of the *Regulated Activities Order* which come into force on 1 January 2002, which is in summary: rights under a contract under which:

(a) a *person* ("the customer") makes one or more payments to another *person* ("the provider"); and

(b) the provider undertakes to provide, or secure that another *person* provides, a funeral in the *United Kingdom* for the customer (or some other *person* who is living at the date when the contract is entered into) on his death;

unless, at the time of entering into the contract, the customer and the provider intend or expect the funeral to occur within one month; but excluding certain contracts under which sums paid will be applied towards a *contract of insurance* or will be held on trust.

the *investment*, specified in article 84 of the *Regulated Activities Order* (Futures), which is in summary: rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed on when the contract is made.

in relation to a *borrower-lender agreement* or a *borrower-lender-supplier agreement*, a *credit agreement* is entered into in contemplation of future arrangements between a *lender* and a *supplier* if it is entered into in the expectation that arrangements will subsequently be made between the *lender* (or the *lender's associate*) and the *supplier* (or the *supplier's associate*) for the supply of *cash*, *goods* or *services* to be *financed* by the *credit agreement* unless the arrangements are:

funds under management requirement

FCA

funeral plan contract

FCA PRA

future

FCA PRA

future arrangements

FCA

*future
policy-related
liabilities*

FCA **PRA**

(a) for the making, in circumstances specified in the *credit agreement*, of payments to the *supplier* by the *lender* ("L") and L indicates that L is willing to make, in such circumstances, payments of the kind to *suppliers* generally; or

(b) for the electronic transfer of funds from a current account held with an *authorised person* with *permission to accept deposits*.

(in relation to a *with-profits fund*) the future policy-related liabilities of the *with-profits fund* calculated in accordance with the *rules* in ■ PRU 7.4.137 R to ■ PRU 7.4.189 G.

general rule-making powers

FCA **PRA**

- (1) In the *FCA Handbook* section 137A of the *Act*.
- (2) In the *PRA Handbook* section 137G of the *Act*.

general stress and scenario testing rule

FCA **PRA**

- (A) In the *PRA Handbook*:
 - GENPRU 1.2.42 R (Stress and scenario tests).
- (B) In the *FCA Handbook*:
 - (1) (in *GENPRU*, *BIPRU* and *INSPRU*) ■ GENPRU 1.2.42 R (Stress and scenario tests).
 - (2) (for the purpose of *IFPRU*) IFPRU 2.2.37R (Stress and scenario tests).

general wrong-way risk

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the probability of default of counterparties is positively correlated with general market risk factors.

generic key features illustration

FCA **PRA**

(in *COBS*) a *key features illustration* which reflects the terms of a contract which is representative of the type of business normally undertaken by the *firm*, or the type of business it is promoting, rather than the terms of a particular contract with, or that will be offered to, a particular *client*.

generic projection

FCA **PRA**

(in *COBS*) a projection which reflects the terms of a contract which is representative of the type of business normally undertaken by the *firm*, or the type of business it is promoting, rather than the terms of a particular contract with, or that will be offered to, a particular *client*.

GENPRU

FCA **PRA**

the General Prudential sourcebook.

Gibraltar Order

FCA **PRA**

the Financial Services and Markets Act 2000 (Gibraltar) Order 2001 (SI 2001/3084).

GICR

FCA **PRA**

general insurance capital requirement.

GISC facility

FCA **PRA**

The Dispute Resolution Facility established by the General Insurance Standards Council.

global account

FCA **PRA**

the aggregate accounts produced by the *Council* in accordance with Regulation 8(1) of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004.

Glossary

FCA **PRA**

the Glossary giving the meanings of the defined expressions used in the *Handbook*.

<p><i>goods</i> FCA</p>	<p>has the meaning in section 61(1) of the Sale of Goods Act 1979.</p>
<p><i>goods in transit</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 7 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to merchandise, baggage and all other goods in transit, irrespective of the form of transport.</p>
<p><i>governing body</i> FCA PRA</p>	<p>the board of <i>directors</i>, committee of management or other governing body of a <i>firm</i> or <i>recognised body</i>, including, in relation to a <i>sole trader</i>, the <i>sole trader</i>.</p>
<p><i>government and public security</i> FCA PRA</p>	<p>the <i>investment</i>, specified in article 78 of the <i>Regulated Activities Order</i> (Government and public securities), which is in summary: a loan stock, bond or other instrument creating or acknowledging indebtedness, issued by or on behalf of:</p> <ul style="list-style-type: none"> (a) the government of the <i>United Kingdom</i>; or (b) the Scottish Administration; or (c) the Executive Committee of the Northern Ireland Assembly; or (d) the National Assembly of Wales; or (e) the government of any country or territory outside the <i>United Kingdom</i>; or (f) a local authority in the <i>United Kingdom</i> or elsewhere; or (g) a body the members of which comprise: <ul style="list-style-type: none"> (i) States including the <i>United Kingdom</i> or another <i>EEA State</i>; or (ii) bodies whose members comprise States including the <i>United Kingdom</i> or another <i>EEA State</i>; but excluding: <ul style="list-style-type: none"> (A) the instruments specified in article 77(2)(a) to (d) of the <i>Regulated Activities Order</i>; (B) any instrument creating or acknowledging indebtedness in respect of: <ul style="list-style-type: none"> (I) money received by the Director of Savings as <i>deposits</i> or otherwise in connection with the business of the National Savings Bank; or (II) money raised under the National Loans Act 1968 under the auspices of the Director of Savings or treated as so raised under section 11(3) of the National Debt Act 1972.
<p><i>Great Britain credit union</i> FCA PRA</p>	<p>a body corporate registered under the Industrial and Provident Societies Act 1965 as a <i>credit union</i> in accordance with the Credit Unions Act which is an <i>authorised person</i>.</p>
<p><i>green deal plan</i> FCA</p>	<p>an arrangement by the occupier or owner of a property for a person to make energy efficient improvements to the property wholly or partly paid for in instalments, as defined in section 1 of the Energy Act 2011.</p>

<p><i>greenshoe option</i></p> <p>FCA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) an option granted by the <i>offeror</i> in favour of the <i>investment firm(s)</i> or <i>credit institution(s)</i> involved in the <i>offer</i> for the purpose of covering <i>overallocments</i>, under the terms of which such firm(s) or institution(s) may purchase up to a certain amount of <i>relevant securities</i> at the offer price for a certain period of time after the <i>offer</i> of the relevant securities.</p>
<p><i>gross adjusted claims amount</i></p> <p>FCA PRA</p>	<p>(for the purposes of INSPRU 1.1) an amount, as defined in INSPRU 1.1.60R to INSPRU 1.1.65G, used in calculating the <i>claims amount</i>.</p>
<p><i>gross adjusted premiums amount</i></p> <p>FCA PRA</p>	<p>(for the purposes of INSPRU 1.1) an amount as defined in INSPRU 1.1.56R to INSPRU 1.1.59G, used in calculating the <i>premiums amount</i>.</p>
<p><i>gross earned premiums</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>financial year</i>) such proportion of <i>gross written premiums</i> as is attributable to risk borne by the <i>insurer</i> during that <i>financial year</i>.</p>
<p><i>gross leverage</i></p> <p>FCA PRA</p>	<p>the ratio of total assets to total equity.</p>
<p><i>gross written premiums</i></p> <p>FCA PRA</p>	<p>the amounts required by the <i>insurance accounts rules</i> to be shown in the profit and loss account of an <i>insurer</i> :</p> <p>(a) (for <i>general insurance business</i>) at general business technical account item I.1.(a); and</p> <p>(b) (for <i>long-term insurance business</i>) at long term business technical account item II.1.(a).</p>
<p><i>group</i></p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>(1) (except in relation to an <i>ICVC</i> and except for the purposes of ■ SYSC 12 (Group risk systems and controls requirement) and <i>LR</i>) as defined in section 421 of the <i>Act</i> (Group) (in relation to a <i>person</i> ("A")) A and any <i>person</i> who is:</p> <p>(a) a <i>parent undertaking</i> of A;</p> <p>(b) a <i>subsidiary undertaking</i> of A;</p> <p>(c) a <i>subsidiary undertaking</i> of a <i>parent undertaking</i> of A;</p> <p>(d) a <i>parent undertaking</i> of a <i>subsidiary undertaking</i> of A;</p> <p>(e) an <i>undertaking</i> in which A or an <i>undertaking</i> in (a) to (d) has a participating interest;</p> <p>(f) if A or an <i>undertaking</i> in (a) or (d) is a <i>building society</i>, an associated undertaking of that <i>building society</i>;</p> <p>(g) if A or an <i>undertaking</i> in (a) or (d) is an <i>incorporated friendly society</i>, a <i>body corporate</i> of which that <i>friendly society</i> has joint control (as defined in section 13(9)(c) or (cc) of the Friendly Societies Act 1992); in this definition:</p>

(i) "participating interest" has the same meaning as in:

(A) Part VII of the Companies Act 1985 or Part VIII of the Companies (Northern Ireland) Order 1986, where these provisions are applicable; or

(B) paragraph 11(1) of Schedule 10 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) where applicable; or

(C) paragraph 8 of Schedule 7 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) where applicable; or

(D) paragraph 8 of Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) where applicable; or

(E) paragraph 8 of Schedule 5 to the Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912) where applicable;

In (A) to (E), the meaning also includes an interest held by an individual which would be a participating interest for the purposes of those provisions if he were an *undertaking*.

(ii) "associated undertaking" has the meaning given in section 119(1) of the Building Societies Act 1986.

(2) (in relation to an *ICVC*) a group as in (1) but (in *SYSC*) including also the *ICVC's authorised corporate director* (if any). (see also *immediate group*)

(3) (for the purposes of ■ *SYSC 12* (Group risk systems and controls requirement), ■ *SYSC 20* (Reverse stress testing) and ■ *GENPRU 1.2* (Adequacy of financial resources) and in relation to a *person "A"*) A and any *person*:

(a) who falls into (1);

(b) who is a member of the same *financial conglomerate* as A;

(c) who has a *consolidation Article 12(1) relationship* with A;

(d) who has a *consolidation Article 12(1) relationship* with any *person* in (3)(a);

(e) who is a *subsidiary undertaking* of a person in (3)(c) or (3)(d); or

(f) whose omission from an assessment of the risks to A of A's connection to any *person* coming within (3)(a)-(3)(e) or an assessment of the financial resources available to such *persons* would be misleading.

(4) (in *LR*):

(a) (except in ■ LR 6.1.19 R and LR 8.7.8R (10)) an *issuer* and its *subsidiary undertakings* (if any); and

(b) in ■ LR 6.1.19 R and LR 8.7.8R (10), as defined in section 421 of the Act.

(5) (in relation to a *common platform firm*) means the group of which that *firm* forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC on consolidated accounts.

[Note: article 2(5) of the *MiFID implementing Directive*]

(B) In the FCA Handbook:

(1) (except in relation to an *ICVC* and except for the purposes of ■ SYSC 12 (Group risk systems and controls requirement) and *LR*) as defined in section 421 of the *Act* (Group) (in relation to a *person* ("A")) A and any *person* who is:

(a) a *parent undertaking* of A;

(b) a *subsidiary undertaking* of A;

(c) a *subsidiary undertaking* of a *parent undertaking* of A;

(d) a *parent undertaking* of a *subsidiary undertaking* of A;

(e) an *undertaking* in which A or an *undertaking* in (a) to (d) has a participating interest;

(f) if A or an *undertaking* in (a) or (d) is a *building society*, an associated undertaking of that *building society*;

(g) if A or an *undertaking* in (a) or (d) is an *incorporated friendly society*, a *body corporate* of which that *friendly society* has joint control (as defined in section 13(9)(c) or (cc) of the Friendly Societies Act 1992); in this definition:

(i) "participating interest" has the same meaning as in:

(A) Part VII of the Companies Act 1985 or Part VIII of the Companies (Northern Ireland) Order 1986, where these provisions are applicable; or

(B) paragraph 11(1) of Schedule 10 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) where applicable; or

(C) paragraph 8 of Schedule 7 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) where applicable; or

(D) paragraph 8 of Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) where applicable; or

(E) paragraph 8 of Schedule 5 to the Small Limited Liability Partnerships (Accounts)

Regulations 2008 (SI 2008/1912)
where applicable;

In (A) to (E), the meaning also includes an interest held by an individual which would be a participating interest for the purposes of those provisions if he were an *undertaking*.

(ii) "associated undertaking" has the meaning given in section 119(1) of the Building Societies Act 1986.

(2) (in relation to an *ICVC*) a group as in (1) but (in *SYSC*) including also the *ICVC's authorised corporate director* (if any). (see also *immediate group*)

(3) (for the purposes of ■ SYSC 12 (Group risk systems and controls requirement), ■ SYSC 20 (Reverse stress testing) and ■ GENPRU 1.2 (Adequacy of financial resources) as applicable to a *BIPRU firm* and in relation to a *person "A"*) A and any *person*:

- (a) who falls into (1);
- (b) who is a member of the same *financial conglomerate* as A;
- (c) who has a *consolidation Article 12(1) relationship* with A;
- (d) who has a *consolidation Article 12(1) relationship* with any *person* in (3)(a);
- (e) who is a *subsidiary undertaking* of a person in (3)(c) or (3)(d); or
- (f) whose omission from an assessment of the risks to A of A's connection to any *person* coming within (3)(a)-(3)(e) or an assessment of the financial resources available to such *persons* would be misleading.

(3A) (for the purposes of ■ SYSC 12 (Group risk systems and controls requirement) and ■ SYSC 20 (Reverse stress testing), as applicable to an *IFPRU investment firm* and *IFPRU*) and in relation to a *person "A"*), A and any *person*:

- (a) who falls into (1);
- (b) who is a member of the same *financial conglomerate* as A;
- (c) who has a *consolidation Article 12(1) relationship* with A;
- (d) who has a *consolidation Article 12(1) relationship* with any *person* in (a);
- (e) who is a *subsidiary* of a *person* in (c) or (d);
- (f) whose omission from an assessment of the risks to A of A's connection to any *person* coming within (a) to (e) or an assessment of the financial resources available to such *persons* would be misleading.

(4) (in *LR*):

- (a) (except in ■ LR 6.1.19 R and LR 8.7.8R (10)) an *issuer* and its *subsidiary undertakings* (if any); and
- (b) in ■ LR 6.1.19 R and LR 8.7.8R (10), as defined in section 421 of the Act.

(5) (in relation to a *common platform firm*) means the group of which that *firm* forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC on consolidated accounts.

[Note: article 2(5) of the *MiFID implementing Directive*]

group capital resources

FCA PRA

in relation to an *undertaking* in INSPRU 6.1.17R , that *undertaking's* group capital resources as calculated in accordance with INSPRU 6.1.36R.

group capital resources requirement

FCA PRA

in relation to an *undertaking* in INSPRU 6.1.17R , that *undertaking's* group capital resources requirement as calculated in accordance with INSPRU 6.1.33R .

group ISA

FCA

an *individual savings account* of which the *plan manager* is the *authorised fund manager*, or in the same *group* as the *authorised fund manager*, of the *authorised fund* by reference to *units* in which the *plan register* is being, or is proposed to be, maintained.

group liquidity low frequency reporting conditions

FCA PRA

(in relation to a *group liquidity reporting firm* and its *defined liquidity group*) the *defined liquidity group* meets the group liquidity low frequency reporting conditions if the *defined liquidity group* meets the following conditions:

- (a) the *firm* or any other member is a *low frequency liquidity reporting firm*; and
- (b) no member of that group is a *standard frequency liquidity reporting firm*.

For the purpose of deciding whether these conditions are met in relation to a *DLG by default*, any group member (other than the *group liquidity reporting firm* itself) that is a member of the group through no more than a *participation* is ignored.

group liquidity reporting firm

FCA PRA

see the definitions of *DLG by default*, *DLG by modification (firm level)*, and *non-UK DLG by modification (DLG level)*.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (*Guidance on designated liquidity groups* in ■ SUP 16.12).)

group liquidity standard frequency reporting conditions

FCA PRA

(in relation to a *group liquidity reporting firm* and its *defined liquidity group*) the *defined liquidity group* meets the group liquidity standard frequency reporting conditions if the group does not meet the *group liquidity low frequency reporting conditions*.

group of connected clients

[deleted]

group personal pension scheme

FCA PRA

a *personal pension scheme* (including a group *SIPP*) which is available to employees of the same employer or of employers within a *group*.

group plan

FCA

a *group ISA* or a *group savings plan*.*group policy*

FCA PRA

a *non-investment insurance contract* which a *person* enters into as legal holder of the *policy* on his own behalf and for other persons who are or will become *policyholders* and:

(a) those other *persons* are or become *policyholders* by virtue of a common employment, occupation or activity which has arisen independently of the *contract of insurance*;

(b) the common employment, occupation or activity is not brought about, in relation to the *contract of insurance*, by

(i) the *insurance undertaking* which *effects* it or carries it out; or

(ii) any activity which if carried on by a firm would be an *insurance mediation activity*; and

(c) the risks insured under the *policy* are related to the common employment, occupation or activity of the *policyholders*.

group respondents

FCA

all *respondents* identified as part of the relevant *charging group* as defined in ■ FEES 5 Annex 3R Part 3.*group savings plan*

FCA

a savings plan:

(a) of which the *plan manager* is the *authorised fund manager*, or in the same *group* as the *authorised fund manager*, of the *authorised fund* by reference to *units* in which the *plan register* is being, or is proposed to be, maintained;

(b) under which *investments* are periodically acquired and held by a nominee for the absolute benefit of the respective subscribers to the savings plan; and

(c) under which all the *investments* are *units* in one or more *authorised funds* managed by (or, in the case of an *ICVC*, whose *ACD* is) the *plan manager*, or a *body corporate* in the same *group* as the *plan manager*.

group stakeholder pension scheme

FCA PRA

a *stakeholder pension scheme* which is available to employees of the same employer or of employers within a *group*.*guarantee*

FCA PRA

(1) (in *LR*) (in relation to *securitised derivatives*), either:

(a) a guarantee given in accordance with ■ LR 19.2.2 R (3) (if any); or

(b) any other guarantee of the issue of *securitised derivatives*.

(2) (in *PR*) (as defined in the *PD Regulation*) any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, keep well agreement, mono-line insurance policy or other equivalent commitment.

guarantee fund

FCA PRA

(1)

(a) subject to (1)(b), in relation to a *firm* carrying on *general insurance business*, the higher of one third of the *general insurance*

capital requirement and the *base capital resources requirement* applicable to that *firm*;

(b) where the *firm* is required to calculate a *UK MCR* or an *EEA MCR* under ■ INSPRU 1.5, for the purposes of that section in (1)(a) the reference to the *general insurance capital requirement* is replaced by *UK MCR* or *EEA MCR*, as appropriate, and the reference to the *base capital resources requirement* is replaced by the amount which is one half of the *base capital resources requirement* applicable to the *firm* set out in ■ GENPRU 2.1.30 R.

(2)

(a) subject to (2)(b), in relation to a *firm* carrying on *long-term insurance business*, the higher of one third of the *long-term insurance capital requirement* and the *base capital resources requirement* applicable to that *firm*;

(b) where the *firm* is required to calculate a *UK MCR* or an *EEA MCR* under INSPRU 1.5, for the purposes of that section in (2)(a) the reference to the *long-term insurance capital requirement* is replaced by *UK MCR* or *EEA MCR*, as appropriate, and the reference to the *base capital resources requirement* is replaced by the amount which is one half of the *base capital resources requirement* applicable to the *firm* set out in ■ GENPRU 2.1.30 R.

guarantor

FCA PRA

(in *PR*) a *person* that provides a *guarantee*.

guidance

FCA PRA

guidance given :

- (a) in the *FCA Handbook*, by the *FCA* under the *Act*; or
- (b) in the *PRA Handbook*, by the *PRA*.

habitual residence

FCA PRA

(a) if the *policyholder* is an individual, the address given by the *policyholder* as his residence if it reasonably appears to be a residential address and there is no evidence to the contrary;

(b) if the *policyholder* is not an individual or a *group* of individuals, the State in which the *policyholder* has its place of establishment, or, if it has more than one, its relevant place of establishment;

(c) in respect of the variation of a *life policy*, or the purchase of a *pension annuity* related to a *life policy*, unless there is evidence to the contrary, the habitual residence of the *policyholder* at the date on which the *policyholder* signed the proposal for the *life policy*.

half-yearly accounting period

FCA PRA

(in COLL) a period determined in accordance with ■ COLL 6.8.2 R (2) (Accounting periods).

Handbook

FCA PRA

the *FCA Handbook* or the *PRA Handbook* as appropriate.

headline information

FCA

the headline codes and headline categories for use with the announcement of *regulated information* that are listed in ■ DTR 8 Annex 2.

hedging set

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a group of *risk positions* from the transactions within a single *netting set* for which only their balance is relevant for determining the *exposure* value under the *CCR standardised method*.

high earner

FCA PRA

(in SYSC and SUP) an *employee* whose total annual *remuneration* is EUR 1 million or more per year or its equivalent in another currency determined by reference to the conversion rate applicable to the corresponding High Earners Report under ■ SUP 16.

high-cost short-term credit

FCA

a *regulated credit agreement* :

(a) which is a *borrower-lender agreement* or a *P2P agreement*;

(b) in relation to which the *APR* is equal to or exceeds 100%;

(c) either:

(i) in relation to which a *financial promotion* indicates (by express words or otherwise) that the *credit* is to be provided for any period up to a maximum of 12 months or otherwise indicates (by express words or otherwise) that the *credit* is to be provided for a short term; or

(ii) under which the *credit* is due to be repaid or substantially repaid within a maximum of 12 months of the date on which the *credit* is advanced;

(d) which is not secured by a mortgage, charge or pledge; and

(e) which is not:

(i) a *credit agreement* in relation to which the lender is a *community finance organisation*; or

<p><i>higher lending charge</i> FCA PRA</p>	<p>(ii) a <i>home credit loan agreement</i>, a <i>bill of sale loan agreement</i> or a <i>borrower-lender agreement</i> enabling a <i>borrower</i> to overdraw on a current account or arising where the holder of a current account overdraws on the account without a pre-arranged overdraft or exceeds a pre-arranged overdraft limit.</p>
<p><i>higher rate of return</i> FCA PRA</p>	<p>a fee charged by a <i>mortgage lender</i> (under a <i>regulated mortgage contract</i>) where the amount borrowed exceeds a given percentage of the value of the property.</p>
<p><i>higher stage of capital</i> FCA PRA</p>	<p>(in COBS) the higher rate of return described in paragraph 2.3 of the <i>projection rules</i> (■ COBS 13 Annex 2).</p>
<p><i>higher volatility fund</i> FCA PRA</p>	<p>(with respect to a particular item of capital in the capital resources table) a stage in the <i>capital resources table</i> above that in which that item of capital appears.</p>
<p><i>hire-purchase agreement</i> FCA</p>	<p>(a) a <i>regulated collective investment scheme</i> which is:</p> <ul style="list-style-type: none"> (i) a <i>scheme</i> where the investment policies which the <i>operator</i> adopts, or proposes to adopt, mean that, as a result of making investments in <i>warrants</i> or <i>derivatives</i>, or through borrowing that is not temporary in nature, movements in the <i>price</i> of <i>units</i> are likely to be significantly amplified; or (ii) an <i>umbrella</i> with a <i>sub-fund</i> that would fall within (i) if that sub-fund were a separate <i>scheme</i>; or <p>(b) an <i>authorised fund dedicated to units</i> in:</p> <ul style="list-style-type: none"> (i) a number of <i>regulated collective investment schemes</i>; or (ii) <i>sub-funds</i> of one or more <i>umbrellas</i> that are <i>regulated collective investment schemes</i>; <p>any one of which falls within (a).</p>
<p><i>hirer</i> FCA</p>	<p>in accordance with article 60L of the <i>Regulated Activities Order</i>, an agreement:</p> <ul style="list-style-type: none"> (a) which is not a <i>conditional sale agreement</i>; (b) under which <i>goods</i> are bailed or, in Scotland, hired to a <i>person</i> ("P") in return for periodical payments by P; and (c) the property in the <i>goods</i> will pass to P if the terms of the agreement are complied with and one or more of the following occurs: <ul style="list-style-type: none"> (i) the exercise by P of an option to purchase the <i>goods</i>; (ii) the doing by any party to the agreement of any other act specified in the agreement; or (iii) the happening of any event specified in the agreement
<p><i>historic price</i> FCA PRA</p>	<p>a <i>person</i> to whom <i>goods</i> are bailed or, in Scotland, hired under a <i>consumer hire agreement</i>, or a <i>person</i> to whom the rights and duties of a <i>hirer</i> under a <i>consumer hire agreement</i> have passed by assignment or operation of law.</p>
<p><i>hire-purchase agreement</i> FCA</p>	<p>a <i>price</i> calculated by reference to the <i>valuation point</i> immediately preceding the <i>authorised fund manager's</i> agreement to <i>sell</i> or, as the case may be, to redeem the <i>units</i> in question.</p>

HMRC
allocated CTF

FCA PRA

a CTF opened in accordance with regulation 6 of the *CTF Regulations*.

holder

FCA PRA

(a) (in relation to a *unit* in an *authorised fund*):

- (i) the *shareholder*; or
- (ii) the *unitholder*;

(b) (in relation to a *unit* in any other *collective investment scheme*):

- (i) the *person* who is entered in the *register* of the *scheme* as the *holder* of that *unit*; or
- (ii) the bearer of a *bearer certificate* representing that *unit*.

holding
company

FCA PRA

(as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary" etc) (in relation to another *body corporate* ("S")) a *body corporate* which:

- (a) holds a majority of the voting rights in S; or
- (b) is a member of S and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member of S and controls alone, under an agreement with other shareholders and members, a majority of the voting rights in S.

Holloway
policy special
application
conditions

FCA PRA

conditions that will be met by a *firm* where:

(a) in the case of a *firm* which underwrites *Holloway sickness policies*:

(i) all of the *Holloway sickness policies* of a particular type underwritten by the *firm* show a projected maturity value of not more than 20% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of ■ COBS 13.1.1 R (2); except that no more than 5% of the relevant *Holloway sickness policies* underwritten by the *firm* may show a projected maturity value of between 20% and 25% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of ■ COBS 13.1.1 R (2);

(ii) the *firm* conducts a regular assessment to determine whether the relevant *Holloway sickness policies* meet the conditions in (i) and, if such an assessment indicates that the conditions in (i) may no longer be met, takes any steps necessary to ensure that the relevant *Holloway sickness policies* will meet the conditions in (i) within three months of the relevant assessment having been carried out; and

(iii) the assessment in (ii) is carried out at least annually and on a more frequent basis if a change is made to the projection rates or pricing of the relevant *Holloway sickness policies*;

(b) in the case of an intermediary who makes a *personal recommendation* to a *retail client* in relation to a *Holloway sickness policy*, the intermediary has received a written notification from the *firm* which underwrites the policy confirming that the conditions in (a) have been met.

a *long-term insurance contract* offered or effected by a *friendly society* under the Holloway system, providing *permanent health* benefits and, in addition, investment benefits, where the investment benefits:

(a) are derived from surpluses accrued by the *friendly society* and apportioned to *policyholders*; and

Holloway
sickness policy

FCA PRA

<p><i>home credit loan agreement</i></p> <p>FCA</p>	<p>(b) are payable to <i>policyholders</i> at maturity, on retirement, on death, or as otherwise specified by contractual provisions or individual society rules.</p> <p>a <i>regulated credit agreement</i> which is a <i>borrower-lender agreement</i> and which either:</p> <p>(a) provides that all or most of the sums payable by the <i>customer</i> are to be collected by, or on behalf of, the <i>lender</i> at the <i>customer's</i> home or at the home of a natural person who makes payment to the <i>lender</i> on the <i>customer's</i> behalf (or, in either case, to be so collected if the <i>customer</i> so wishes); or</p> <p>(b) at the time the agreement is entered into, the <i>customer</i> could reasonably expect, from representations made by, or on behalf of, the <i>lender</i> at or before that time, that all or most of the sums payable would be so collected (or, in either case, would be collected as specified in (a) if the <i>customer</i> so wished).</p>
<p><i>home finance activity</i></p> <p>FCA PRA</p>	<p>any <i>home finance mediation activity</i>, <i>home finance providing activity</i> or <i>administering a home finance transaction</i>.</p>
<p><i>home finance administration</i></p> <p>FCA PRA</p>	<p>any of the <i>regulated activities</i> of:</p> <p>(a) <i>administering a regulated mortgage contract</i>;</p> <p>(b) <i>administering a home purchase plan</i>;</p> <p>(c) <i>administering a home reversion plan</i>;</p> <p>(cc) <i>administering a regulated sale and rent back agreement</i>; or</p> <p>(d) <i>agreeing to carry on a regulated activity</i> in (a) to (cc).</p>
<p><i>home finance administrator</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a home finance transaction</i>.</p>
<p><i>home finance adviser</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home finance transaction</i>.</p>
<p><i>home finance arranger</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home finance transaction</i>.</p>
<p><i>home finance intermediary</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>home finance mediation activity</i>.</p>
<p><i>home finance mediation activity</i></p> <p>FCA PRA</p>	<p>any <i>mortgage mediation activity</i>, <i>home purchase mediation activity</i>, <i>reversion mediation activity</i> or <i>regulated sale and rent back mediation activity</i>.</p>

<p><i>home finance provider</i> FCA PRA</p>	<p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) for <i>entering into a home finance transaction</i>.</p>
<p><i>home finance providing activity</i> FCA PRA</p>	<p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> (a) <i>entering into a regulated mortgage contract</i>; (aa) <i>entering into a regulated sale and rent back agreement</i>; (b) <i>entering into a home purchase plan</i>; (c) <i>entering into a home reversion plan</i>; or (d) <i>agreeing to carry on a regulated activity</i> in (a) to (c).
<p><i>home finance transaction</i> FCA PRA</p>	<p>a <i>regulated mortgage contract</i>, <i>home purchase plan</i>, <i>home reversion plan</i> or <i>regulated sale and rent back agreement</i>.</p>
<p><i>home financing</i> FCA PRA</p>	<p>any <i>home finance providing activity</i>.</p>
<p><i>Home Member State</i> FCA PRA</p>	<p>(in DTR; PR and LR) <i>Home State</i>.</p>
<p><i>home purchase activity</i> FCA PRA</p>	<p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> (a) <i>arranging (bringing about) a home purchase plan</i> (article 25C(1)); (b) <i>making arrangements with a view to a home purchase plan</i> (article 25C(2)); (c) <i>advising on a home purchase plan</i> (article 53C); (d) <i>entering into a home purchase plan</i> (article 63F(1)); (e) <i>administering a home purchase plan</i> (article 63F(2)); or (f) <i>agreeing to carry on a regulated activity</i> in (a) to (e) (article 64).
<p><i>home purchase administrator</i> FCA PRA</p>	<p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a home purchase plan</i>.</p>
<p><i>home purchase adviser</i> FCA PRA</p>	<p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home purchase plan</i>.</p>
<p><i>home purchase arranger</i> FCA PRA</p>	<p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home purchase plan</i>.</p>
<p><i>home purchase intermediary</i></p>	<p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>home purchase mediation activity</i>.</p>

FCA PRA

home purchase mediation activity

FCA PRA

any of the following *regulated activities*:

- (a) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (b) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (c) *advising on a home purchase plan* (article 53C); or
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

home purchase plan

FCA PRA

(in accordance with article 63F(3) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:

- (a) the arrangement is one under which a *person* (the 'home purchase provider') buys a *qualifying interest in land* or an undivided share of a *qualifying interest in land*;
- (b) where an undivided share of a *qualifying interest in land* is bought, the interest is held on trust for the home purchase provider and the individual or trustees in (c) as beneficial tenants in common;
- (c) the arrangement provides for the obligation of an individual or trustees (the *home purchaser*) to buy the interest bought by the home purchase provider during the course of or at the end of a specified period; and
- (d) the *home purchaser* (if he is an individual) or an individual who is a beneficiary of the trust (if the *home purchaser* is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling during that period and intends to do so;

in this definition "related person" means:

- (A) that *person's* spouse or civil partner;
- (B) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or
- (C) that *person's* parent, brother, sister, child, grandparent or grandchild.

home purchase provider

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for *entering into a home purchase plan*.*home purchaser*

FCA PRA

the individual (or trustees), specified in article 63F(3) of the *Regulated Activities Order*, who in summary:

- (a) is (or are) obliged under a *home purchase plan* to buy the interest in land bought by the home purchase provider (as defined in article 63F(3) of the *Regulated Activities Order*) over the course of or at the end of a specified period; and
- (b)
 - (i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or
 - (ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).

home reversion
plan

FCA PRA

(in accordance with article 63B(3) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:

- (a) the arrangement is one under which a *person* (the *reversion provider*) buys all or part of a *qualifying interest in land* from an individual or trustees (the *reversion occupier*);
- (b) the *reversion occupier* (if he is an individual) or an individual who is a beneficiary of the trust (if the *reversion occupier* is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; and
- (c) the arrangement specifies that the entitlement to occupy will end on the occurrence of one or more of:
 - (i) a *person* in (b) becoming a resident of a care home;
 - (ii) a *person* in (b) dying; or
 - (iii) the end of a specified period of at least twenty years from the date the *reversion occupier* entered into the arrangement;

in this definition "related person" means:

- (A) that *person's* spouse or civil partner;
- (B) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or
- (C) that *person's* parent, brother, sister, child, grandparent or grandchild.

Home State

FCA PRA

(A) In the PRA Handbook:

- (1) (in relation to a *credit institution*) the *EEA State* in which the *credit institution* has been authorised in accordance with the *CRD*.
- (2) (in relation to an *investment firm*):
 - (a) if the *investment firm* is a natural *person*, the *EEA State* in which his head office is situated;
 - (b) if the *investment firm* is a legal *person*, the *EEA State* in which its registered office is situated; or
 - (c) if the *investment firm* has, under its national law, no registered office, the *EEA State* in which its head office is situated.

[Note: article 4(1)(20) of *MiFID*]

- (3) (in relation to a *UCITS management company*) the *EEA State* in which the management company's registered office is situated;
- (4) (in relation to an *insurance undertaking* with an *EEA right*) the *EEA State* in which the registered office of the *insurance undertaking* is situated.
- (5) (in relation to an *IMD insurance intermediary* or an *IMD reinsurance intermediary*):

- (a) where the *insurance intermediary* is a natural person, the *EEA State* in which his residence is situated and in which he carries on business;
- (b) where the *insurance intermediary* is a legal person, the *EEA State* in which its registered office is situated or, if under its national law it has no registered office, the *EEA State* in which its head office is situated.

(6) (except in *REC*) (in relation to a market) the *EEA State* in which the registered office of the body which provides training facilities is situated or, if under its national law it has no registered office, the *EEA State* in which that body's head office is situated.

(7) (in relation to a *Treaty firm*) the *EEA State* in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the *Act* (Treaty Rights).

(8) (in *LR* and *PR*) (as defined in section 102C of the *Act*) in relation to an issuer of *transferable securities*, the *EEA State* which is the "home Member State" for the purposes of the *prospectus directive* (which is to be determined in accordance with Article 2.1(m) of that directive).

(9) (in *DTR*)

(a) in the case of an *issuer* of debt *securities* the denomination per unit of which is less than EUR 1 000 or an *issuer* of *shares*:

(i) where the *issuer* is incorporated in the *EEA*, the *EEA State* in which it has its registered office;

(ii) where the *issuer* is incorporated in a third country, the *EEA State* referred to in point (iii) of article 2(1)(m) of Directive 2003/71/EC.

The definition of *Home State* shall be applicable to debt securities in a currency other than Euro, provided that the value of such denomination per unit is, at the date of the issue, less than EUR 1 000, unless it is nearly equivalent to EUR 1 000;

(b) for an *issuer* not covered by (a), the *EEA State* chosen by the *issuer* from among the *EEA States* in which the *issuer* has its registered office and those *EEA States* which have admitted its securities to trading on a *regulated market* on their territory. The issuer may choose only one *EEA State* as its *Home Member State*. Its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any *regulated market* in the *EEA*;

(10) (in relation to a *UCITS*) the *EEA State* in which the unit trust, common fund or investment company is established and authorised under article 5 of the *UCITS Directive*.

(11) (in *REC*) in relation to an *EEA market operator*, the *EEA State* in which it has its registered office, or if it has no registered office, its head office.

(12) (in relation to a person who has received authorisation under article 18 of the *auction regulation*) the *EEA state* in which the person is established and authorised under the *auction regulation*.

(13) (for an *AIF*) the *EEA State* in which:

(a) the *AIF* is authorised or registered under applicable national law; or

(b) if the *AIF* is neither authorised nor registered in an *EEA State*, the *EEA State* in which the *AIF* has its registered office and/or head office.

[Note: article 4(1)(p) of *AIFMD*]

(14) (for an *AIFM*) the *EEA State* in which the *AIFM* has its registered office.

[Note: article 4(1)(q) of *AIFMD*]

(B) In the FCA Handbook:

(1) (in relation to a *credit institution*) the *EEA State* in which the *credit institution* has been authorised in accordance with the *CRD*.

(2) (in relation to an *investment firm*):

(a) if the *investment firm* is a natural *person*, the *EEA State* in which his head office is situated;

(b) if the *investment firm* is a legal *person*, the *EEA State* in which its registered office is situated; or

(c) if the *investment firm* has, under its national law, no registered office, the *EEA State* in which its head office is situated.

[Note: article 4(1)(20) of *MiFID*]

(3) (in relation to a *UCITS management company*) the *EEA State* in which the management company's registered office is situated;

(4) (in relation to an *insurance undertaking* with an *EEA right*) the *EEA State* in which the registered office of the *insurance undertaking* is situated.

(5) (in relation to an *IMD insurance intermediary* or an *IMD reinsurance intermediary*):

(a) where the *insurance intermediary* is a natural *person*, the *EEA State* in which his residence is situated and in which he carries on business;

(b) where the *insurance intermediary* is a legal *person*, the *EEA State* in which its registered office is situated or, if under its national law it has no registered office, the *EEA State* in which its head office is situated.

(6) (except in *REC*) (in relation to a market) the *EEA State* in which the registered office of the body which provides training facilities is situated or, if under its national law it has no registered office, the *EEA State* in which that body's head office is situated.

(7) (in relation to a *Treaty firm*) the *EEA State* in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the *Act* (Treaty Rights).

(8) (in *LR* and *PR*) (as defined in section 102C of the *Act*) in relation to an issuer of *transferable securities*, the *EEA State* which is the "home Member State" for the purposes of the *prospectus directive* (which is to be determined in accordance with Article 2.1(m) of that directive).

(9) (in *DTR*)

(a) in the case of an *issuer* of debt *securities* the denomination per unit of which is less than EUR 1 000 or an *issuer* of *shares*:

(i) where the *issuer* is incorporated in the *EEA*, the *EEA State* in which it has its registered office;

(ii) where the *issuer* is incorporated in a third country, the *EEA State* referred to

in point (iii) of article 2(1)(m) of Directive 2003/71/EC.

The definition of *Home State* shall be applicable to debt securities in a currency other than Euro, provided that the value of such denomination per unit is, at the date of the issue, less than EUR 1 000, unless it is nearly equivalent to EUR 1 000;

(b) for an *issuer* not covered by (a), the *EEA State* chosen by the *issuer* from among the *EEA States* in which the *issuer* has its registered office and those *EEA States* which have admitted its securities to trading on a *regulated market* on their territory. The issuer may choose only one *EEA State* as its *Home Member State*. Its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any *regulated market* in the *EEA*;

(10) (in relation to a *UCITS*) the *EEA State* in which the unit trust, common fund or investment company is established and authorised under article 5 of the *UCITS Directive*.

(11) (in *REC*) in relation to an *EEA market operator*, the *EEA State* in which it has its registered office, or if it has no registered office, its head office.

(12) (in relation to a person who has received authorisation under article 18 of the *auction regulation*) the *EEA state* in which the person is established and authorised under the *auction regulation*.

(13) (for an *AIF*) the *EEA State* in which:

(a) the *AIF* is authorised or registered under applicable national law; or

(b) if the *AIF* is neither authorised nor registered in an *EEA State*, the *EEA State* in which the *AIF* has its registered office and/or head office.

[Note: article 4(1)(p) of *AIFMD*]

(14) (for an *AIFM*) the *EEA State* in which the *AIFM* has its registered office.

[Note: article 4(1)(q) of *AIFMD*]

*Home State
authorisation*

FCA **PRA**

(as defined in paragraph 3(1)(a) of Schedule 4 to the *Act* (Treaty Rights)) authorisation of a *firm* under the law of its *Home State* to carry on a *regulated activity*.

*Home State
regulator*

FCA **PRA**

(1) (in relation to an *EEA firm*) (as defined in paragraph 9 of Schedule 3 to the *Act* (EEA Passport Rights)) the *competent authority* (under the relevant *Single Market Directive* or the *auction regulation*) of an *EEA State* (other than the *United Kingdom*) in relation to the *EEA firm* concerned.

(2) (in relation to a *UK firm* or *UCITS scheme*) the *FCA* or *PRA* as the case may be.

(3) (in relation to a *Treaty firm*) (as defined in paragraph 1 of Schedule 4 to the *Act* (Treaty Rights)) the competent authority of the *firm's Home State* for the purpose of its *Home State authorisation*.

(4) (in *REC*) the competent authority (within the meaning of Article 4(1)(22) of *MiFID*) of the *EEA State* which is the *Home State* in relation to the *EEA market operator* concerned.

<p>(5) (in relation to an <i>EEA UCITS scheme</i>) the <i>competent authority</i> of the <i>EEA State</i> in which the <i>scheme</i> is authorised.</p>	
<p><i>home territory</i> FCA PRA</p>	<p>(in relation to an <i>overseas investment exchange</i>) the country or territory in which its head office is situated.</p>
<p><i>Host Member State</i> FCA PRA</p>	<p>(in <i>PR</i> and <i>LR</i>) <i>Host State</i>.</p>
<p><i>Host State</i> FCA PRA</p>	<p>(1) (in <i>LR</i> and <i>PR</i>) as defined in Article 2.1(n) of the <i>Prospectus Directive</i>) the <i>EEA State</i> where an offer to the public is made or <i>admission to trading</i> is sought, when different from the <i>Home State</i>.</p> <p>(2) (except in <i>LR</i> and <i>PR</i> and except in relation to <i>MiFID</i>) the <i>EEA State</i> in which an <i>EEA firm</i>, a <i>UK firm</i>, or a <i>Treaty firm</i> is exercising an <i>EEA right</i> or <i>Treaty right</i> to establish a <i>branch</i> or provide <i>cross border services</i>.</p> <p>(3) (in relation to <i>MiFID</i>) the <i>EEA State</i>, other than the <i>Home State</i>, in which an <i>investment firm</i> has a branch or performs <i>investment services and/or activities</i> or the <i>EEA State</i> in which a <i>regulated market</i> provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same <i>EEA State</i>.</p> <p>(4) (in relation to the <i>UCITS Directive</i>) the <i>EEA State</i>, other than the <i>UCITS Home State</i>, in which <i>units</i> of a <i>UCITS</i> are marketed in accordance with a notification made under article 93 of that directive.</p> <p>(5) (for an <i>AIFM</i>) means:</p> <p style="margin-left: 40px;">(a) an <i>EEA state</i>, other than the <i>Home State</i>, in which an <i>EEA AIFM</i> or <i>UK AIFM</i> manages <i>EEA AIFs</i> or <i>UK AIFs</i>; or</p> <p style="margin-left: 40px;">(b) an <i>EEA state</i>, other than the <i>Home State</i>, in which an <i>EEA AIFM</i> or <i>UK AIFM</i> markets <i>units</i> or <i>shares</i> of an <i>EEA AIF</i> or <i>UK AIF</i>;</p> <p>[Note: article 4(1)(r) of <i>AIFMD</i>]</p> <p>[Note: article 4(1)(21) of <i>MiFID</i>]</p>
<p><i>Host State regulator</i> FCA PRA</p>	<p>(1) (in relation to an <i>EEA firm</i> or a <i>Treaty firm</i> exercising an <i>EEA right</i> or <i>Treaty right</i> in the <i>United Kingdom</i>) the <i>FCA</i> or <i>PRA</i> as the case may be.</p> <p>(2) (in relation to a <i>UK firm</i>) (as defined in paragraph 11 of Schedule 3 to the <i>Act</i> (<i>EEA Passport Rights</i>)) the <i>competent authority</i> (under the relevant <i>Single Market Directive</i> or the <i>auction regulation</i>) of an <i>EEA State</i> (other than the <i>United Kingdom</i>) in relation to a <i>UK firm's</i> exercise of <i>EEA rights</i> there.</p> <p>(3) (in <i>REC</i> in relation to a <i>UK RIE</i>) the competent authority (within the meaning of Article (4)(1)(22) of <i>MiFID</i>) of the <i>EEA State</i> in which the <i>UK RIE</i> intends to make, or has made, arrangements to facilitate access to, or use of, a <i>regulated market</i> or a <i>multilateral trading facility</i> operated by the <i>UK RIE</i>.</p> <p>(4) (in relation to an <i>EEA UCITS scheme</i> which is a <i>recognised scheme</i>) the <i>FCA</i>.</p> <p>(5) (in relation to a <i>UCITS</i> that is the subject of a notification in accordance with article 93 of the <i>UCITS Directive</i>) the <i>competent authority</i> of an <i>EEA State</i> (other than the <i>United Kingdom</i>) in which <i>units</i> of the <i>UCITS</i> may be marketed to the public.</p>

hybrid capital

FCA PRA

an item of capital that is stated in ■ GENPRU 2.2 as eligible for inclusion at stage B1, B2 or C of the calculation in the *capital resources table*.

*hypothetical
profit and loss
figure*

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *business day*) the *profit and loss figure* that would have occurred for that *business day* if the portfolio on which the *VaR number* for that *business day* is based remained unchanged, as more fully defined in ■ BIPRU 7.10.111 R (Backtesting: Hypothetical profit and loss).

IFPRU 730K
firm

FCA

has the meaning in ■ IFPRU 1.1.11 R (Types of investment firm: IFPRU 730K firm) which in summary is an *IFPRU investment firm* that is not a *collective portfolio management investment firm*, a *BIPRU 50K firm* or a *BIPRU 125K firm*.

IFPRU
investment
firm

FCA PRA

(A) (In the PRA Handbook):

an *investment firm*, as defined in article 4(1)(2) of the *EU CRR* (including a *collective portfolio management investment firm*), that satisfies the following conditions:

- (a) it is a *FCA-authorized firm*;
- (b) its head office is in the *UK* and
- (c) it is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or
 - (vi) an *ICVC*.

(B) (In the FCA Handbook):

an *investment firm*, as defined in article 4(1)(2) of the *EU CRR* (including a *collective portfolio management investment firm*), that satisfies the following conditions:

- (a) it is a *firm*;
- (b) its head office is in the *UK* and it is not otherwise excluded under ■ IFPRU 1.1.5 R; and
- (c) it is not a *designated investment firm*;

that is not excluded under ■ IFPRU 1.1.5 R (Exclusion of certain types of firms).

IFPRU
limited-activity
firm

FCA PRA

(A) (In the the PRA Handbook):

a *limited activity firm* that meets the following conditions:

- (a) it is a *FCA-authorized firm*;
- (b) its head office is in the *UK* and .
- (c) it is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or

(B) (In the FCA Handbook):

a *limited activity firm* that meets the following conditions:

- (a) it is a *firm*; and
- (b) its head office is in the *UK* and it is not otherwise excluded under ■ IFPRU 1.1.5 R.

IFPRU
limited-licence
firm

FCA PRA

(A) (In the PRA Handbook):
a *limited activity firm* that meets the following conditions:

- (a) it is a *FCA-authorized firm*;
- (b) its head office is in the *UK* and .
- (c) it is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or
 - (vi) an *incoming EEA firm*

(B) (In the FCA Handbook):
a *limited licence firm* that meets the following conditions:

- (a) it is a *firm*; and
- (b) its head office is in the *UK* and it is not otherwise excluded under
■ IFPRU 1.1.5 R.

IFRS

FCA PRA

International Financial Reporting Standards.

ILAA

FCA PRA

Individual Liquidity Adequacy Assessment.

ILAS

FCA PRA

Individual Liquidity Adequacy Standards.

ILAS BIPRU
firm

FCA PRA

- (A) In the PRA Handbook:
- (a) an *exempt full scope BIPRU investment firm*; or
 - (b) a *BIPRU limited licence firm*; or
 - (c) a *BIPRU limited activity firm*; or
 - (d) an *exempt BIPRU commodities firm*.

(B) In the FCA Handbook:

a *firm* falling into

■ BIPRU 12.1.1A R, but excluding a *firm* that is:

- (a) an *exempt full scope IFPRU investment firm*; or
- (b) an *IFPRU limited-licence firm*; or
- (c) an *IFPRU limited-activity firm*; or
- (d) an *exempt BIPRU commodities firm*; or
- (e) an *exempt IFPRU commodities firm*; or
- (f) a *BIPRU firm*.

ILG

the Office of Fair Trading's Irresponsible Lending Guidance.

FCA

illiquid asset

FCA PRA

has the meaning in ■ GENPRU 2.2.260 R (Deductions from total capital: Illiquid assets).

illustration

FCA PRA

(in MCOB) the illustration of the costs and features of a *regulated mortgage contract* or *home reversion plan* which is required to be provided by ■ MCOB 5 (Pre-application disclosure), ■ MCOB 6 (Disclosure at the offer stage), ■ MCOB 7 (Disclosure at start of contract and after sale) and ■ MCOB 9 (Equity release : product disclosure) and the template for which is set out:

- (a) for a *regulated mortgage contract* other than a *lifetime mortgage*, at ■ MCOB 5 Annex 1 R;
- (b) for a *lifetime mortgage*, at ■ MCOB 9 Annex 1 R; and
- (c) for a *home reversion plan*, at ■ MCOB 9 Annex 2 R.

ILSA

FCA PRA

Individual Liquidity Systems Assessment.

IMA SORP

FCA PRA

the Statement of Recommended Practice for financial statements of *authorised funds* issued by the Investment Management Association in October 2010.

image advertising

FCA PRA

a communication that consists only of one or more of the following:

- (a) the name of the *firm*;
- (b) a logo or other image associated with the *firm*;
- (c) a contact point; and
- (d) a reference to the types of *regulated activities* provided by the *firm*, or to its fees or commissions.

IMD insurance intermediary

FCA PRA

(as defined in article 2(5) of the *IMD*) any natural or legal person who, for remuneration, takes up or pursues *insurance mediation*.

IMD insurance undertaking

FCA PRA

(as defined in article 2(1) of the *Insurance Mediation Directive*) an undertaking which has received official authorisation in accordance with article 6 of the *Consolidated Life Directive* or article 6 of the *First Non-Life Directive*.

IMD reinsurance intermediary

FCA PRA

(as defined in article 2(6) of the *Insurance Mediation Directive*) any natural or legal person who, for remuneration, takes up or pursues *reinsurance mediation*.

PAGE
15*IMD reinsurance undertaking*

FCA PRA

(as defined in article 2(2) of the *Insurance Mediation Directive*) an undertaking, other than an *IMD insurance undertaking* or a non-member-country *insurance undertaking*, the main business of which consists in accepting risks ceded by an *IMD insurance undertaking*, a non-member country *insurance undertaking* or other *IMD reinsurance undertaking*.

immediate group

FCA **PRA**

(1) (in relation to a person ("A")) (as defined in section 421ZA of the *Act* (Immediate group)):

- (a) A ;
- (b) a *parent undertaking* of A ;
- (c) a *subsidiary undertaking* of A ;
- (d) a *subsidiary undertaking* of a *parent undertaking* of A ;
- (e) a *parent undertaking* of a *subsidiary undertaking* of A .

(2) (in *BIPRU* and in relation to any *person*) has the same meaning as in paragraph (1), with the omission of (1)(e).

implicit items

FCA **PRA**

(in relation to *long-term insurance business*) economic reserves arising in respect of future profits, *zillmerising* or hidden reserves as more fully described in ■ GENPRU 2 Annex 8 G .

IMRO

FCA **PRA**

the Investment Management Regulatory Organisation Limited.

IMRO scheme

FCA **PRA**

the *former scheme* set up by *IMRO* under the Financial Services Act 1986 and the *Investment Ombudsman* Memorandum to handle complaints against members of *IMRO*.

in default

FCA **PRA**

the status of being in default following a determination made under ■ COMP 6.3.1 R.

in the money

FCA **PRA**

(1) (in *LR*) (in relation to *securitised derivatives*):

- (a) where the holder has the right to buy the *underlying instrument* or instruments from the *issuer*, when the *settlement price* is greater than the *exercise price*; or
- (b) where the holder has the right to sell the *underlying instrument* or instruments to the *issuer*, when the *exercise price* is greater than the *settlement price*;

(2) (for the purposes of *BIPRU* 7 (Market risk) and in relation to an *option* or *warrant*) the strike price of that *option* or *warrant* being less than the current market value of the underlying instrument (in the case of a call *option* or *warrant*) or vice versa (for a put *option*).

in the money percentage

FCA **PRA**

(for the purposes of ■ *BIPRU* 7 (Market risk) and in relation to an *option* or *warrant*) the percentage calculated under ■ *BIPRU* 7.6.6 R (The in the money percentage).

inception

FCA **PRA**

in relation to *permitted links*, refers to the time when the liability of the *insurer* under a *linked long-term* contract of insurance commenced.

income account

FCA **PRA**

(in *COLL*) an account relating to the *income property* of an *authorised fund*.

income
equalisation

FCA PRA

(A) In the PRA Handbook:

(in relation to a *scheme*) a capital sum which, in accordance with a power contained in the *instrument constituting the scheme*, is included in an allocation of income for a *unit* issued, sold or converted during the accounting period in respect of which that income allocation is made.

(B) In the FCA Handbook:

(in relation to a *scheme*) a capital sum which, in accordance with a power contained in the *instrument constituting the fund*, is included in an allocation of income for a *unit* issued, sold or converted during the accounting period in respect of which that income allocation is made.

income
property

FCA PRA

the amount available for income allocations calculated in accordance with ■ COLL 6.8.3 R (3A) and not including any amount for the time being standing to the credit of the *distribution account*.

income unit

FCA PRA

a *unit* in an *AUT* which is not an *accumulation unit*.

income
withdrawals

FCA PRA

(a) (as defined in paragraph 7 of Schedule 28 to the Finance Act 2004) in relation to a member of a pension scheme, amounts (other than an annuity) which the member is entitled to be paid from the member's drawdown pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement; or

(b) payments made under interim arrangements in accordance with section 28A of the Pension Schemes Act 1993;

in respect of an election to make income withdrawals, a reference to a *retail client*, an investor or a *policyholder* includes, after that *person's* death, his surviving spouse, his surviving civil partner or anyone who is, at that time, his dependant, or both.

incoming ECA
provider

FCA PRA

a *person*, other than an *exempt person*, who:

(a) provides an *electronic commerce activity*, from an *establishment* in an *EEA State* other than the *United Kingdom*, with or for an *ECA recipient* present in the *United Kingdom*; and

(b) is a national of an *EEA State* or a company or firm mentioned in article 54 of the *Treaty*.

incoming EEA
AIFM

FCA PRA

an *incoming EEA firm* which is an *AIFM* and exercising its rights under *AIFMD*.

incoming EEA
AIFM branch

FCA PRA

an *incoming EEA firm* which is an *AIFM* and exercising its right to establish a *branch* under *AIFMD*.

incoming EEA
firm

FCA PRA

(in accordance with section 193(1)(a) of the *Act* (Interpretation of this Part)) an *EEA firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *United Kingdom* in accordance with Schedule 3 to the *Act* (EEA Passport Rights).

incoming electronic commerce activity

FCA PRA

(in accordance with regulation 2(1) of the *ECD Regulations*) an activity:

(a) which consists of the provision of an *information society service* from an *establishment* in an *EEA State* other than the *United Kingdom* to a *person* or *persons* in the *United Kingdom*; and

(b) which would, but for article 72A of the *Regulated Activities Order* (Information society services) (and irrespective of the effect of article 72 of that Order (Overseas Persons)), be a *regulated activity*.

incoming firm

FCA PRA

(in accordance with section 193(1) of the *Act* (Interpretation of this Part)) an *incoming EEA firm* or an *incoming Treaty firm*.

incoming Treaty firm

FCA PRA

(in accordance with section 193(1)(b) of the *Act* (Interpretation of this Part)) a *Treaty firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *United Kingdom* in accordance with Schedule 4 to the *Act* (Treaty rights).

incorporated friendly society

FCA PRA

a society incorporated under the Friendly Societies Act 1992.

incremental risk charge

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in ■ BIPRU 7.10.116 R (Capital calculations for VaR models), which is in summary, in relation to a *business day*, the incremental risk charge required under the provisions in ■ BIPRU 7.10 about *specific risk*, in respect of the previous *business day's* close-of-business *positions* with respect to which those provisions apply.

independent advice

FCA PRA

a *personal recommendation* to a *retail client* in relation to a *retail investment product* where the *personal recommendation* provided meets the requirements of the *rule* on independent advice (■ COBS 6.2A.3 R).

independent expert

FCA PRA

(in ■ SUP 18) the person approved or nominated by the *appropriate regulator* to make the *scheme report* for an *insurance business transfer scheme*.

Independent Investigator

FCA PRA

the *former Ombudsman* under the *FSA scheme*.

index-linked assets

FCA PRA

in relation to *permitted links*, the assets held by an *insurer* for the purposes of matching *index-linked liabilities*.

index-linked benefits

FCA PRA

benefits:

(a) provided for under a *linked long-term contract of insurance*; and

(b) determined by reference to an index of the value of property of any description (whether specified in the contract or not).

index-linked contract

a *linked long-term contract* conferring *index-linked benefits*.

FCA **PRA**

index-linked liabilities

insurance liabilities in respect of *index-linked benefits*.

FCA **PRA**

index-linked security

(in *COLL*) a *debt security* for which the cash flows are determined by reference to an index of consumer prices.

FCA **PRA**

indicative adviser charge

a cash figure which is indicative of the cost to the *pure protection contract insurer* of the services associated with making a *personal recommendation* in relation to a *pure protection contract*.

FCA **PRA**

indirect client

as defined in article (1)(a) of the *EMIR L2 Regulation*.

FCA

individual

- (a) a natural *person*; or
- (b) a *partnership* consisting of two or three *persons* not all of whom are bodies corporate; or
- (c) an unincorporated body of *persons* which does not consist entirely of bodies corporate and is not a *partnership*.

FCA

individual capital assessment

(in *INSPRU* and **■** *COBS 20.2*) an assessment by a *firm* of the adequacy of its capital resources undertaken as part of an assessment of the adequacy of the *firm's* overall financial resources carried out in accordance with **■** *GENPRU 1.2*.

FCA **PRA**

individual capital guidance

guidance given to a *firm* about the amount and quality of capital resources that the *appropriate regulator* thinks the *firm* should hold at all times under the *overall financial adequacy rule* as it applies on a solo level or a consolidated level.

FCA **PRA**

individual capital resources requirement

has the meaning in **■** *INSPRU 6.1.34 R*.

FCA **PRA**

individual client account

as the context requires, either:

- (a) an account maintained by a *firm* at an *indirect client* for a *clearing member* of an *authorised central counterparty* in respect of which the *clearing member* has agreed with the *firm* to provide segregation arrangements that satisfy the requirements of article 4(2)(b) of the *EMIR L2 Regulation*;
- (b) an account maintained by a *firm* for an *indirect client* at a *clearing member* of an *authorised central counterparty* in respect of which the *clearing member* has agreed with the *firm* to provide segregation arrangements that satisfy the requirements of article 4(2)(b) of the *EMIR L2 Regulation*.

FCA

*individual
client
segregation*

FCA **PRA**

as defined in article 39(3) of *EMIR*.

*individual
CNCOM*

[deleted]

*individual
counterparty
CNCOM*

*Individual
Liquidity
Adequacy
Assessment*

FCA **PRA**

a *standard ILAS BIPRU firm's* assessment of the adequacy of its liquidity resources and systems and controls as required by the *rules* in BIPRU 12.5.

*Individual
Liquidity
Adequacy
Standards*

FCA **PRA**

the regime of liquidity assessment set out in the *rules* and *guidance* in BIPRU 12.5.

*individual
liquidity
guidance*

FCA **PRA**

guidance given to a *firm* about the amount, quality and funding profile of liquidity resources that the *appropriate regulator* has asked the *firm* to maintain.

*Individual
Liquidity
Systems
Assessment*

FCA **PRA**

a *simplified ILAS BIPRU firm's* assessment of the adequacy of its systems and controls as required by the *rules* in BIPRU 12.6.

*individual
member*

FCA **PRA**

a *member*, or *former member*, who is a natural *person*.

*individual
pension
account*

FCA **PRA**

an account for the holding of *IPA eligible investments*, which satisfies the conditions described in regulation 2(2) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964).

*individual
pension
contract*

FCA **PRA**

a *pension policy* or *pension contract* under which contributions are paid to:
(a) a *personal pension scheme*; or

individual savings account

FCA **PRA**

(b) a retirement benefits scheme for the provision of relevant benefits by means of an annuity contract made with an insurance company of the employee's choice where that contract:

(i) was approved under section 591(2)(g) of the Income and Corporation Taxes Act 1988 (when that section was in force); or

(ii) is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

an account which is a scheme of investment satisfying the conditions prescribed in the *ISA Regulations*.

industrial and provident society

FCA **PRA**

a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) 1969.

industrial assurance policy

FCA **PRA**

a *contract of insurance* on human life, premiums in respect of which are received by means of collectors, but excluding:

(a) a *contract of insurance*, the premiums in respect of which are payable at intervals of two *months* or more;

(b) a *contract of insurance*, effected whether before or after the passing of the Industrial Assurance Act 1923 by a society or company established before the date of the passing of that Act which at that date had no *contracts of insurance* outstanding the premiums on which were payable at intervals of less than one *month* so long as the society or company continues not to effect any such contracts;

(c) a *contract of insurance* effected before the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one *month* or more, and which have up to the passing of that Act been treated as part of the business transacted by a branch other than the industrial branch of the society or company; and

(d) a *contract of insurance* for £25 or more effected after the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one *month* or more, and which are treated as part of the business transacted by a branch other than the industrial branch of the society or company, in cases where the relevant authority certified prior to 1 December 2001 under section 1(2)(d) of that Act that the terms and conditions of the contract is on the whole not less favourable to the assured than those imposed by that Act;

in this definition:

(i) "collector" includes every *person*, however remunerated, who, by himself or by any deputy or substitute, makes house to house visits for the purpose of receiving premiums payable on policies of insurance on human life, or holds any interest in a collecting book, and includes such a deputy or substitute;

(ii) "collecting book" includes any book or document held by a collector in which payments of premiums are recorded.

industry block

FCA **PRA**

(in *FEES*) a grouping of *firms* by common business activity for the purposes of calculating the *general levy*.

information centre

FCA PRA

a centre established by an *EEA State* to meet its obligations under article 23 of the *Consolidated Motor Insurance Directive* (Information Centres).

information society service

FCA PRA

an information society service, as defined by article 2(a) of the *E-Commerce Directive* and article 1(2) of the Technical Standards and Regulations Directive (98/34/EC), which is in summary any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing (including the digital compression) and storage of data at the individual request of a service recipient.

inherited estate

FCA PRA

an amount representing the fair market value of the *with-profits assets* less the *realistic value of liabilities* of a with-profits fund .

initial capital

FCA PRA

(A) In the PRA Handbook:

(1) [deleted]

(2) [deleted]

(3) (in *UPRU*) capital calculated in accordance with ■ *UPRU Table 2.2.1 R* (Method of calculation of financial resources) composed of the specified items set out in that Table.

(3A) (in ■ *IPRU(INV) 11*) capital calculated in line with ■ *IPRU(INV) Table 11.4* (Method of calculating initial capital and own funds) composed of the specified items in that Table.

(4) (in the case of a *BIPRU firm*) *capital resources* included in stage A (Core tier one capital) of the *capital resources table* plus *capital resources* included in stage B of the *capital resources table* (Perpetual non-cumulative preference shares);

(5) (in the case of an *institution* that is an *EEA firm*) capital resources calculated in accordance with the *CRD implementation measures* of its *Home State* for Article 4 of the *Capital Adequacy Directive* (Definition of initial capital) or Article 9 of the *Banking Consolidation Directive* (Initial capital requirements);

(6) (for the purposes of the definition of *dealing on own account* and in the case of an *undertaking* not falling within (3) or (4)) *capital resources* calculated in accordance with (3) and paragraphs (3) and (4) of the definition of *capital resources*

(7) (in *IPRU(INV) 13*) the initial capital of a *firm* calculated in accordance with *IPRU(INV) 13.1A.6R*.

(B) In the FCA Handbook:

(1) [deleted]

(2) [deleted]

(3) (in *UPRU* and in accordance with article 28(1) of the *CRD*) the amount of own funds referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in accordance with Part Two of those Regulations (Own funds)

(3A) (in ■ *IPRU(INV) 11* and in accordance with article 28(1) of the *CRD*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in line with Part Two of those Regulations (Own funds)

(4) (in the case of a *BIPRU firm*) *capital resources* included in stage A (Core tier one capital) of the *capital resources table* plus *capital resources*

included in stage B of the *capital resources table* (Perpetual non-cumulative preference shares);

(5) (in the case of an *institution* that is an *EEA firm*) capital resources calculated in accordance with the *CRD implementation measures* of its *Home State* for Article 4 of the *Capital Adequacy Directive* (Definition of initial capital) or Article 9 of the *Banking Consolidation Directive* (Initial capital requirements);

(6) (for the purposes of the definition of *dealing on own account* in *BIPRU* and in the case of an *undertaking* not falling within (3) or (4)) *capital resources* calculated in accordance with (3) and paragraphs (3) and (4) of the definition of *capital resources*

(7) (in *IPRU(INV)* 13) the initial capital of a *firm* calculated in accordance with *IPRU(INV)* 13.1A.6R.

(8) (for an *IFPRU investment firm* and in accordance with article 28(1) of *CRD*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in accordance with Part Two of those Regulations (Own funds).

(9) (for the purpose of the definition of *dealing on own account* in *IFPRU*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in accordance with Part Two of those Regulations (Own funds).

initial commitment

FCA PRA

(for the purposes of *BIPRU* and in relation to *underwriting*) the date specified in ■ *BIPRU* 7.8.13 R (Time of initial commitment).

initial coupon rate

FCA PRA

(in relation to a *tier one instrument*) the *coupon* rate of the instrument at the time it is issued.

initial disclosure document

FCA PRA

information about the *scope of advice* and the nature of the services offered by a *firm* in relation to:

(a) a *regulated mortgage contract* other than a *lifetime mortgage* as required by ■ *MCOB* 4.4.1 R (1) and set out in ■ *MCOB* 4 Annex 1 R;

(b) an *equity release transaction* as required by ■ *MCOB* 4.4.1 R (1) and set out in ■ *MCOB* 8 Annex 1 R;

(c) a *home purchase plan* as required by ■ *MCOB* 4.10.2 R and set out in ■ *MCOB* 4 Annex 1 R; or

(d) a *non-investment insurance contract* in accordance with ■ *ICOBS* 4.5.1 G and set out in ■ *ICOBS* 4 Annex 1 G .

initial fund

FCA PRA

the items of capital which are available to a *mutual* at *authorisation*.

initial offer

FCA PRA

(in *COLL*) an offer for sale of *units* in an *authorised fund* or in a *sub-fund* (otherwise than in accordance with *arrangements* of the type described in ■ *COLL* 5.5.9 R (3) (b) (iii) (Guarantees and indemnities) , where all or part of the consideration paid for the account of the *authorised fund* for the *units* is to be used to acquire the initial *scheme property* of the *authorised fund* or the initial *scheme property* attributable to the *sub-fund*.

<p><i>initial outlay</i> FCA PRA</p>	<p>(in relation to an <i>authorised fund</i>) the amount which the <i>authorised fund</i> is required to provide in order to obtain rights under a transaction in <i>derivatives</i>, excluding any payment or transfer on exercise of rights.</p>
<p><i>initial price</i> FCA PRA</p>	<p>(in <i>COLL</i>) in relation to a <i>unit</i> of any <i>class</i>:</p> <p>(a) in a <i>single-priced authorised fund</i>, the <i>price</i> to be paid; or</p> <p>(b) in a <i>dual-priced authorised fund</i>, the amount agreed by the <i>depository</i> and <i>authorised fund manager</i> as being the maximum <i>price</i> , inclusive of any <i>preliminary charge</i>, that may be paid to the <i>authorised fund manager</i>; during the period of the <i>initial offer</i> under COLL 6.2.3 R (Initial offer).</p>
<p><i>injunction</i> FCA PRA</p>	<p>a court order made by the High Court that prohibits a <i>person</i> from doing or continuing to do a certain act or requires a <i>person</i> to carry out a certain act.</p>
<p><i>injured party</i> FCA PRA</p>	<p>(in <i>ICOBS</i>) a resident of the <i>EEA</i> entitled to compensation in respect of any loss or injury caused by <i>vehicles</i>.</p> <p>[Note: article 1(2) of Directive 72/166/EC (First Motor Insurance Directive)]</p>
<p><i>innovative tier one capital</i> FCA PRA</p>	<p>an item of capital that is stated in ■ GENPRU 2.2(Capital resources) to be innovative tier one capital.</p>
<p><i>innovative tier one capital resources</i> FCA PRA</p>	<p>the amount of <i>capital resources</i> at stage C of the <i>capital resources table</i> (Innovation tier one capital) .</p>
<p><i>innovative tier one instrument</i> FCA PRA</p>	<p>a <i>potential tier one instrument</i> that is stated in ■ GENPRU 2.2(Capital resources) to be an innovative instrument.</p>
<p><i>inside information</i> FCA PRA</p>	<p>(as defined in section 118C of the <i>Act</i>):</p> <p>(a) in relation to <i>qualifying investments</i>, or <i>related investments</i>, which are not commodity derivatives, <i>inside information</i> is information of a precise nature which:</p> <p style="margin-left: 40px;">(i) is not generally available,</p> <p style="margin-left: 40px;">(ii) relates, directly or indirectly, to one or more issuers of the <i>qualifying investments</i> or to one or more of the <i>qualifying investments</i>, and</p> <p style="margin-left: 40px;">(iii) would, if generally available, be likely to have a significant effect on the price of the <i>qualifying investments</i> or on the price of <i>related investments</i>.</p> <p>(b) in relation to <i>qualifying investments</i>, or <i>related investments</i>, which are commodity derivatives, <i>inside information</i> is information of a precise nature which:</p> <p style="margin-left: 40px;">(i) is not generally available,</p> <p style="margin-left: 40px;">(ii) relates, directly or indirectly, to one or more such derivatives, and</p>

(iii) users of markets in which the derivatives are traded would expect to receive in accordance with *accepted market practices* on those markets.

(c) in relation to a person charged with the execution of orders concerning any *qualifying investments* or *related investments*, *inside information* includes information conveyed by a client and related to the client's pending orders which:

(i) is of a precise nature;

(ii) is not generally available;

(iii) relates, directly or indirectly, to one or more issuers of *qualifying investments* or to one or more *qualifying investments*; and

(iv) would, if generally available, be likely to have a significant effect on the price of those *qualifying investments* or the price of *related investments*;

(d) information is precise if it:

(i) indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur; and

(ii) is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of *qualifying investments* or *related investments*;

(e) information would be likely to have a significant effect on price if and only if it is information of that kind which a reasonable investor would be likely to use as part of the basis of his investment decisions;

(f) for the purposes of (b)(iii), users of markets on which investments in commodity derivatives are traded are to be treated as expecting to receive information relating directly or indirectly to one or more such derivatives in accordance with any *accepted market practices*, which is:

(i) routinely made available to the users of those markets; or

(ii) required to be disclosed in accordance with any statutory provision, market rules, or contracts or customs on the relevant underlying commodity market or commodity derivatives market;

(g) information which can be obtained by research or analysis conducted by, or on behalf of, users of a market is to be regarded, for the purposes of *market abuse*, as being generally available to them.

insider

FCA **PRA**

(as defined in section 118B of the Act) a *person* who has *inside information*:

(a) as a result of his membership of the administrative, management or supervisory bodies of an *issuer* of *qualifying investments*;

(b) as a result of his holding in the capital of an *issuer* of *qualifying investments*;

(c) as a result of having access to the information through the exercise of his employment, profession or duties;

(d) as a result of his criminal activities; or

(e) which he has obtained by other means and which he knows, or could reasonably be expected to know, is *inside information*.

insider dealing

FCA PRA

the activity described in section 52 of the Criminal Justice Act 1993, which is in summary:

(a) the offence of which an individual is guilty if he has information as an insider and:

(i) in the circumstances described in (b), he deals in securities that are price-affected securities in relation to the information;

(ii)

(A) he encourages another *person* to deal in securities that are (whether or not that other knows it) price-affected securities in relation to the information, knowing or having reasonable cause to believe that the dealing would take place in the circumstances mentioned in (b); or

(B) he discloses the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another *person*;

(b) the circumstances referred to in (a) are that the acquisition or disposal in question occurs on a regulated market (identified in an Order made by the Treasury), or that the *person* dealing relies on a professional intermediary or is himself acting as a professional intermediary.

insider list

FCA PRA

a list, as required by ■ DTR 2.8.1 R, of *persons* with access to *inside information*.

insolvency order

FCA PRA

an administration order, compulsory winding up order, bankruptcy order, or sequestration order.

INSPRU

FCA PRA

the Prudential sourcebook for Insurers.

instalment reversion plan

FCA PRA

a *home reversion plan* under which more than one payment is made to the *customer* during the life of the plan.

institution

FCA PRA

(A) In the PRA Handbook:

(1) has the meaning in article 4(1)(3) of the *EU CRR*.

(2) (for the purposes of *GENPRU* and *BIPRU*) includes a *CAD investment firm*.

(B) In the FCA Handbook:

(1) has the meaning in article 4(1)(3) of the *EU CRR*.

(2) (for the purposes of *GENPRU* and *BIPRU*) includes a *CAD investment firm*.

institutional linked policyholders

FCA PRA

in relation to *permitted links*, *linked policyholders* who are trustees of a *defined benefit occupational pension scheme*.

instrument constituting the fund

FCA **PRA**

- (a) (in relation to an *ICVC*) the *instrument of incorporation*;
- (b) (in relation to an *AUT*) the *trust deed*;
- (ba) (in relation to an *EEA UCITS scheme*) the fund rules or instrument of incorporation of such a *scheme*;
- (bb) (in relation to an *ACS*) the *contractual scheme deed*;
- (bc) (for an *AIF* other than an *ICVC*, an *AUT* or an *ACS*) the fund rules, instrument of incorporation or other constituting documents of such an *AIF*;
- (c) (in relation to a *collective investment scheme* other than an *AIF* or a *UCITS*) any instrument to which the *operator* is a party setting out any arrangements with any other *person* relating to any aspect of the operation or management of the *scheme*.

instrument of incorporation

FCA **PRA**

the instrument of incorporation of an *ICVC* (as from time to time amended) initially provided to the *FCA* in accordance with regulation 14(1)(c) of the *OEIC regulations*.

insurance accounts rules

FCA **PRA**

Schedule 9A to the Companies Act 1985 (Form and content of accounts of insurance companies) and Schedule 9A to the Companies Act (Northern Ireland) Order 1986 where these provisions are applicable, otherwise Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

insurance business

FCA **PRA**

the business of *effecting* or *carrying out contracts of insurance*.

insurance business grouping

FCA **PRA**

a grouping comprising descriptions of *general insurance business* determined in accordance with ■ INSPRU 1.4.12 R.

insurance business transfer

FCA **PRA**

a transfer in accordance with an *insurance business transfer scheme*.

insurance business transfer scheme

FCA **PRA**

- (a) a scheme, defined in section 105 of the *Act*, which is in summary: a scheme to transfer the whole or part of the business of an *insurer* (other than a *friendly society*) to another body;
- (b) a similar scheme to transfer the whole or part of the business carried on by one or more *members* of the *Society* or *former underwriting members* that meets the conditions of article 4 of the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001 (SI 2001/3626).

insurance client money chapter

FCA **PRA**

■ CASS 5.

insurance component

a *qualifying investment* prescribed in regulation 9 of the *ISA Regulations*.

FCA PRA

insurance conglomerate

FCA PRA

a *financial conglomerate* that is identified in paragraph 4.3 of ■ GENPRU 3 Annex 1 R (Types of financial conglomerate) as an insurance conglomerate.

insurance death risk capital component

FCA PRA

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.81 R to ■ INSPRU 1.1.83 R.

Insurance Directives

FCA PRA

the *Consolidated Life Directive* and the *First Non-Life Directive*, *Second Non-Life Directive* and *Third Non-Life Directive*.

insurance expense risk capital component

FCA PRA

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.88 R.

insurance group

FCA PRA

- (1) an *insurance parent undertaking* and its *related undertakings*; or
- (2) a *participating insurance undertaking* (not within (1)) and its *related undertakings*.

Insurance Groups Directive

FCA PRA

Directive of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group (1998/78/EC).

insurance health risk and life protection reinsurance capital component

FCA PRA

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.85 R to ■ INSPRU 1.1.86 R .

insurance holding company

FCA PRA

- (1) a *parent undertaking*, other than an *insurance undertaking*, the main business of which is to acquire and hold participations in *subsidiary undertakings* and which fulfils the following conditions:

- (a) its *subsidiary undertakings* are either exclusively or mainly *insurance undertakings*; and

- (b) at least one of those *subsidiary undertakings* is an *insurer* or an *EEA firm* that is a *regulated insurance entity* or a *reinsurance undertaking*;

a *parent undertaking*, other than an *insurance undertaking*, that fulfils the conditions in paragraphs (1) (a) and (b) of this definition is not an *insurance holding company* if:

(c) it is a *mixed financial holding company*; and

(d) notice has been given in accordance with Article 4(2) of the *Financial Groups Directive* that the *financial conglomerate* of which it is a *mixed financial holding company* is a *financial conglomerate*.

(2) For the purposes of:

(a) the definition of the *insurance sector*;

(b) [deleted]

(c) the definition of *material insurance holding*; paragraph (1)(b) of this definition does not apply.

Insurance Intermediaries Order

FCA PRA

the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) (Insurance Intermediaries) Order 2003 (SI 2003/1476).

insurance intermediary

FCA PRA

a *firm* carrying on *insurance mediation activity* other than an *insurer*.

Insurance market activity

FCA PRA

means a *regulated activity* relating to *contracts of insurance* written at Lloyd's.

Insurance market direction

FCA PRA

a direction made by the *appropriate regulator* under section 316(1) of the *Act* (Direction by a regulator).

insurance market risk capital component

FCA PRA

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.89 R.

insurance mediation

FCA PRA

(as defined in article 2(3) of the *IMD*) the activities of introducing, proposing or carrying out other work preparatory to the conclusion of contracts of insurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by an *IMD insurance undertaking* or an employee of an *IMD insurance undertaking* who is acting under the responsibility of the *IMD insurance undertaking* shall not be considered as *insurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing an insurance contract, the management of claims of an *IMD insurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *insurance mediation*.

insurance mediation activity

FCA PRA

any of the following *regulated activities* carried on in relation to a *contract of insurance* or rights to or interests in a life policy:

- (a) *dealing in investments as agent* (article 21);
- (b) *arranging (bringing about) deals in investments* (article 25(1));
- (c) *making arrangements with a view to transactions in investments* (article 25(2));
- (d) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (e) *advising on investments* (article 53);
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

Insurance Mediation Directive

FCA PRA

the European Parliament and Council Directive of 9 December 2002 on insurance mediation (No 2002/92/EC).

Insurance Ombudsman scheme

FCA PRA

the former scheme set up, on a voluntary basis, to handle complaints against those insurance companies which subscribed to it.

insurance parent undertaking

FCA PRA

a *parent undertaking* which is:

- (a) a *participating insurance undertaking* which has a *subsidiary undertaking* that is an *insurance undertaking*; or
- (b) an *insurance holding company* which has a *subsidiary undertaking* which is an *insurer*; or
- (c) an *insurance undertaking* (not within (a)) which has a *subsidiary undertaking* which is an *insurer*.

insurance sector

FCA PRA

a sector composed of one or more of the following entities:

- (a) an *insurance undertaking*;
- (b) an *insurance holding company*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

insurance special purpose vehicle

FCA PRA

an *undertaking*, other than an *insurance undertaking* or *reinsurance undertaking* which has received an official authorisation in accordance with article 6 of the *First Non-Life Directive*, article 4 of the *Consolidated Life Directive* or article 3 of the *Reinsurance Directive*:

- (a) which assumes risks from such *insurance undertakings* or *reinsurance undertakings*; and
- (b) which fully funds its exposures to such risks through the proceeds of a debt issuance or some other financing mechanism where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the *undertaking's reinsurance obligations*.

<p><i>insurance undertaking</i> FCA PRA</p>	<p>(1) (except in COBS) an undertaking, or (in ■ CASS 5 and COMP) a <i>member</i>, whether or not an <i>insurer</i>, which carries on <i>insurance business</i>.</p> <p>(2) (in COBS) an undertaking or a <i>member</i> which carries on <i>insurance business</i>.</p>
<p><i>insurance-related capital requirement</i> FCA PRA</p>	<p>a component of the calculation of the <i>ECR</i> for a <i>firm</i> carrying on <i>general insurance business</i> as set out in ■ INSPRU 1.1.76 R to ■ INSPRU 1.1.79 R .</p>
<p><i>insurer</i> FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> to <i>effect</i> or <i>carry out contracts of insurance</i> (other than a UK ISPV).</p>
<p><i>interdict</i> FCA PRA</p>	<p>a Scottish court order made by the Court of Session that prohibits a <i>person</i> from doing or continuing to do a certain act or requires a <i>person</i> to carry out a certain act.</p>
<p><i>interest rate duration method</i> FCA PRA</p>	<p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in ■ BIPRU 7.2.63 R (General market risk calculation: Duration method).</p>
<p><i>interest rate maturity method</i> FCA PRA</p>	<p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in ■ BIPRU 7.2.59 R (General market risk calculation: The maturity method).</p>
<p><i>interest rate PRR</i> FCA PRA</p>	<p>the part of the <i>market risk capital requirement</i> calculated in accordance with ■ BIPRU 7.2 (Interest rate PRR) or ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives) or, in relation to a particular <i>position</i>, the portion of the overall <i>interest rate PRR</i> attributable to that <i>position</i>.</p>
<p><i>interest rate simplified maturity method</i> FCA PRA</p>	<p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in ■ BIPRU 7.2.56 R (General market risk calculation: Simplified maturity method).</p>
<p><i>interested party</i> FCA PRA</p>	<p>(in relation to an application made under section 60 of the <i>Act</i> (Applications for approval)):</p> <ul style="list-style-type: none"> (a) the <i>firm</i> making the application; (b) the <i>person</i> in respect of whom the application is being made ("A"); and (c) the <i>person</i> by whom A's services are to be retained, if not the <i>firm</i> making the application.
<p><i>interest-only mortgage</i> FCA PRA</p>	<p>a <i>regulated mortgage contract</i> other than a <i>repayment mortgage</i>.</p>

<p><i>interest-rate contract</i> FCA</p>	interest-rate contracts listed in paragraph 1 of Annex II to the <i>EU CRR</i> .
<p><i>interim accounting period</i> FCA PRA</p>	(in <i>COLL</i>) a period within an <i>annual accounting period</i> in respect of which an allocation of income is to be made.
<p><i>interim income allocation date</i> FCA PRA</p>	any date specified in the <i>prospectus</i> of an <i>authorised fund</i> as the date on or before which an allocation of income will be made.
<p><i>interim permission</i> FCA</p>	in accordance with article 56 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013, subject to article 59 of that Order, to be treated as: <ul style="list-style-type: none"> (a) in relation to a person who is a <i>firm</i> immediately before 1 April 2014, a variation of permission; (b) in any other case, a <i>Part 4A permission</i>.
<p><i>intermediaries offer</i> FCA PRA</p>	<p>(1) (in <i>LR</i>) a marketing of <i>securities</i> already or not yet in issue, by means of an offer by, or on behalf of, the <i>issuer</i> to intermediaries for them to allocate to their own clients.</p> <p>(2) (for the purposes of the <i>Code of Market Conduct</i> (■ MAR 1)) a marketing of <i>securities</i> not yet in issue, by means of an offer by, or on behalf of, the <i>issuer</i> to intermediaries for them to allocate to their own clients.</p>
<p><i>intermediate broker</i> FCA PRA</p>	(in relation to a transaction in a <i>contingent liability investment</i>) any <i>person</i> acting in the capacity of an intermediary through whom the <i>firm</i> undertakes that transaction.
<p><i>intermediate customer</i> FCA</p>	(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)) any <i>person</i> classified as an 'intermediate customer' under <i>COB</i> on 31 October 2007, in accordance with the applicable conditions in force at the time.
<p><i>intermediate holding vehicle</i> FCA PRA</p>	a <i>company</i> , trust or partnership but not a <i>collective investment scheme</i> , whose purpose is to enable the holding of overseas immovables on behalf of a <i>non-UCITS retail scheme</i> or a <i>qualified investor scheme</i> .
<p><i>intermediate rate of return</i> FCA PRA</p>	(in <i>COBS</i>) the intermediate rate of return described in paragraph 2.3 of the <i>projection rules</i> (■ COBS 13 Annex 2).
<p><i>intermediate unitholder</i> FCA</p>	a <i>firm</i> whose name is entered in the <i>register</i> of a <i>non-UCITS retail scheme</i> or a <i>UCITS scheme</i> , or which holds <i>units</i> in a <i>non-UCITS retail scheme</i> or a <i>UCITS scheme</i> indirectly through a third party acting as a nominee, and which is not the beneficial owner of the relevant <i>unit</i> , and: <ul style="list-style-type: none"> (a) does not <i>manage investments</i> on behalf of the relevant beneficial owner of the <i>unit</i>; or

(b) does not act as a *depository* of a *collective investment scheme* or on behalf of such a *depository* in connection with its role in holding property subject to the *scheme*.

For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the *Glossary* definition of "register".

intermediate unitholder in a qualified investor scheme

FCA

a *firm* whose name is entered in the *register* of a *qualified investor scheme*, or which holds *units* in a *qualified investor scheme* indirectly through a third party acting as a nominee, and is not the beneficial owner of the relevant *unit*, and:

(a) does not *manage investments* on behalf of the relevant beneficial owner of the *unit*; or

(b) does not act as a *depository* of a *collective investment scheme* or on behalf of such a *depository* in connection with its role in holding property subject to the *scheme*.

For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the *Glossary* definition of "register".

internal approaches

FCA

one or more of the following, as referred to in the *EU CRR*:

(a) the Internal Ratings Based Approach in article 143(1);

(b) the Internal Models Approach in article 221;

(c) the own estimates approach in article 225;

(d) the Advanced Measurement Approaches in article 312(2);

(e) the Internal Model Method and internal models in articles 283 and 363; and

(f) the internal assessment approach in article 259(3).

internal capital adequacy assessment process

FCA PRA

a *firm's* assessment of the adequacy of its capital and financial resources, as required by the *ICAAP rules*.

internal controls

FCA PRA

the whole system of controls, financial or otherwise, established by the management of a *firm* in order to:

(a) carry on the business of the *firm* in an orderly and efficient manner;

(b) ensure adherence to management policies;

(c) safeguard the assets of the *firm* and other assets for which the *firm* is responsible; and

(d) secure as far as possible the completeness and accuracy of the *firm's* records (including those necessary to ensure continuous compliance with the requirements or standards under the *regulatory system* relating to the adequacy of the *firm's* financial resources).

internally managed AIF

FCA

(in accordance with regulation 4(3)(b) of the *AIFMD UK regulation*) an *AIF* where the legal form permits internal management and where the *AIF's* governing body chooses not to appoint an *external AIFM*.

internally managed corporate AIF

a *closed-ended corporate AIF* which is an *internally managed AIF*.

FCA

international accounting standards

means the international accounting standards, within the meaning of EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, adopted from time to time by the European Commission in accordance with that Regulation.

FCA PRA

International Financial Reporting Standards

international financial accounting standards within the meaning of EC Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002 as adopted from time to time by the European Commission in accordance with that Regulation.

FCA PRA

international organisation

(for the purposes of *GENPRU* and *BIPRU*) an organisation referred to in ■ BIPRU 3.4.30 R (Exposures to international organisations).

FCA PRA

International Securities Identification Number (ISIN)

a 12-character, alphanumeric code which uniquely identifies a *financial instrument* and provides for the uniform identification of *securities* at trading and settlement.

FCA PRA

inter-professional business

(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)) business which comes within the meaning of 'inter-professional business' as defined in *COB* on 31 October 2007.

FCA

inter-professional investment

[deleted]

inter-syndicate reinsurance

reinsurance between one *syndicate year* and another, not being *reinsurance to close*.

FCA PRA

intra-group liquidity modification

a modification to the *overall liquidity adequacy rule* of the kind described in BIPRU 12.8.7G.

FCA PRA

intra-group transactions

(in accordance with Article 2(18) of the *Financial Groups Directive* (Definitions)) all transactions by which *regulated entities* within a *financial conglomerate* rely either directly or indirectly upon other *undertakings* within the same *financial conglomerate* or upon any *person* linked to the *undertakings* within that *financial conglomerate* by *close links*, for the fulfilment of an obligation whether or not contractual, and whether or not for payment.

FCA PRA

<p><i>introducer</i> FCA PRA</p>	<p>an individual appointed by a <i>firm</i>, an <i>appointed representative</i> or, where applicable, a <i>tied agent</i>, to carry out in the course of <i>designated investment business</i> either or both of the following activities:</p> <ul style="list-style-type: none"> (a) effecting introductions; (b) distributing <i>non-real time financial promotions</i>.
<p><i>introducer appointed representative</i> FCA PRA</p>	<p>an <i>appointed representative</i> appointed by a <i>firm</i> whose scope of appointment is limited to:</p> <ul style="list-style-type: none"> (a) effecting introductions; and (b) distributing <i>non-real time financial promotions</i>.
<p><i>introducing broker</i> FCA PRA</p>	<p>a <i>firm</i> which introduces transactions relating to <i>designated investments arranged</i> (brought about) for its <i>clients</i> to a <i>clearing firm</i>.</p>
<p><i>investment</i> FCA PRA</p>	<p>(in accordance with sections 22(4) of the <i>Act</i> (Regulated activities) and section 93(2) of the Financial Services Act 2012) any investment, including any asset, right or interest.</p>
<p><i>investment adviser</i> FCA</p>	<p>(in relation to an <i>authorised fund</i>) a <i>person</i> who is retained by an <i>ICVC</i>, its <i>directors</i> or its <i>ACD</i> or by a <i>manager</i> of an <i>AUT</i> or by an <i>authorised contractual scheme manager</i> of an <i>ACS</i> under a commercial arrangement which is not a contract of service:</p> <ul style="list-style-type: none"> (a) to supply any of them with advice in relation to the <i>authorised fund</i> as to the merits of investment opportunities or information relevant to the making of judgements about the merits of investment opportunities; or (b) to exercise for any of them any function concerning the management of the <i>scheme property</i>.
<p><i>investment agreement</i> FCA PRA</p>	<p>any agreement the making or performance of which by either party constitutes a <i>regulated activity</i>, but disregarding the exclusions in Part II of the <i>Regulated Activities Order</i>.</p>
<p><i>investment business compensation scheme</i> FCA PRA</p>	<p>(as defined in article 2(2) of the <i>compensation transitionals order</i>) any of the following:</p> <ul style="list-style-type: none"> (a) the scheme established under section 54 of the Financial Services Act 1986 and known as the Investors Compensation Scheme; (b) the scheme established under section 22j of the Grey Paper published by the <i>FSA</i> on 26 September 1998 and known as the Section 43 Compensation Scheme; (c) the scheme established by chapter II of part L:VIII of the <i>PIA</i> rule book and known as the <i>PIA Indemnity Scheme</i>; (d) the scheme resulting from an agreement dated 1 February 1999 between the Association of British Insurers and the Investors Compensation Scheme Limited for the making of payments by way of compensation to widows, widowers and dependants of persons (since deceased), in connection with advice given to such persons in relation to pensions, or the arranging of pensions for such persons, and known as the <i>ABI/ICS scheme</i>.
<p><i>investment company with variable capital</i></p>	<p>a body incorporated under the <i>OEIC Regulations</i>.</p>

FCA PRA

*investment
entity*

(in *LR*) an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

FCA PRA

*investment
firm*

FCA PRA

(A) In the PRA Handbook:

(1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

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

(2) (in *REC*) a *MiFID investment firm*, or a person who would be a *MiFID investment firm* if it had its head office in the *EEA*.

(5) (in ■ *SYSC 19A*) a *firm* in (3) except for a *BIPRU firm*

(B) In the FCA Handbook:

(1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

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

(2) (in *REC*) a *MiFID investment firm*, or a person who would be a *MiFID investment firm* if it had its head office in the *EEA*.

(3) (in *IFPRU*, ■ *GENPRU 3* and ■ *BIPRU 12*) has the meaning in article 4(1)(2) of the *EU CRR*.

(4) (in *GENPRU* (except ■ *GENPRU 3*) and *BIPRU* (except ■ *BIPRU 12*) any of the following:

(a) a *firm* in (3); and

(b) a *BIPRU firm*.

(5) (in ■ *SYSC 19A*) a *firm* in (3).

*investment
firm
consolidation
waiver*

FCA PRA

(A) In the PRA Handbook:

a *waiver* (described in ■ *BIPRU 8.4* (*CAD Article 22* groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a *CAD Article 22 group*.

(B) In the FCA Handbook:

(in relation to a *BIPRU firm*) a *waiver* (described in ■ *BIPRU 8.4* (*CAD Article 22* groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a *CAD Article 22 group*.

*investment
management
firm*

FCA PRA

(A) In the PRA Handbook:

(a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *IFPRU investment firm*, *BIPRU firm*, *building society*, *collective portfolio management firm*, *credit union*, *energy market participant*, *friendly society*, *ICVC*, *insurer*, *media firm*, *oil market participant*, *service company*, *incoming EEA firm* (without a

top-up permission), *incoming Treaty firm* (without a *top-up permission*), or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ IPRU-INV 3 or ■ IPRU-INV 13 (Personal investment firms) and which is within (a), (b) or (c):

(a) a *firm*:

(i) which was a member of *IMRO* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *SFA* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU-INV 5 (Investment management firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* on or after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and was not a member of *IMRO*, *PIA* or the *SFA*; and

(ii) for which the most substantial part of its gross income (including *commissions*) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the *Act*):

(A) *managing investments* other than for *retail clients* or where the assets managed are primarily *derivatives*;

(B) *OPS activity*;

(C) acting as the *manager* or *trustee* of an *AUT*;

(Ca) *managing an AIF*;

(D) acting as the *ACD* or *depository* of an *ICVC*;

(Da) acting as the *authorised contractual scheme manager* or *depository* of an *ACS*;

(Db) *acting as trustee or depository of an AIF*;

(Dc) *acting as trustee or depository of a UCITS*;

(E) *establishing, operating or winding up a collective investment scheme* (other than an AUT, ICVC or ACS);

(Ea) *establishing, operating or winding up a personal pension scheme*; and

(F) *safeguarding and administering investments*.

(B) In the FCA Handbook:

a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *IFPRU investment firm*, *BIPRU firm*, *collective portfolio management firm*, *credit union*, *energy market participant*, *friendly society*, *ICVC*, *insurer*, *media firm*, *oil market participant*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*), or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ IPRU-INV 3 or ■ IPRU-INV 13 (Personal investment firms) and which is within (a), (b) or (c):

(a) a *firm*:

(i) which was a member of *IMRO* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *SFA* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU-INV 5 (Investment management firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* on or after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and was not a member of *IMRO*, *PIA* or the *SFA*; and

(ii) for which the most substantial part of its gross income (including *commissions*) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the Act):

investment
manager

FCA PRA

(A) *managing investments* other than for *retail clients* or where the assets managed are primarily *derivatives*;

(B) *OPS activity*;

(C) acting as the *manager* or *trustee* of an *AUT*;

(Ca) *managing an AIF*;

(D) acting as the *ACD* or *depository* of an *ICVC*;

(Da) acting as the *authorised contractual scheme manager* or *depository* of an *ACS*;

(Db) *acting as trustee or depository of an AIF*;

(Dc) *acting as trustee or depository of a UCITS*;

(E) *establishing, operating or winding up a collective investment scheme* (other than an *AUT*, *ICVC* or *ACS*);

(Ea) *establishing, operating or winding up a personal pension scheme*; and

(F) *safeguarding and administering investments*.

(1) (except in *LR*) a *person* who, acting only on behalf of a *client*:

(a) manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement; or

(b) manages *designated investments* in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.

(2) (in *LR*) a *person* who, on behalf of a *client*, manages *investments* and is not a wholly-owned *subsidiary* of the *client*.

the *former Ombudsman* under the *IMRO scheme*.

Investment
Ombudsman

FCA PRA

investment
professional

FCA PRA

(in accordance with article 19(5) of the *Financial Promotion Order*) (in relation to a *financial promotion*):

(a) an *authorised person*;

(b) an *exempt person* when the *financial promotion* relates to a *controlled activity* which is a *regulated activity* in relation to which the *person* is exempt;

(c) any other *person*:

(i) whose ordinary activities involve him in carrying on the *controlled activity* to which the *financial promotion* relates for the purposes of a business carried on by him; or

(ii) who it is reasonable to expect will carry on that activity for the purposes of a business carried on by him;

investment research

FCA PRA

(d) a government, a local authority (whether in the *United Kingdom* or elsewhere) or an international organisation;

(e) a *person* ("A") who is a *director*, *officer* or employee of a *person* ("B") falling within any of (a) to (d) where the *financial promotion* is made to A in that capacity and where A's responsibilities when acting in that capacity involve him in the carrying on by B of *controlled activities*.

research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several *financial instruments* or the issuers of *financial instruments*, including any opinion as to the present or future value or price of such instruments, intended for *distribution channels* or for the public, and in relation to which the following conditions are met:

(a) it is labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation;

(b) if the recommendation in question were to be made by an *investment firm* to a *client*, it would not constitute the provision of a *personal recommendation*.

[Note: article 24(1) of the *MiFID implementing Directive*]

investment service

FCA PRA

any of the following involving the provision of a service in relation to a *financial instrument*:

(a) reception and transmission of orders in relation to one or more *financial instruments*;

(b) execution of orders on behalf of *clients*;

(c) *dealing on own account*;

(d) *portfolio management*;

(e) the making of a *personal recommendation*;

(f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;

(g) placing of *financial instruments* without a firm commitment basis;

(h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

investment services and/or activities

FCA PRA

any of the services and activities listed in Section A of Annex I to *MiFID* relating to any *financial instrument* , that is:

(a) reception and transmission of orders in relation to one or more *financial instruments*;

(b) execution of orders on behalf of *clients*;

(c) *dealing on own account*;

(d) *portfolio management*;

(e) the making of a *personal recommendation*;

(f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;

(g) placing of *financial instruments* without a firm commitment basis;

(h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

Investment Services Directive

FCA PRA

the Council Directive of 10 May 1993 on investment services in the securities field (No 93/22/EEC).

investment services or activities

FCA PRA

any of the services and activities listed in Section A of Annex I to *MiFID* relating to any *financial instrument*, that is:

- (a) reception and transmission of orders in relation to one or more *financial instruments*;
- (b) execution of orders on behalf of *clients*;
- (c) *dealing on own account*;
- (d) *portfolio management*;
- (e) the making of a *personal recommendation*;
- (f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;
- (g) placing of *financial instruments* without a firm commitment basis;
- (h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

investment services sector

FCA PRA

(A) In the PRA Handbook:

a sector composed of one or more of the following entities:

- (a) an *investment firm*;
- (b) a *financial institution*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

(B) In the FCA Handbook:

(1) a sector composed of one or more of the following entities:

- (a) an *investment firm*;
- (b) a *financial institution*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

(2) (in *BIPRU* (except in ■ BIPRU 12) a sector comprised of one or more of the following entities:

- (a) the entities in (1); and
- (b) a *CAD investment firm*.

investment transaction

FCA PRA

a transaction to *buy, sell, subscribe for or underwrite a security or contractually based investment*.

investment trust

FCA **PRA**

(A) In the PRA Handbook:

a *company listed* in the *United Kingdom* or another *EEA State* which:

(a) is approved by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 (or, in the case of a newly formed *company*, has declared its intention to conduct its affairs so as to obtain such approval); or

(b) is resident in an *EEA State* other than the *United Kingdom* and would qualify for such approval if resident and *listed* in the *United Kingdom*.

(B) In the FCA Handbook:

a *company* which:

(a) is approved by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 (or, in the case of a newly formed *company*, has declared its intention to conduct its affairs so as to obtain such approval); or

(b) is resident in an *EEA State* other than the *United Kingdom* and would qualify for such approval if resident in the *United Kingdom*.

investment trust savings scheme

FCA **PRA**

(a) a *dealing service* (whether or not held within a *pension contract*) dedicated to the *securities* of one or more *investment trusts*;

(b) *securities* to be acquired through an investment trust savings scheme in (a).

Investor Compensation Directive

FCA **PRA**

the Council Directive of 3 March 1997 on investor compensation schemes (No 97/9/EC).

IOSCO

FCA **PRA**

the International Organisation of Securities Commissions.

IPA

FCA **PRA**

individual pension account.

IPA eligible investment

FCA **PRA**

a type of investment specified in regulation 2(2) (condition 5) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964) .

IPRU

FCA **PRA**

the Interim Prudential sourcebook, comprising ■ *IPRU(BANK)*, ■ *IPRU(BSOC)*, ■ *IPRU(FSOC)*, ■ *IPRU(INS)* and ■ *IPRU(INV)*, or according to the context one of these Interim Prudential sourcebooks.

IPRU(BANK)

FCA **PRA**

the Interim Prudential sourcebook for Banks.

IPRU(BSOC)

FCA **PRA**

the Interim Prudential sourcebook for Building Societies.

<p><i>IPRU(FSOC)</i> FCA PRA</p>	<p>the Interim Prudential sourcebook for Friendly Societies.</p>
<p><i>IPRU(INS)</i> FCA PRA</p>	<p>the Interim Prudential Sourcebook for Insurers.</p>
<p><i>IPRU(INV)</i> FCA PRA</p>	<p>the Interim Prudential sourcebook for Investment Businesses.</p>
<p><i>IRB approach</i> FCA PRA</p>	<p>one of the following:</p> <ul style="list-style-type: none"> (a) the adjusted method of calculating the <i>credit risk capital component</i> set out in ■ BIPRU 4 (IRB approach) and ■ BIPRU 9.12 (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under ■ BIPRU 14 (Capital requirements for settlement and counterparty risk); (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or (c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<p><i>IRB exposure class</i> FCA PRA</p>	<p>(in relation to the <i>IRB approach</i>) one of the classes of <i>exposure</i> set out in ■ BIPRU 4.3.2 R (exposure classes).</p>
<p><i>IRB permission</i> FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p style="padding-left: 20px;">an <i>Article 129 implementing measure</i>, a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or an <i>institution</i> to use the <i>IRB approach</i>.</p> <p>(B) In the FCA Handbook:</p> <p style="padding-left: 20px;">an <i>Article 129 implementing measure</i>, a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or a <i>CAD investment firm</i> to use the <i>IRB approach</i>.</p>
<p><i>ISA</i> FCA PRA</p>	<p>an <i>individual savings account</i>.</p>
<p><i>ISA manager</i> FCA PRA</p>	<p>a <i>person</i> who is approved by HM Revenue and Customs for the purposes of the <i>ISA Regulations</i> as an account manager.</p>
<p><i>ISA Regulations</i> FCA PRA</p>	<p>the Individual Savings Account Regulations 1998 (SI 1998/1870).</p>
<p><i>ISA transfer</i> FCA PRA</p>	<p>a transaction resulting from a decision, made with or without advice from a <i>firm</i>, by a <i>customer</i> who is an individual, to transfer the <i>investments</i> (or their value) held in his existing <i>ISA</i> in favour of another <i>ISA</i> which may or may not be managed by the same <i>ISA manager</i>.</p>

ISD

FCA PRA

Investment Services Directive.

ISPV

FCA PRA

an *insurance special purpose vehicle*.

issue

FCA PRA

(in relation to *units*):

(1) (except in ■ EG 14) the issue of new *units* by the *trustee* of an *AUT*, the *depository* of an *ACS* or by an *ICVC*;

(2) (in ■ EG 14):

(a) an issue in accordance with (1); and

(b) the sale of *units*.

issue price

FCA PRA

(in relation to the *issue* of *units* of a *dual-priced authorised fund*) the *price* for each *unit* payable by the *authorised fund manager* to the *depository* on that *issue*.

issuer

FCA PRA

(1) (except as otherwise provided for below) :

(a) (in relation to any *security*) (other than a *unit* in a *collective investment scheme*) the *person* by whom it is or is to be issued;

(b) (in relation to a *unit* in a *collective investment scheme*) the *operator* of the *scheme*;

(c) (in relation to an interest in a limited *partnership* except for a *limited partnership scheme*) the *partnership*;

(d) (in relation to *certificates representing certain securities*) the *person* who issued or is to issue the *security* to which the certificate or other instrument relates ; or

(e) an entity which issues *transferable securities* and, where appropriate, other *financial instruments*.

[Note: article 2(2) of the *MiFID Regulation*]

(2) (in chapters 1, 2 and 3 of *DTR* and *FEES* in relation to *DTR*) any *company* or other legal person or undertaking (including a *public sector issuer*), any class of whose *financial instruments*:

(a) have been *admitted to trading* on a *regulated market*; or

(b) are the subject of an application for *admission to trading* on a *regulated market*;

other than *issuers* who have not requested or approved admission of their *financial instruments* to trading on a *regulated market*.

(2A) (in chapters 1A, 1B, 4, 6 and 7 of *DTR*) a legal entity governed by private or public law, including a State, whose securities are admitted to trading on a *regulated market*, the issuer being, in the case of depository receipts representing securities, the issuer of the securities represented;

(2B) (in chapter 5 of *DTR*) :

(a) a legal entity governed by private or public law, including a State whose *shares* are admitted to trading on a *regulated market*, the issuer being in the case of depository receipts representing securities, the issuer of the *shares* represented; or

(b) a public company within the meaning of section 4(2) of the Companies Act 2006 and any other body corporate incorporated in and having a principal place of business in the *United Kingdom*, whose *shares* are admitted to trading on a market which (not being a *regulated market*) is a *prescribed market*.

(3) (in *LR* and *FEES* in relation to *LR*) any *company* or other legal person or undertaking (including a *public sector issuer*), any *class* of whose *securities* has been *admitted to listing* or is the subject of an application for *admission to listing*.

(4) (in *PR* and *FEES* in relation to *PR*) (as defined in section 102A of the *Act*) a legal person who issues or proposes to issue the *transferable securities* in question.

(5) (in *RCB* and ■ *FEES* 1 to ■ *FEES* 4, where applicable) (as defined in Regulation 1(2) of the *RCB Regulations*) a person which issues a *covered bond*.

(6) (in *FUND*) means an issuer within the meaning of article 2(1)(d) of the *Transparency Directive* where that issuer has its registered office in the *EEA* and where its shares are admitted to trading on a *regulated market*.

issuing
electronic
money

FCA PRA

the activity specified in article 9B of the *Regulated Activities Order* (Issuing electronic money), which is the activity of issuing *electronic money* by:

(a) a *credit institution*, a *credit union* or a municipal bank; or

(b) a person who is deemed to have been granted authorisation under regulation 74 of the *Electronic Money Regulations* or who falls within regulation 76(1) of the *Electronic Money Regulations*.

JGPPI

FCA

the FSA/OFT Joint Guidance on Payment Protection Products.

joint enterprise

FCA

PRA

(as defined in article 3(1) of the *Regulated Activities Order (Interpretation)*) an enterprise into which two or more *persons* ("the participators") enter for commercial purposes related to a business or businesses (other than the business of engaging in a *regulated activity*) carried on by them; where a participator is a member of a *group*, each other member of the *group* is also to be regarded as a participator in the enterprise.

<p><i>land</i> FCA</p>	<p>in accordance with section 189(1) of the CCA, includes an interest in land, and, in Scotland, includes heritable subjects of whatever description.</p>
<p><i>land vehicles</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 3 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock.</p>
<p><i>land-related agreement</i> FCA</p>	<p>(in ■ CONC App 1.1) a <i>credit agreement</i> which is</p> <ul style="list-style-type: none"> (a) intended primarily to <i>finance</i> the acquisition or retention of <i>land</i>; or (b) intended to <i>finance</i> the renovation or improvement of a building, <p>or any other <i>credit agreement</i> secured by a <i>legal mortgage</i> on <i>land</i> or, in Scotland, by a standard security within the meaning of the Conveyancing and Feudal Reform (Scotland) Act 1970.</p>
<p><i>large ACS investor</i> FCA</p>	<p>in relation to an ACS, a <i>person</i> who in exchange for <i>units</i> in the <i>scheme</i>:</p> <ul style="list-style-type: none"> (a) makes a payment of not less than £1,000,000; or (b) contributes property with a value of not less than £1,000,000.
<p><i>large business customer</i> FCA PRA</p>	<p>(in relation to a <i>regulated mortgage contract</i> or <i>qualifying credit</i>, and in relation to an activity to be carried on by a <i>firm</i>) a <i>client</i>, if the credit is for the purposes of a business which has a group annual turnover of £1 million or more.</p>
<p><i>large company</i> FCA PRA</p>	<p>a <i>body corporate</i> which does not qualify as a small company under section 247 of the Companies Act 1985 , or section 382 of the Companies Act 2006 as applicable.</p>
<p><i>large deal</i> FCA PRA</p>	<p>(in COLL) a transaction (or <i>series of transactions</i>) in one <i>dealing period</i>) by any <i>person</i> to <i>buy, sell</i> or exchange <i>units</i> in an <i>authorised fund</i>, of any value as set out in the <i>prospectus</i>, for the purposes of:</p> <ul style="list-style-type: none"> (a) an <i>SDRT provision</i>; (b) a <i>dilution levy</i>; (c) a <i>dilution adjustment</i> ; or (d) calculating the <i>prices</i>, for a <i>dual-priced authorised fund</i>, at which <i>units</i> may be <i>sold</i> or <i>redeemed</i>.
<p><i>large exposure</i> FCA PRA</p>	<p>(A) In the PRA Handbook: has the meaning given in the PRA Rulebook: Large Exposures rules.</p> <p>(B) In the FCA Handbook:</p> <ul style="list-style-type: none"> (1) (in BIPRU) the <i>exposure</i> of a <i>firm</i> to a <i>counterparty</i>, or a <i>group of connected clients</i>, whether in the <i>firm's non-trading book</i> or <i>trading book</i> or both, which in aggregate equals or exceeds 10% of the <i>firm's capital resources</i>. (2) (except in (1)) has the meaning in article 392 of the <i>EU CRR</i> (Definition of a large exposure).
<p><i>large mutual association</i> FCA PRA</p>	<p>(A) (in the PRA Handbook):</p> <ul style="list-style-type: none"> (1) (in COMP), an unincorporated mutual association or an unincorporated association (which is not a mutual association) with

<p><i>large partnership</i> FCA PRA</p>	<p>net assets of more than £1.4 million (or its equivalent in any currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(B) (in the <i>FCA Handbook</i>):</p> <p>(1) (in <i>COMP</i>) an unincorporated mutual association or unincorporated association (which is not a mutual association) with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p>
<p><i>larger denomination share</i> FCA PRA</p>	<p>(A) (in the <i>PRA Handbook</i>):</p> <p>(1) (in <i>COMP</i>), a <i>partnership</i> with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a <i>partnership</i> or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(B) (in the <i>FCA Handbook</i>):</p> <p>(1) (in <i>COMP</i>), a with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p>
<p><i>lead generator</i> FCA</p>	<p>any <i>share</i> that is not a <i>smaller denomination share</i>.</p> <p>a <i>person</i> that acquires the personal contact details of <i>customers</i> and passes the <i>customers'</i> details to a <i>firm</i> in return for a fee.</p>
<p><i>lead regulated firm</i> FCA PRA</p>	<p>a <i>firm</i> which is the subject of the financial supervision requirements of an <i>overseas regulator</i> in accordance with an agreement between the <i>appropriate regulator</i> and that regulator relating to the financial supervision of <i>firms</i> whose head office is within the country of that regulator.</p> <p>This definition is not related to the defined terms <i>UK lead regulated firm</i> or <i>non UK lead regulated firm</i>.</p>
<p><i>leading insurer</i> FCA PRA</p>	<p>(in relation to a <i>community co-insurance operation</i>) has the same meaning as in the <i>Community Co-Insurance Directive</i>.</p>
<p><i>legal expenses</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 17 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against risks of loss to the <i>persons</i> insured attributable to their incurring legal expenses (including costs of litigation).</p>

legal or equitable mortgage

FCA

in accordance with article 60L of the *Regulated Activities Order*, includes a legal or equitable charge and, in Scotland, a heritable security.

lender

FCA

(A) in the *PRA Handbook*:

- (a) the *person* providing *credit* under a *credit agreement*, or
- (b) a *person* who exercises, or has the right to exercise, the rights and duties of a *person* who provided *credit* under such an agreement.

(B) in the *FCA Handbook*:

- (a) the *person* providing *credit* under a *credit agreement*, or
- (b) a *person* who exercises, or has the right to exercise, the rights and duties of a *person* who provided *credit* under such an agreement; or
- (c) in relation to a *P2P agreement* other than a *credit agreement* or a *regulated mortgage contract*, the *person* providing *credit* under the *P2P agreement*.

lending firm

FCA

(in accordance with Article 90 of the *Banking Consolidation Directive* (Credit risk mitigation) and for the purposes of *rules* in *BIPRU* about *credit risk mitigation*) a *firm* that has an *exposure*, whether or not deriving from a loan.

leverage

FCA PRA

(in accordance with article 4(1)(v) of *AIFMD*) any method by which an *AIFM* increases the exposure of an *AIF* it manages whether through borrowing of cash or *securities*, or leverage embedded in *derivative* positions or by any other means.

levy limit

FCA PRA

(A) In the *FCA Handbook*:

(in *FEES*) the maximum aggregate amount of *compensation costs* and *specific costs* that may be allocated to a particular *class* in one financial year as set out in ■ *FEES 6 Annex 2 R*, whether directly or (where relevant to that *class*) through the *retail pool*. *FCA provider contribution classes* do not have a *levy limit*: they have a *retail pool* levy limit: see ■ *FEES 6 Annex 5R*.

(B) In the *PRA Handbook*:

(in *FEES*) the maximum aggregate amount of *compensation costs* and *specific costs* that may be allocated to a particular *class* in one financial year as set out in ■ *FEES 6 Annex 2 R*.

LGD

FCA PRA

loss given default.

liability of ships

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 12 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against damage arising out of or in connection with the use of vessels on the sea or on inland water, including third party risks and carrier's liability.

liability subject to compulsory insurance

FCA PRA

any liability required under any of the following enactments to be covered by insurance or (as the case may be) by insurance or by some other provisions for securing its discharge:

- (a) section 1(4A)(d) of the *Riding Establishments Act 1964* (or any corresponding enactment for the time being in force in Northern Ireland);

liability to a
policyholder

FCA PRA

(b) section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 or Article 5 of the Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972;

(c) Part VI of the Road Traffic Act 1988 or Part VIII of the Road Traffic (Northern Ireland) Order 1981;

(d) section 19 of the Nuclear Installations Act 1965.

(in relation to a firm carrying out contracts of insurance) any liability or obligation of that *firm* to, or in respect of, a *policyholder*, including any liability or obligation arising:

(a) from the requirement to treat *customers* fairly under *Principle 6*, including with respect to *policyholders'* reasonable expectations; or

(b) from a determination of liability by an *Ombudsman*; or

(c) from any requirement to pay compensation under the *regulatory system*.

licensee

PRA

(1) (in ■ DISP 2 - ■ 4 and ■ FEES 5) a *person* who is not a *firm* but who is:

(a) covered by a standard licence under the Consumer Credit Act 1974 (as amended); or

(b) authorised to carry on an activity by virtue of section 34(A) of that Act.

(2) (in ■ DISP 1) a person within (1)(a) above ;

and expressions in that Act have the same meaning in this definition.

life and
annuity

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph I of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), on human life or a contract to pay annuities on human life, but excluding (in each case) contracts within paragraph III of Part II of that Schedule (Linked long-term).

life policy

FCA PRA

(1) (in accordance with the definition of 'qualifying contract of insurance' in article 3(1) of the *Regulated Activities Order*) a *long-term insurance contract* (other than a reinsurance contract and a *pure protection contract*); and

(a) a *long-term care insurance contract*; and

(b) (in COBS) a *pension policy*;

unless (2) or (3) apply.

(2) In PERG (other than in relation to a *firm's permission* - see Note 5B to Table 1 in Annex 2, ■ PERG 2) and for the purposes of the *financial promotion rules* in ■ COBS 4, life policy does not include a *long-term care insurance contract*.

(3) In relation to a *firm's permission*:

(a) (in accordance with the definition of 'qualifying contract of insurance' in article 3(1) of the *Regulated Activities Order*) a *long-term insurance contract* (other than a reinsurance contract and a *pure protection contract*);

(b) a *long-term care insurance contract* which is a *pure protection contract*; and

(c) a *pension term assurance policy*.

life protection
reinsurance
business

FCA PRA

reinsurance acceptances which are *contracts of insurance*:

- (a) falling within *long-term insurance business class I*; or
- (b) falling within *long-term insurance business class III* and providing *index-linked benefits*;

that are not:

- (c) *with-profits insurance contracts*; or
- (d) *whole life assurances*; or
- (e) contracts to pay annuities on human life; or
- (f) contracts which pay a sum of money on the survival of the life assured to a specific date or on his earlier death.

lifetime
mortgage

FCA PRA

a *regulated mortgage contract* under which:

- (a) entry into the mortgage is restricted to older *customers* above a specified age;

and

(b) the *mortgage lender* may or may not specify a mortgage term, but will not seek full repayment of the loan (including interest, if any, outstanding) until the occurrence of one or more of the following:

- (i) the death of the *customer*; or
- (ii) the *customer* leaves the mortgaged land to live elsewhere and has no reasonable prospect of returning (for example by moving into residential care); or
- (iii) the *customer* acquires another dwelling for use as his main residence; or
- (iv) the *customer* sells the mortgaged land; or
- (v) the *mortgage lender* exercises its legal right to take possession of the mortgaged land under the terms of the contract.

and

(c) while the *customer* continues to occupy the mortgaged land as his main residence:

- (i) no instalment repayments of the capital and no payment of interest on the capital (other than interest charged when all or part of the capital is repaid voluntarily by the *customer*), are due or capable of becoming due; or
- (ii) although interest payments may become due, no full or partial repayment of the capital is due or capable of becoming due; or
- (iii) although interest payments and partial repayment of the capital may become due, no full repayment of the capital is due or capable of becoming due.

the London International Financial Futures and Options Exchange.

LIFFE

FCA PRA

PAGE
L5

limit of
indemnity

FCA PRA

(in ■ MIPRU 3 (Professional indemnity insurance)) the sum available to indemnify a *firm* in respect of each claim made under its professional indemnity insurance.

limit order

FCA PRA

an order to buy or sell a *financial instrument* at its specified price limit or better and for a specified size.

[Note: article 4(1)(16) of *MiFID*]

limitation

FCA PRA

a limitation incorporated in a *Part 4A permission* under section 55E(5) of the *Act* (Giving permission): the FCA), section 55F(4) of the *Act* (Giving permission: the PRA) or section 55J(10) of the *Act* (Variation or cancellation on initiative of regulator).

limited activity firm

FCA PRA

(A) In the PRA Handbook:

has the meaning set out ■ BIPRU 1.1.11 R (Types of investment firm: Limited activity firms).

(B) In the FCA Handbook:

has the meaning in article 96(1) of the *EU CRR*.

limited assurance engagement

FCA PRA

a 'limited assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.

limited liability partnership

FCA PRA

(a) a *body corporate* incorporated under the Limited Liability Partnerships Act 2000;

(b) a *body corporate* incorporated under legislation having the equivalent effect to the Limited Liability Partnerships Act 2000.

limited licence firm

FCA PRA

(A) In the PRA Handbook:

has the meaning set out ■ BIPRU 1.1.12 R (Types of investment firm: Limited licence firms).

(B) In the FCA Handbook:

has the meaning in article 95(1) of the *EU CRR*.

limited partner

FCA

in relation to a *limited partnership scheme*, a *participant* in the *scheme* (other than the *nominated partner*).

limited permission

FCA

a *Part 4A permission* for a relevant credit activity as defined in paragraph 2G of Schedule 6 to the *Act* (guidance on which is given in ■ COND 1.1A.5A G).

limited price indexation

FCA

in relation to transfer value analysis, benefits which increase in line with a recognised index but subject to a minimum and/or maximum rate.

limited redemption arrangements

FCA PRA

the arrangements operated by an *authorised fund manager* for the *redemption* of *units* in an *authorised fund* where the *authorised fund manager* holds himself out to redeem units in that *scheme* less frequently than twice in a calendar *month* in accordance with ■ COLL 6.2.19 R (Limited redemption).

linked assets

FCA PRA

index-linked assets or *property-linked assets*.

linked benefit

FCA **PRA**

(1) (in ■ COBS 21 (Permitted Links)) *property-linked benefits* or *index-linked benefits*.

(2) (other than in ■ COBS 21) a benefit payable under a *life policy* or a *regulated collective investment scheme* the amount of which is determined by reference to:

- (a) the value of the property of any description (whether specified or not); or
- (b) fluctuations in the value of any such property; or
- (c) income from such property; or
- (d) fluctuations in an index of the value of such property.

linked borrowing

FCA **PRA**

additional credit facilities (which may be secured, unsecured, or both) that are integral to a *regulated mortgage contract* but which may be the subject of a separate contract.

linked deposits

FCA **PRA**

additional facilities (which may be a current account, a savings account, or both) that are linked to a *regulated mortgage contract* but which may be the subject of a separate contract.

linked fund

FCA **PRA**

a real or notional account to which an *insurer* appropriates *linked assets* for the purposes of their being *permitted links*, and which may be subdivided into units, the value of each of which is determined by the *insurer* by reference to the value of those *linked assets*.

linked liabilities

FCA **PRA**

property-linked liabilities or *index-linked liabilities*.

linked life stakeholder product

FCA **PRA**

the *stakeholder product* specified by regulations 6 and 7 (rights under certain linked long-term contracts) of the *Stakeholder Regulations*;

linked long-term

FCA **PRA**

(in relation to a *contract of insurance*) a *long-term insurance contract* where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

linked policyholders

FCA **PRA**

policyholders under a *linked long-term* contract.

linked transaction

FCA

has the meaning in article 60E of the *Regulated Activities Order*; in summary, a transaction is a linked transaction in relation to a *credit agreement* ("the principal agreement") if:

- (1) it is (or will be) entered into by the *borrower* under the principal agreement or by a *relative* of the *borrower*;
- (2) it does not relate to the provision of *security*;
- (3) it does not form part of the principal agreement; and

(4) one of the following conditions is satisfied:

- (a) the transaction is entered into in compliance with a term of the principal agreement;
- (b) the principal agreement is a *borrower-lender-supplier agreement* and the transaction is *financed*, or to be *financed*, by the principal agreement;
- (c) the following conditions are met:
 - (i) the other party is
 - (aa) the *lender*,
 - (bb) the *lender's associate*,
 - (cc) a *person* who, in the negotiation of the transaction, is represented by a *credit broker* who is or was also a negotiator in negotiations for the principal agreement, or
 - (dd) a *person* who, at the time the transaction is initiated, knows that the principal agreement has been made or contemplates that it might be made;
 - (ii) the other party initiated the transaction by suggesting it to the *borrower* or the *relative* of the *borrower*; and
 - (iii) the *borrower* or the *relative* of the *borrower* enters into the transaction to induce the *lender* to enter into the principal agreement or for another purpose related to the principal agreement or to a transaction *financed* or to be *financed* by the principal agreement.

but a transaction is not a linked transaction if it is:

- (5) a *contract of insurance*;
- (6) a contract which contains a guarantee of *goods*; or
- (7) a transaction which comprises, or is effected under:
 - (a) an agreement for the operation of an account (including any savings account) for the deposit of money, or
 - (b) an agreement for the operation of a *current account*.

liquidity facility

FCA PRA

(for the purposes of ■ BIPRU 9 (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) the *securitisation position* arising from a contractual agreement to provide funding to ensure timeliness of cash-flows to investors.

liquidity risk

FCA PRA

(1) (in *COLL* and in accordance with article 3(8) of the *UCITS implementing Directive*) the risk that a position in a *UCITS'* portfolio cannot be sold, liquidated or closed out at limited cost in an adequately short timeframe and that the ability of the *scheme* to comply at any time with ■ COLL 6.2.16 R (Sale and redemption) or, in the case of an *EEA UCITS scheme*, article 84(1) of the *UCITS Directive* is thereby compromised.

(2) (except in *COLL*) the risk that a *firm*, although solvent, either does not have available sufficient financial resources to enable it to meet its

<p>obligations as they fall due, or can secure such resources only at excessive cost.</p>	
<p><i>list of primary information providers</i> FCA</p>	<p>the list of <i>primary information providers</i> maintained by the <i>FCA</i> in accordance with section 89P(4)(a) of the <i>Act</i>.</p>
<p><i>list of sponsors</i> FCA PRA</p>	<p>(in <i>LR</i>) the list of sponsors maintained by the <i>FCA</i> in accordance with section 88(3)(a) of the <i>Act</i>.</p>
<p><i>listed</i> FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <ul style="list-style-type: none"> (1) (except in <i>LR</i>, ■ SUP 11, <i>INSPRU</i> and <i>IPRU(INS)</i>) included in an official list. (2) (in ■ SUP 11, <i>INSPRU</i> and <i>IPRU(INS)</i>): <ul style="list-style-type: none"> (a) included in an <i>official list</i>; or (b) in respect of which facilities for <i>dealing</i> on a <i>regulated market</i> have been granted. (3) (in <i>LR</i>) admitted to the <i>official list</i> maintained by the <i>FCA</i> in accordance with section 74 of the <i>Act</i>. <p>(B) In the FCA Handbook:</p> <ul style="list-style-type: none"> (1) (except in <i>LR</i>, ■ SUP 11, <i>INSPRU</i> and <i>IPRU(INS)</i>) included in an official list. (2) (in ■ SUP 11, <i>INSPRU</i> and <i>IPRU(INS)</i>): <ul style="list-style-type: none"> (a) included in an <i>official list</i>; or (b) in respect of which facilities for <i>dealing</i> on a <i>regulated market</i> have been granted. (3) (in <i>LR</i>) admitted to the <i>official list</i> maintained by the <i>FCA</i> in accordance with section 74 of the <i>Act</i>.
<p><i>listed activity</i> FCA PRA</p>	<p>(A) In the PRA Handbook: an activity listed in Annex 1 to the <i>CRD</i>.</p> <p>(B) In the FCA Handbook: an activity listed in Annex 1 to the <i>CRD</i>.</p>
<p><i>listed company</i> FCA PRA</p>	<p>(in <i>LR</i> and <i>DEPP</i>) a <i>company</i> that has any <i>class</i> of its <i>securities listed</i>.</p>
<p><i>listed security</i> FCA PRA</p>	<p>any <i>security</i> that is admitted to an <i>official list</i>.</p>
<p><i>listing particulars</i> FCA PRA</p>	<p>(in <i>LR</i>) (in accordance with section 79(2) of the <i>Act</i>), a document in such form and containing such information as may be specified in <i>listing rules</i>.</p>

<i>listing rules</i> FCA PRA	(in accordance with sections 73A(1) and 73A(2) of the <i>Act</i>) <i>rules</i> relating to admission to the <i>official list</i> .
<i>Lloyd's actuary</i> FCA PRA	the <i>actuary</i> appointed by the <i>Society</i> under ■ SUP 4.6.1 R .
<i>Lloyd's actuary function</i> FCA PRA	(in the <i>PRA Handbook</i>) <i>PRA controlled functions</i> CF12B in the <i>table of PRA controlled functions</i> , described more fully in ■ SUP 10B.8.3 R.
<i>Lloyd's Arbitration Scheme</i> FCA PRA	the Lloyd's Arbitration Scheme (Members and Underwriting Agents Arbitration Scheme) established under Lloyd's Arbitration Scheme (Members and Underwriting Agents Scheme) Byelaw (No 15 of 1992).
<i>Lloyd's complaint procedures</i> FCA PRA	the procedures maintained by the <i>Society</i> under ■ DISP 1.11.1 R.
<i>Lloyd's complaint rules</i> FCA PRA	■ DISP 1.7.
<i>Lloyd's market activities</i> FCA PRA	<p>(a) <i>advising on syndicate participation at Lloyd's</i>, including <i>advising</i> on a transaction in the <i>capacity transfer market</i>;</p> <p>(b) <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i>;</p> <p>(c) agreeing to carry on the <i>regulated activities</i> in (a) and (b);</p> <p>(d) carrying on <i>designated investment business</i> which is not <i>MiFID business</i> in relation to <i>funds at Lloyd's</i>; or</p> <p>(e) <i>communicating</i> or <i>approving a financial promotion</i> in relation to:</p> <ul style="list-style-type: none"> (i) the <i>underwriting capacity of a Lloyd's syndicate</i>; or (ii) <i>membership of a Lloyd's syndicate</i>; or (iii) <i>life policies</i> written at Lloyd's; or (iv) any of the activities specified in (a) or (d).
<i>Lloyd's member's contribution</i> FCA PRA	<p>assets:</p> <p>(a) provided to a <i>managing agent</i> in response to a cash call; or</p> <p>(b) held by the <i>Society</i> as funds at Lloyds.</p>
<i>Lloyd's Members' Ombudsman</i> FCA PRA	the office of Ombudsman established under Lloyd's Members' Ombudsman Scheme Byelaw (No 13 of 1987).

<p><i>Lloyd's Return</i> FCA PRA</p>	<p>the financial report that the <i>Society</i> is required to submit to the <i>PRA</i> under IPRU(INS) 9.48(1) .</p>
<p><i>Lloyd's trust deed</i> FCA PRA</p>	<p>a trust deed in the form prescribed by the <i>Society</i> and notified to the <i>PRA</i>, for execution by a <i>member</i> in respect of his <i>insurance business</i>.</p>
<p><i>Lloyd's trust fund</i> FCA PRA</p>	<p>a fund held on the terms of a <i>Lloyd's trust deed</i>.</p>
<p><i>loaned funds</i> FCA</p>	<p>(in IPRU(INV)) any funds that have been provided to borrowers under a <i>P2P agreement</i> through an <i>operator of an electronic system in relation to lending</i>.</p>
<p><i>local</i> FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>(1) (except in ■ BIPRU 1.1 (Application and purpose)) a <i>firm</i> which is a member of a <i>futures</i> and <i>options</i> exchange and whose <i>permission</i> includes a <i>requirement</i> that:</p> <ul style="list-style-type: none"> (a) the <i>firm</i> will not conduct <i>designated investment business</i> other than: <ul style="list-style-type: none"> (i) <i>dealing</i> for its own account on that <i>futures</i> or <i>options</i> exchange; or (ii) <i>dealing</i> for the accounts of other members of the same <i>futures</i> and <i>options</i> exchange; or (iii) making a price to other members of the same <i>futures</i> and <i>options</i> exchange; and (iv) <i>dealing</i> for its own account in financial <i>futures</i> and <i>options</i> or other <i>derivatives</i> in the capacity of a customer; and (b) the performance of the <i>firm's</i> contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same <i>futures</i> and <i>options</i> exchange. <p>(2) (in ■ BIPRU 1.1 (Application and purpose) and in accordance with article 3(1)(p) of the <i>Capital Adequacy Directive</i> (Definitions)) an <i>undertaking</i> dealing for its own account on markets in financial-futures or options or other derivatives and on cash markets for the sole purpose of hedging <i>positions</i> on derivatives markets or which deals for the accounts of other members of those markets and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such an <i>undertaking</i> is assumed by clearing members of the same markets; for these purposes a clearing member means a member of the exchange or the clearing house which has a direct contractual relationship with the central counterparty (market guarantor).</p> <p>(B) In the FCA Handbook:</p>

(1) (except in ■ IFPRU 1.1 (Application and purpose)) a *firm* which is a member of a *futures* and *options* exchange and whose *permission* includes a *requirement* that:

(a) the *firm* will not conduct *designated investment business* other than:

(i) *dealing* for its own account on that *futures* or *options* exchange; or

(ii) *dealing* for the accounts of other members of the same *futures* and *options* exchange; or

(iii) making a price to other members of the same *futures* and *options* exchange; and

(iv) *dealing* for its own account in financial *futures* and *options* or other *derivatives* in the capacity of a customer; and

(b) the performance of the *firm's* contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same *futures* and *options* exchange.

(2) [deleted]

(3) (in ■ IFPRU 1.1 (Application and purpose) has the meaning given to the definition of "local firm" in article 4(1)(4) of the *EU CRR*.

local authority

FCA

(a) in England and Wales, a local authority within the meaning of the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(b) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973;

(c) in Northern Ireland, a district council within the meaning of the Local Government Act (Northern Ireland) 1972.

local firm

FCA PRA

a *firm* which falls within the definition of "local firm" in Article 3.1P of *CAD*, that is a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.

London Stock Exchange

FCA PRA

(in *LR*) London Stock Exchange Plc.

long settlement transaction

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) a transaction where a counterparty undertakes to deliver a security, a *commodity*, or a *foreign currency* amount against cash, other *CRD financial instruments*, or *commodities*, or vice versa, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for this particular transaction and five *business days* after the date on which the *person* enters into the transaction.

*long-term
admissible
asset*

FCA PRA

a *long-term insurance asset* which is an *admissible asset*.

*long-term care
insurance
contract*

FCA PRA

a *long-term insurance contract*:

(a) which provides, would provide at the *policyholder's* option, or is sold or held out as providing, benefits that are payable or provided if the *policyholder's* health deteriorates to the extent that he cannot live independently without assistance and that is not expected to change; and

(b) under which the benefits are capable of being paid for periodically for all or part of the period that the *policyholder* cannot live without assistance;

where 'benefits' are services, accommodation or goods necessary or desirable for the continuing care of the *policyholder* because he cannot live independently without assistance.

*long-term
incentive
scheme*

FCA

(in *LR*) any arrangement (other than a retirement benefit plan, a deferred bonus or any other arrangement that is an element of an executive *director's* remuneration package) which may involve the receipt of any asset (including cash or any security) by a *director* or *employee* of the *group*:

(a) which includes one or more conditions in respect of service and/or performance to be satisfied over more than one financial year; and

(b) pursuant to which the *group* may incur (other than in relation to the establishment and administration of the arrangement) either cost or a liability, whether actual or contingent.

*long-term
insurance asset*

FCA PRA

has the meaning set out in INSPRU 1.5.21R.

*long-term
insurance
business*

FCA PRA

the business of *effecting* or *carrying out long-term insurance contracts*.

*long-term
insurance
business
syndicate*

FCA PRA

a *syndicate* in which *members* carry on *long-term insurance business*.

*long-term
insurance
capital
requirement*

FCA PRA

(in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that the *firm* must hold calculated in accordance with GENPRU 2.1.36R.

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*long-term
insurance
contract*

FCA PRA

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation: general)) any *contract of insurance* within Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), namely:

(a) *life and annuity* (paragraph I);

<p><i>long-term insurance fund</i> FCA PRA</p>	<p>(b) <i>marriage or the formation of a civil partnership and birth</i> (paragraph II);</p> <p>(c) <i>linked long-term</i> (paragraph III);</p> <p>(d) <i>permanent health</i> (paragraph IV);</p> <p>(e) <i>tontines</i> (paragraph V);</p> <p>(f) <i>capital redemption</i> (paragraph VI);</p> <p>(g) <i>pension fund management</i> (paragraph VII);</p> <p>(g) <i>collective insurance</i> etc (paragraph VIII);</p> <p>(h) <i>social insurance</i> (paragraph IX).</p> <p>has the meaning set out in INSPRU 1.5.22R .</p>
<p><i>long-term insurance liabilities</i> FCA PRA</p>	<p>liabilities arising from <i>long-term insurance business</i>.</p>
<p><i>long-term insurer</i> FCA PRA</p>	<p>an <i>insurer</i> with <i>permission</i> to effect or carry out long-term insurance contracts.</p>
<p><i>loss</i> FCA PRA</p>	<p>(in accordance with Article 4(26) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of the <i>IRB approach</i>, the <i>standardised approach</i> to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.</p> <p>(A) In the PRA Handbook:</p> <p style="padding-left: 40px;">(in accordance with Article 4(26) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of the <i>IRB approach</i>, the <i>standardised approach</i> to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.</p> <p>(B) In the FCA Handbook:</p> <p style="padding-left: 40px;">(1) (in <i>BIPRU</i> and in accordance with Article 4(26) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of the <i>IRB approach</i>, the <i>standardised approach</i> to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.</p> <p style="padding-left: 40px;">(2) (except in (2)) has the meaning in article 5(1) of the <i>EU CRR</i>.</p>
<p><i>loss given default</i> FCA PRA</p>	<p>(in accordance with Article 4(27) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to the <i>IRB approach</i>) the ratio of the <i>loss</i> on an <i>exposure</i> due to the <i>default</i> of a counterparty to the amount outstanding at <i>default</i>.</p>

low frequency liquidity reporting firm

FCA **PRA**

any of the following:

- (a) a *simplified ILAS BIPRU firm*; or
- (b) a *standard ILAS BIPRU firm* whose most recent *annual report and accounts* show balance sheet assets of less than £5 billion (or its equivalent in foreign currency translated into sterling at the balance sheet date); or
- (c) a *standard ILAS BIPRU firm* that meets the following conditions:
 - (i) it does not have any *annual report and accounts* and it has been too recently established to be required to have produced any;
 - (ii) it has submitted a projected balance sheet to the *FCA* or *PRA* (as the case may be) as part of an application for a *Part 4A permission* or a variation of one; and
 - (iii) the most recent such balance sheet shows that the *firm* will meet the size condition set out in (b) in all periods covered by those projections.

In respect of an *incoming EEA firm* or *third country BIPRU firm* that is also a *standard ILAS BIPRU firm* and which reports on the basis of its branch operation in the *United Kingdom*, if the balance sheet assets attributable to the *UK branch* can be determined from the *firm's* most recent *annual report and accounts* (or, if applicable, the projected balance sheet) or any *data item* submitted by the *firm*, then paragraphs (b) and (c) apply at the level of the *branch* rather than of the *firm*.

lower rate of return

FCA **PRA**

(in *COBS*) the lower rate of return described in paragraph 2.3 of the projection rules (■ *COBS* 13 Annex 2).

lower stage of capital

FCA **PRA**

(with respect to a particular item of capital in the *capital resources table*) a stage in the *capital resources table* below that in which that item of capital appears.

lower tier three capital

FCA **PRA**

an item of capital that is specified in stage P of the *capital resources table* (Lower tier three).

lower tier three capital resources

FCA **PRA**

the sum calculated at stage P of the *capital resources table* (Lower tier three).

lower tier two capital

FCA **PRA**

- (1) [deleted]
- (2) (in *BIPRU*, *GENPRU* and *INSPRU*) an item of capital that is specified in stage H of the *capital resources table* (Lower tier two capital) .

lower tier two capital resources

FCA **PRA**

the sum calculated at stage H of the calculation in the *capital resources table* (Lower tier two capital) .

lower tier two instrument

FCA **PRA**

an item of capital that meets the conditions in GENPRU 2.2.194R (Lower tier two capital) and is eligible to form part of a *firm's lower tier two capital resources*.

LR

FCA **PRA**

the Listing Rules sourcebook.

LTICR

FCA **PRA**

long-term insurance capital requirement.

(d) Each currency (which may include the reporting currency) that represents 20% or more of the total asset figure or 20% or more of the total liabilities figure is a *material currency*.

(e) A currency is also a *material currency* if it is identified by the *firm's* current:

- (i) *Individual Liquidity Adequacy Assessment*; or
- (ii) *Individual Liquidity Systems Assessment*; or
- (iii) *ILG* that has been accepted by the *firm*;

as being significant in the context of cross-currency *liquidity risk* (as referred to in BIPRU 12.5 (Individual Liquidity Adequacy Standards)).

(f) The conversion rate for a currency into the reporting currency is the exchange rate on the date as of which the calculation is being made.

(g) The reporting currency means the currency in which the most recent *data item* FSA054 (as referred to in (b)) is reported.

(h) A currency is a *material currency* in relation to a *firm's branch* or a *defined liquidity group* of which it is a *group liquidity reporting firm* if it is identified as such in accordance with the procedures in the previous paragraphs of this definition except that the identification is carried out by reference to that *branch* or *defined liquidity group*. For these purposes, *data item* FSA054 for the *reporting level* concerned is used.

(i) If the *firm* has not delivered *data item* FSA054 to the *appropriate regulator* at the *reporting level* concerned or is currently not required to do so at the *reporting level* concerned, the calculation is carried out using the methods for drawing up *data item* FSA054.

(in IPRU(INV) 13) losses of an amount equal to 10 per cent or more of the amount by which the *own funds* of an *undertaking* exceed the *own funds* needed to meet financial resources test 1 as prescribed in chapter 13.

material current year losses

FCA PRA

material holding

FCA PRA

(1) [deleted]

(2) (for the purposes of GENPRU and BIPRU) has the meaning in ■ GENPRU 2.2.209 R (Deductions from tiers one and two: Material holdings (BIPRU firm only)).

material insurance holding

FCA PRA

has the meaning in GENPRU 2.2.212R (Material holdings) or, for an *exempt CAD firm* which is an *investment management firm*, in IPRU(INV) Table 5.2.2(1).

material interest

FCA PRA

(in COBS) (in relation to a transaction) any interest of a material nature, other than:

- (a) disclosable *commission* on the transaction;
- (b) goods or services which can reasonably be expected to assist in carrying on *designated investment business* with or for *clients* and which are provided or to be provided in compliance with ■ COBS 11.6.3 R.

material outsourcing

FCA PRA

outsourcing services of such importance that weakness, or failure, of the services would cast serious doubt upon the *firm's* continuing satisfaction of the *threshold conditions* or compliance with the *Principles*.

mathematical reserves

FCA PRA

the provision made by an *insurer* to cover liabilities (excluding liabilities which have fallen due and liabilities arising from *deposit back arrangements*) arising under or in connection with *long-term insurance contracts*.

maxi-ISA

FCA PRA

an *ISA* which includes a *stocks and shares component* and may also include other *qualifying investments* such as:

- (a) a *cash component*;
- (b) an *insurance component*;

as prescribed in paragraphs 7, 8 and 9 respectively of the *ISA Regulations*.

MCAS scheme

FCA PRA

Mortgage Code Arbitration Scheme.

MCG

FCA

the Office of Fair Trading's Mental Capacity Guidance.

MCOB

FCA PRA

the Mortgages and Home Finance: Conduct of Business sourcebook.

MCR

FCA PRA

minimum capital requirement.

media firm

FCA PRA

a *firm* whose only *permitted activities* are *advising on investments* and *agreeing to carry on that regulated activity*, and whose *Part 4A permission* includes *requirements* to the effect that the *firm* must advise:

- (a) only through the media; and
- (b) without conveying the impression that the advice is particularly suitable for any *person*, except when it is given in response to a specific request for advice from that *person*;

in this definition, "media" means:

- (i) newspapers, journals, magazines or other periodical publications;
- (ii) services comprising regularly updated news or information;
- (iii) services consisting of the broadcast or transmission of television or radio programmes.

media operator

FCA

a news vendor that receives *regulated information* from a *regulatory information service* and then disseminates that information to the public as soon as possible.

meeting of repayment claims

FCA PRA

the *regulated activity*, specified in article 63N(1)(a) of the *Regulated Activities Order*, which is the meeting of *repayment claims* by a *dormant account fund operator*.

member

FCA PRA

(1) (except in *PROF*, *LR*, ■ *EG 16* and *REC*) a *person* admitted to membership of the *Society* or any *person* by law entitled or bound to administer his affairs.

<p><i>member contribution</i></p> <p>FCA PRA</p>	<p>(2) (in <i>PROF</i>, <i>LR</i> and ■ <i>EG 16</i>) (as defined in section 325(2) of the <i>Act</i> (FCA's general duty)) (in relation to a profession) a <i>person</i> who is entitled to practise that profession and, in practising it, is subject to the rules of the relevant <i>designated professional body</i>, whether or not he is a member of that body.</p> <p>(3) (in <i>REC</i>) (in relation to a <i>recognised body</i>) a <i>person</i> who is entitled, under an arrangement or agreement between him and that body, to use that body's <i>facilities</i>.</p> <p>any paid up contribution by a member of a <i>mutual</i> where the members' accounts meet the following criteria:</p> <p>(a) the memorandum and articles of association or other constitutional documents must stipulate that payments may be made from these accounts to members only in so far as this does not cause the <i>firm's capital resources</i> to fall below the required level, or, if after dissolution of the <i>firm</i>, all the <i>firm's</i> other debts have been settled;</p> <p>(b) the memorandum and articles of association or other constitutional documents must stipulate, with respect to the payments referred to in (a) made for reasons other than the individual termination of membership, that the <i>appropriate regulator</i> must be notified at least one month in advance of the intended date of such payments; and</p> <p>(c) the <i>appropriate regulator</i> must be notified of any amendment to the relevant provisions of the memorandum and articles of association or other constitutional documents.</p>
<p><i>member society</i></p> <p>FCA PRA</p>	<p>(as defined in article 2(2) of the <i>compensation transitionals order</i>) a person who at any time before <i>commencement</i> was a member society within the rules of the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.</p>
<p><i>members' adviser</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> whose <i>permission</i> includes <i>advising on syndicate participation at Lloyd's</i>, but which is not an <i>underwriting agent</i>.</p>
<p><i>members' agent</i></p> <p>FCA PRA</p>	<p>an <i>underwriting agent</i> who carries on the <i>regulated activity</i> of <i>advising on syndicate participation at Lloyd's</i>.</p>
<p><i>membership of a Lloyd's syndicate</i></p> <p>FCA PRA</p>	<p>the <i>investment</i>, specified in article 86(2) of the <i>Regulated Activities Order</i>, which is a <i>person's</i> membership (or prospective membership) of a Lloyd's <i>syndicate</i>.</p>
<p><i>merging UCITS</i></p> <p>FCA PRA</p>	<p>(in <i>COLL</i>) in relation to a <i>UCITS merger</i>, the <i>UCITS scheme</i>, <i>EEA UCITS scheme</i> or <i>sub-fund</i> of such a <i>scheme</i>, that under the proposed arrangements will be transferring all its assets and liabilities to the <i>receiving UCITS</i>.</p>
<p>PAGE M15 <i>MERS levy</i></p> <p>FCA PRA</p>	<p>a levy (management expenses in respect of relevant schemes levy) imposed by the <i>FSCS</i> on <i>participant firms</i> to meet the management expenses incurred by the <i>FSCS</i> in connection with acting on behalf of the <i>manager of the relevant scheme</i> in accordance with Part 15A of the <i>Act</i>.</p>
<p><i>mesothelioma regulations</i></p>	<p>The Compensation Act 2006 (Contribution for Mesothelioma Claims) Regulations 2006 (SI 2006/3259).</p>

FCA PRA

mesothelioma victim

(in accordance with section 3 (1) of the Compensation Act 2006) a *person* who has contracted mesothelioma as a result of exposure to asbestos by a *responsible person*.

FCA PRA

mezzanine securitisation positions

for the purposes of ■ BIPRU 9.3.7 R, ■ BIPRU 9.4.11 R and ■ BIPRU 9.5.1 R (6), *securitisation positions* to which a *risk weight* lower than 1250% applies and which are more junior than the most senior position in the relevant *securitisation* and more junior than any *securitisation* position in the relevant *securitisation* to which:

FCA PRA

(a) in the case of a *securitisation position* subject to the *standardised approach* to *securitisation* set out in ■ BIPRU 9.11.1 R and ■ BIPRU 9.11.2 R, a *credit quality step* 1 is assigned; or

(b) in the case of a *securitisation position* subject to the *IRB approach* to *securitisation* set out in ■ BIPRU 9.12.10 R and ■ BIPRU 9.12.11 R, a *credit quality step* 1 or 2 is assigned under ■ BIPRU 9.7.2 R, ■ BIPRU 9.8.2 R to ■ BIPRU 9.8.7 R and regulation 23 of the *Capital Requirements Regulations* 2006.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1b]

MFHC conglomerate

a *financial conglomerate* which is headed by a *mixed financial holding company*.

FCA PRA

micro-enterprise

an enterprise which:

FCA PRA

(a) employs fewer than 10 *persons*; and

(b) has a turnover or annual balance sheet that does not exceed €2 million.

In this definition, "enterprise" means any *person* engaged in an economic activity, irrespective of legal form and includes, in particular, self-employed *persons* and family businesses engaged in craft or other activities, and *partnerships* or associations regularly engaged in an economic activity.

[Note: article 4(26) of the *Payment Services Directive* and the Annex to the *Micro-enterprise Recommendation*]

Micro-enterprise Recommendation

Recommendation 2003/361/EC of the Commission of 6th May 2003 concerning the definition of micro, small and medium-sized enterprises.

FCA PRA

MiFID

The European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC).

FCA PRA

See also *MiFID Regulation* and *MiFID implementing Directive*.

MiFID business

investment services and activities and, where relevant, *ancillary services* carried on by a *MiFID investment firm*.

FCA PRA

MiFID business bidding

the *regulated activity* of *bidding in emissions auctions* where it is carried on by a *MiFID investment firm* (other than a *UCITS investment firm*) in relation to a *financial instrument*.

FCA PRA

MiFID client money (minimum implementing) rules

■ CASS 7.3.1 R, ■ CASS 7.3.2 R, ■ CASS 7.4.1 R, ■ CASS 7.4.5 R, ■ CASS 7.4.7 R, ■ CASS 7.4.8 R, ■ CASS 7.4.11 R, ■ CASS 7.6.1 R, ■ CASS 7.6.2 R and ■ CASS 7.6.9 R.

FCA PRA

MiFID implementing Directive

Commission Directive No. 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

FCA PRA

MiFID implementing requirement

(1) (in relation to a *UK RIE*) any of the requirements applicable to that body under the *MiFID Regulation*.

(2) (in relation to a body applying for recognition as a *UK RIE*) any of the requirements under the *MiFID Regulation* which, if its application were successful, would apply to it.

FCA PRA

MiFID investment firm

(A) In the PRA Handbook:

(in summary) a *firm* to which *MiFID* applies including, for some purposes only, a *credit institution* and *collective portfolio management investment firm*.

(in full) a *firm* which is:

(1) an *investment firm* with its head office in the *EEA* (or, if it has a registered office, that office);

(2) a *CRD credit institution* (only when providing an *investment service or activity* in relation to the *rules* implementing the Articles referred to in Article 1(2) of *MiFID*);

(3) a *collective portfolio management investment firm* (only when providing the services referred to in article 6(4) *AIFMD* or Article 6(3) of the *UCITS Directive* in relation to the *rules* implementing the articles of *MiFID* referred to in article 6(6) of *AIFMD* or Article 20 6(4) of the *UCITS Directive* and for a *full-scope UK AIFM* the *rules* implementing article 12(2)(b) of *AIFMD*);

unless, and to the extent that, *MiFID* does not apply to it as a result of Article 2 (Exemptions) or Article 3 (Optional exemptions) of *MiFID*.

(B) In the FCA Handbook:

(in summary) a *firm* to which *MiFID* applies including, for some purposes only, a *credit institution* and *collective portfolio management investment firm*.

(in full) a *firm* which is:

(1) an *investment firm* with its head office in the *EEA* (or, if it has a registered office, that office);

(2) a *CRD credit institution* (only when providing an *investment service or activity* in relation to the *rules*

<p><i>MiFID or equivalent third country business</i></p> <p>FCA PRA</p>	<p>implementing the Articles referred to in Article 1(2) of <i>MiFID</i>);</p> <p>(3) a <i>collective portfolio management investment firm</i> (only when providing the services referred to in article 6(4) <i>AIFMD</i> or Article 6(3) of the <i>UCITS Directive</i> in relation to the <i>rules</i> implementing the articles of <i>MiFID</i> referred to in article 6(6) of <i>AIFMD</i> or Article 20 6(4) of the <i>UCITS Directive</i> and for a <i>full-scope UK AIFM</i> the <i>rules</i> implementing article 12(2)(b) of <i>AIFMD</i>);</p> <p>unless, and to the extent that, <i>MiFID</i> does not apply to it as a result of Article 2 (Exemptions) or Article 3 (Optional exemptions) of <i>MiFID</i>.</p>
<p><i>MiFID outsourcing rules</i></p> <p>FCA PRA</p>	<p><i>MiFID business</i> or the <i>equivalent business of a third country investment firm</i>.</p> <p>■ SYSC 8.1.1 R to ■ SYSC 8.1.11 R.</p>
<p><i>MiFID Regulation</i></p> <p>FCA PRA</p>	<p>Commission Regulation (EC) 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.</p>
<p><i>MIIC</i></p> <p>FCA PRA</p>	<p>the <i>Motor Insurers' Information Centre</i>.</p>
<p><i>mineral company</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) a <i>company</i> or <i>group</i>, whose principal activity is, or is planned to be, the <i>extraction of mineral resources</i> (which may or may not include exploration for <i>mineral resources</i>).</p>
<p><i>mineral expert's report</i></p> <p>FCA</p>	<p>(in <i>LR</i>) a report prepared in accordance with the <i>ESMA recommendations</i>.</p>
<p><i>mineral resources</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal.</p>
<p><i>mini-ISA</i></p> <p>FCA PRA</p>	<p>an <i>ISA</i> which contains only one of the following <i>qualifying investments</i>:</p> <ul style="list-style-type: none"> (a) a <i>stocks and shares component</i>; (b) a <i>cash component</i>; (c) an <i>insurance component</i>;

minimum capital requirement

FCA PRA

as prescribed in paragraph 7, 8 or 9 respectively of the *ISA Regulations*.

an amount of capital resources that a *firm* must hold as set out in
 ■ GENPRU 2.1.24 R and ■ GENPRU 2.1.25 R.

minimum IRB standards

FCA PRA

(in relation to the IRB approach) ■ BIPRU 4.3.9 R, ■ BIPRU 4.3.11 R-■ BIPRU 4.3.29 R, ■ BIPRU 4.3.33 R-■ BIPRU 4.3.40 R, ■ BIPRU 4.3.43 R-■ BIPRU 4.3.44 R, ■ BIPRU 4.3.46 R-■ BIPRU 4.3.48 R, ■ BIPRU 4.3.50 R-■ BIPRU 4.3.51 R, ■ BIPRU 4.3.54 R, ■ BIPRU 4.3.56 R-■ BIPRU 4.3.57 R, ■ BIPRU 4.3.63 R, ■ BIPRU 4.3.70 R-■ BIPRU 4.3.71 R, ■ BIPRU 4.3.73 R-■ BIPRU 4.3.74 R, ■ BIPRU 4.3.83 R-■ BIPRU 4.3.85 R, ■ BIPRU 4.3.88 R, ■ BIPRU 4.3.90 R-■ BIPRU 4.3.92 R, ■ BIPRU 4.3.94 R, ■ BIPRU 4.3.99 R, ■ BIPRU 4.3.103 R, ■ BIPRU 4.3.116 R-■ BIPRU 4.3.123 R, ■ BIPRU 4.3.125 R-■ BIPRU 4.3.131 R ■ BIPRU 4.4.6 R-■ BIPRU 4.4.9 R, ■ BIPRU 4.4.11 R-■ BIPRU 4.4.13 R, ■ BIPRU 4.4.15 R-■ BIPRU 4.4.18 R, ■ BIPRU 4.4.21 R-■ BIPRU 4.4.22 R, ■ BIPRU 4.4.24 R-■ BIPRU 4.4.25 R, ■ BIPRU 4.4.27 R-■ BIPRU 4.4.28 R, ■ BIPRU 4.4.30 R-■ BIPRU 4.4.31 R, ■ BIPRU 4.4.48 R-■ BIPRU 4.4.51 R, ■ BIPRU 4.4.53 R, ■ BIPRU 4.4.54 R, ■ BIPRU 4.5.5 R, ■ BIPRU 4.6.6 R-■ BIPRU 4.6.9 R, ■ BIPRU 4.6.11 R-■ BIPRU 4.6.12 R, ■ BIPRU 4.6.14 R, ■ BIPRU 4.6.18 R, ■ BIPRU 4.6.20 R-■ BIPRU 4.6.21 R, ■ BIPRU 4.6.24 R-■ BIPRU 4.6.34 R, ■ BIPRU 4.6.37 R-■ BIPRU 4.6.39 R, ■ BIPRU 4.7.19 R, ■ BIPRU 4.7.27 R-■ BIPRU 4.7.35 R, ■ BIPRU 4.8.5 R-■ BIPRU 4.8.9 R, ■ BIPRU 4.8.11 R-■ BIPRU 4.8.15 R, ■ BIPRU 4.10.40 R-■ BIPRU 4.10.48 R.

minimum levy

FCA PRA

(in *FEES*) the fixed minimum *general levy* payable by a *firm*.

minimum multiplication factor

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in ■ BIPRU 7.10.119 R (Capital calculations: Multiplication factors), which is in summary the number three or any higher amount the *VaR model permission* defines it as.

MIPRU

FCA PRA

the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries

miscellaneous financial loss

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 16 of Part I of Schedule 1 to the *Regulated Activities Order* (*General contracts of insurance*), against any of the following risks:

(a) risks of loss to the *persons* insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;

(b) risks of loss to the *persons* insured attributable to their incurring unforeseen expense (other than loss such as is covered by contracts within paragraph 18 of Part I of Schedule 1 to the *Regulated Activities Order* (Assistance));

(c) risks which do not fall within paragraphs (a) or (b) and which are not of such a kind that *contracts of insurance* against them fall within any other provision of Schedule 1 to the *Regulated Activities Order*.

miscellaneous securities

FCA PRA

(in *LR*) *securities* which are not:

(a) *shares*; or

	<ul style="list-style-type: none"> (b) <i>debt securities</i>; or (c) <i>asset backed securities</i>; or (d) <i>certificate representing debt securities</i>; or (e) <i>convertible securities</i> which convert to <i>debt securities</i>; or (f) <i>convertible securities</i> which convert to <i>equity securities</i>; or (g) <i>convertible securities</i> which are exchangeable for <i>securities</i> of another <i>company</i>; or (h) <i>certificate representing certain securities</i>; or (i) <i>securitised derivatives</i>.
<i>misleading statements and practices offence</i>	[deleted]
<i>mixed financial holding company</i> FCA PRA	<p>(in accordance with Article 2(15) of the <i>Financial Groups Directive</i> (Definitions)) a <i>parent undertaking</i>, other than a <i>regulated entity</i>, which meets the following conditions:</p> <ul style="list-style-type: none"> (a) it, together with its <i>subsidiary undertakings</i>, at least one of which is an <i>EEA regulated entity</i>, and other entities, constitutes a <i>financial conglomerate</i>; (b) it has been notified by its <i>coordinator</i> that its group is a <i>financial conglomerate</i> in accordance with Article 4(2) of the <i>Financial Groups Directive</i>; and (c) it has not been notified that its <i>coordinator</i> and other <i>relevant competent authorities</i> have agreed not to treat the group as a <i>financial conglomerate</i> in accordance with Article 3(3) or Article 3(3a) of the <i>Financial Groups Directive</i>.
<i>mixed insurer</i> FCA PRA	<p>an <i>insurer</i> (other than a <i>pure reinsurer</i>) which carries on <i>reinsurance</i> business and where one or more of the following conditions is met in respect of its <i>reinsurance</i> acceptances:</p> <ul style="list-style-type: none"> (a) the <i>premiums</i> collected in respect of those acceptances during the previous <i>financial year</i> exceeded 10% of its total <i>premiums</i> collected during that year; (b) the <i>premiums</i> collected in respect of those acceptances during the previous <i>financial year</i> exceeded €50 million; and (c) the <i>technical provisions</i> in respect of those acceptances at the end of the previous <i>financial year</i> exceeded 10% of its total <i>technical provisions</i> at the end of that year.
<i>mixed remittance</i> FCA PRA	a remittance that is part <i>client money</i> and part other <i>money</i> .
<i>mixed-activity holding company</i> FCA PRA	<p>(A) In the PRA Handbook:</p> <p style="padding-left: 40px;">has the meaning given to the definition of "mixed activity holding company" in article 4(1)(22) of the <i>EU CRR</i>.</p> <p>(B) In the FCA Handbook:</p>

	has the meaning given to the definition of "mixed activity holding company" in article 4(1)(22) of the <i>EU CRR</i> .
<i>mixed-activity insurance holding company</i>	(in accordance with Article 1(j) of the <i>Insurance Groups Directive</i> (Definitions)) a <i>parent undertaking</i> , other than an <i>insurance undertaking</i> , an <i>insurance holding company</i> or a <i>mixed financial holding company</i> , the <i>subsidiary undertakings</i> of which include at least one <i>insurance undertaking</i> .
FCA PRA	
MLAR	(in <i>SUP</i>) a Mortgage Lending and Administration Return containing data specified in ■ <i>SUP 16 Annex 19A R</i> and relevant to the <i>firm's</i> type and <i>regulated activities</i> .
FCA PRA	
MLRO	<i>money laundering reporting officer</i> .
FCA PRA	
Model Code	The Model Code on directors' dealings in securities set out in ■ <i>LR 9 Annex 1 R</i> .
FCA PRA	
model PRR	the part of the <i>market risk capital requirement</i> calculated under a <i>VaR model permission</i> as more fully defined in ■ <i>BIPRU 7.10</i> (Use of a Value at Risk Model).
FCA PRA	
model risk	the potential loss an <i>institution</i> may incur, as a consequence of decisions that could be principally based on the output of internal models used under any of the internal approaches, due to errors in the development, implementation or use of such models.
FCA	
modified CIU look through method	the method for calculating <i>PRR</i> for a <i>CIU</i> set out in ■ <i>BIPRU 7.7.4 R</i> , ■ <i>BIPRU 7.7.7 R</i> to ■ <i>BIPRU 7.7.8 R</i> and ■ <i>BIPRU 7.7.11 R</i> to ■ <i>BIPRU 7.7.12 R</i>
FCA PRA	
modified report	(in <i>LR</i>) an accountant's or auditor's report: <ul style="list-style-type: none"> (a) in which the opinion is modified; or (b) which contains an emphasis-of-matter paragraph.
FCA PRA	
money	any form of money, including cheques and other payable orders.
FCA PRA	
Money Advice Service	the consumer financial education body (<i>CFEB</i>) originally established by the <i>FSA</i> under section 6A(1) of the <i>Act</i> (Enhancing public understanding of financial matters etc) (as it had effect before the passing of the <i>Financial Services Act 2012</i>)
FCA PRA	
money laundering	any act which: <ul style="list-style-type: none"> (a) constitutes an offence under section 18 (Money laundering) of the <i>Terrorism Act 2000</i>; or (b) constitutes an offence under section 327 (Concealing etc), section 328 (Arrangements) or section 329 (Acquisition, use and possession) of the <i>Proceeds of Crime Act 2002</i>; or
FCA PRA	

Money
Laundering
Directive

FCA PRA

(c) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (b); or

(d) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (b); or

(e) would constitute an offence specified in paragraph (b), (c), or (d) if done in the *United Kingdom*.

the Council Directive of 10 June 1991 on the prevention of the use of the financial system for the purpose of money laundering (91/308/EEC) as amended by the Council Directive of 4 December 2001 (2001/97/EEC).

Money
Laundering
Regulations

FCA PRA

the Money Laundering Regulations 2007 (SI 2007/2157).

money
laundering
reporting
function

FCA PRA

(in the *FCA Handbook*) *FCA controlled function* CF11 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.10 R.

money
laundering
reporting
officer

FCA PRA

the individual appointed by a *firm* in accordance with ■ SYSC 3.2.6I R or ■ SYSC 6.3.9 R.

money market
fund

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in ■ COLL 5.9.5 R (Investment conditions: money market funds) and is not a *qualifying money market fund*.

money market
instrument
activity

FCA PRA

an activity in respect of a transaction:

(a) which involves any of the following *investments* and is not regulated by the rules of a *recognised investment exchange*:

(i) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;

(ii) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue; or

(iii) a *warrant* which entitles the holder to subscribe for an *investment* within (a)(i) or (a)(ii);

(b) which involves any of the following *investments* and is not made on a *recognised investment exchange* or expressed to be so made:

(i) a *certificate representing certain securities* or rights to or interests in *investments* relating, in either case, to an *investment* within (a)(i) or (a)(ii);

(ii) an *option* relating to:

- (A) an instrument in (a)(i) or (a)(ii); or
- (B) currency of the *United Kingdom* or of any other country or territory; or
- (C) gold or silver;

(iii) a *future* for the sale of:

- (A) an instrument in (a)(i) or (a)(ii); or
- (B) currency of the *United Kingdom* or of any other country or territory; or
- (C) gold or silver;

(iv) a *contract for differences* by reference to fluctuations in:

- (A) the value or price of any instrument within any of (a)(i) to (a)(iii) or (b)(i) to (b)(iii); or
- (B) currency of the *United Kingdom* or of any other country or territory; or
- (C) the rate of interest on loans in any such currency or any index of such rates; or

(v) an *option* to acquire or dispose of an instrument within (b)(ii), (b)(iii) or (b)(iv); or

(c) where one of the parties agrees to sell or transfer a *debenture* or *government and public security* and by the same or a collateral agreement that party agrees, or acquires an option, to buy back or re-acquire that *investment* or an equivalent amount of a similar *investment* within twelve *months* of the sale or transfer.

For the purposes of (c) *investments* are regarded as similar if they entitle their holders to the same rights against the same *persons* as to capital and interest and the same remedies for the enforcement of those rights.

money purchase scheme

FCA PRA

in relation to a *director*, means a pension scheme under which all of the benefits that may become payable to or in respect of the *director* are money purchase benefits.

money remittance

FCA PRA

(in accordance with regulation 2(1) of the *Payment Service Regulations*) a service for the transmission of money (or any representation of monetary value), without any payment accounts being created in the name of the payer or the payee, where:

- (a) funds are received from a payer for the sole purpose of transferring a corresponding amount to a payee or to another *payment service provider* acting on behalf of the payee; or
- (b) funds are received on behalf of, and made available to, the payee.

[Note: article 4(13) of the *Payment Services Directive*]

money service business

FCA PRA

carrying on by way of business the activity of:

- (a) operating a bureau de change; or
- (b) transmitting money, or any representation of monetary value, by any means; or
- (c) cashing cheques which are made payable to customers.

money service operator

FCA **PRA**

a *person* who carries on *money service business* other than a *firm*, a *BCD credit institution* or a *financial institution*.

money-market instrument

FCA **PRA**

- (1) any of the following *investments*:
- (a) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;
 - (b) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue;
 - (c) a *warrant* which entitles the holder to subscribe for an *investment* within (a) or (b);
 - (d) a *certificate representing certain securities or rights to or interests in investments* relating, in either case, to an *investment* within (a) or (b);
 - (e) an *option* relating to:
 - (i) an instrument in (a) or (b); or
 - (ii) currency of the *United Kingdom* or of any other country or territory; or
 - (iii) gold or silver;
 - (f) a *future* for the sale of:
 - (i) an instrument in (a) or (b); or
 - (ii) currency of the *United Kingdom* or of any other country or territory; or
 - (iii) gold or silver;
 - (g) a *contract for differences* by reference to fluctuations in:
 - (i) the value or price of any instrument within any of (a) to (f); or
 - (ii) currency of the *United Kingdom* or of any other country or territory; or
 - (iii) the rate of interest on loans in any such currency or any index of such rates;
 - (h) an *option* to acquire or dispose of an instrument within (e), (f) or (g).
- (2) those classes of *financial instruments* which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

[Note: article 4(1)(19) of *MiFID*]

money-market instruments

FCA **PRA**

those classes of *financial instruments* which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

[Note: article 4(1)(19) of *MiFID*]

money-purchase benefits

FCA **PRA**

- (1) (except in *COMP*) (in relation to an *occupational pension scheme*) benefits the rate or amount of which are calculated by reference to a payment or payments made by a member of the scheme.
- (2) (in *COMP*) in relation to a member of a *personal pension scheme* or an *occupational pension scheme* or the widow or widower or surviving civil partner of a member of such a scheme, means benefits the rate or amount of which is calculated by reference to a payment or

	payments made by the member or by any other <i>person</i> in respect of the member and which are not average salary benefits.
<i>money-purchase occupational scheme</i>	an <i>occupational pension scheme</i> which provides <i>money-purchase benefits</i> .
FCA PRA	
<i>month</i>	(in accordance with the Interpretation Act 1978) a calendar month.
FCA PRA	
<i>monthly financial return</i>	(in <i>UPRU</i>) means the return referred to in <i>SUP</i> .
FCA PRA	
<i>mortgage administrator</i>	a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a regulated mortgage contract</i> .
FCA PRA	
<i>mortgage adviser</i>	a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on regulated mortgage contracts</i> .
FCA PRA	
<i>Mortgage and General Insurance Complaints Transitional Order</i>	The Financial Services and Markets Act 2000 (Transitional Provisions) (Complaints Relating to General Insurance and Mortgages) Order 2004 (SI 2004/454).
FCA PRA	
<i>mortgage arranger</i>	a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging</i> (see also <i>arranging (bringing about) regulated mortgage contracts and making arrangements with a view to regulated mortgage contracts</i>).
FCA PRA	
<i>mortgage credit card</i>	a <i>plastic card</i> which is a credit card issued under a <i>regulated mortgage contract</i> and not regulated by the Consumer Credit Act 1974.
FCA PRA	
<i>mortgage intermediary</i>	a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on <i>mortgage mediation activity</i> .
FCA PRA	
<i>mortgage lender</i>	a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>entering into a regulated mortgage contract</i> .
FCA PRA	

mortgage mediation activity

FCA **PRA**

(as defined in article 26 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 1) Order 2003 (SI 2003/1475)) any of the following *regulated activities*:

- (a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (c) *advising on regulated mortgage contracts* (article 53A);
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

most important financial sector

FCA **PRA**

(in relation to a financial sector in a *consolidation group* or a *financial conglomerate* and in accordance with ■ GENPRU 3.1 (Cross sector groups)) the *financial sector* with the largest average referred to in the box titled Threshold Test 2 in the *financial conglomerate definition decision tree* (10% ratio of balance sheet size and solvency requirements); and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of *financial conglomerate* and for any other purpose that GENPRU 3.1 (Cross sector groups) says they are.

Motor Insurers' Information Centre

FCA **PRA**

the information centre appointed to meet the *United Kingdom's* obligations under article 23 of the *Consolidated Motor Insurance Directive* (Information Centres).

motor vehicle liability

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 10 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against damage arising out of or in connection with the use of motor vehicles on land, including third-party risks and carrier's liability.

motor vehicle liability insurance business

FCA **PRA**

general insurance business of class 10, other than:

- (a) carrier's liability;
- (b) pure reinsurance of that class.

motor vehicle liability insurer

FCA **PRA**

- (a) a *firm* with *permission* to carry on *motor vehicle liability insurance business*;
- (b) any *person* carrying on the *regulated activity* of managing the *underwriting capacity of a Lloyd's syndicate* in respect of *members* whose insurance business at Lloyd's includes *motor vehicle liability insurance business*.

MTF

FCA **PRA**

a *multilateral trading facility*.

MTF transaction

FCA **PRA**

a transaction concluded by a *firm* under the rules governing an MTF with another member or participant of that MTF.

*multilateral
development
bank*

FCA **PRA**

(A) In the PRA Handbook:

(a) any of the following:

- (i) African Development Bank;
- (ii) Asian Development Bank;
- (iii) Caribbean Development Bank;
- (iv) Council of Europe Development Bank;
- (v) European Bank for Reconstruction & Development;
- (vi) European Investment Bank;
- (vii) European Investment Fund;
- (viii) Inter-American Development Bank;
- (ix) International Bank for Reconstruction 91 and 91 Development;
- (x) International Finance Corporation;
- (xa) International Finance Facility for Immunisation;
- (xb) Islamic Development Bank;
- (xi) Multilateral Investment Guarantee Agency; and
- (xii) Nordic Investment Bank;

(b) [deleted]

(B) In the FCA Handbook:

(a) any of the following:

- (i) African Development Bank;
- (ii) Asian Development Bank;
- (iii) Caribbean Development Bank;
- (iv) Council of Europe Development Bank;
- (v) European Bank for Reconstruction & Development;
- (vi) European Investment Bank;
- (vii) European Investment Fund;
- (viii) Inter-American Development Bank;
- (ix) International Bank for Reconstruction 91 and 91 Development;
- (x) International Finance Corporation;
- (xa) International Finance Facility for Immunisation;
- (xb) Islamic Development Bank;
- (xi) Multilateral Investment Guarantee Agency; and
- (xii) Nordic Investment Bank;

(b) (in *BIPRU*) for the purposes of the *standardised approach* to credit risk the following are considered to be a multilateral development bank;

- (i) the Inter-American Investment Corporation;
- (ii) the Black Sea Trade and Development Bank; and

	(iii) the Central American Bank for Economic Integration
<i>multilateral trading facility</i> FCA PRA	a multilateral system, operated by an <i>investment firm</i> or a <i>market operator</i> , which brings together multiple third-party buying and selling interests in <i>financial instruments</i> - in the system and in accordance with non-discretionary rules - in a way that results in a contract in accordance with the provisions of Title II of <i>MiFID</i> . [Note: article 4(1)(15) of <i>MiFID</i>]
<i>multiplication factor</i> FCA PRA	(in ■ BIPRU 7.10 (Use of a value at risk model)) a multiplication factor applied to a <i>VaR measure</i> for the purpose of calculating the <i>model PRR</i> made up of the <i>minimum multiplication factor</i> as increased by the <i>plus factor</i> , all as more fully defined in ■ BIPRU 7.10.118 R (Capital calculations: Multiplication factors).
<i>mutual</i> FCA PRA	an <i>insurer</i> which: (a) if it is a <i>body corporate</i> has no <i>share capital</i> (except a wholly owned <i>subsidiary</i> with no <i>share capital</i> but limited by guarantee); or (b) is a <i>registered friendly society</i> or <i>incorporated friendly society</i> ; or (c) is a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies (Northern Ireland) Act 1969.

<p><i>non-authorised Voluntary Jurisdiction participant</i></p> <p>FCA PRA</p>	<p>a participant in the <i>Voluntary Jurisdiction</i> who is not a <i>firm</i>.</p>
<p><i>non-commercial agreement</i></p> <p>FCA</p>	<p>a <i>credit agreement</i> or a <i>consumer hire agreement</i> not made by the <i>lender</i> in the course of a business carried on by the <i>lender</i> or <i>owner</i>.</p>
<p><i>non-core concentration risk group counterparty</i></p> <p>FCA</p>	<p>(in accordance with Article 113(4)(c) of the <i>Banking Consolidation Directive</i>) has the meaning in ■ BIPRU 10.9A.4 R (Definition of non-core concentration risk group counterparty), which is in summary (in relation to a <i>firm</i>) each counterparty which is its <i>parent undertaking</i>, its <i>subsidiary undertaking</i> or a <i>subsidiary undertaking</i> of its <i>parent undertaking</i>, provided that (in each case) both the counterparty and the <i>firm</i> satisfy the conditions in ■ BIPRU 10.9A.4 R (Definition of non-core concentration risk group counterparty).</p>
<p><i>non-core large exposures group</i></p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook: has the meaning given in the <i>PRA Rulebook</i>: Large Exposures rules.</p> <p>(B) In the FCA Handbook: (in relation to a <i>firm</i>) all counterparties which:</p> <ol style="list-style-type: none"> (1) are listed in the <i>firm's non-core large exposures group permission</i>; (2) satisfy the conditions in ■ IFPRU 8.2.6 R (Intra-group exposures: non-core large exposures group); and (3) for which <i>exposures</i> are exempted, under article 400(2)(c) of the <i>EU CRR</i> (Exemptions), from the application of article 395(1) of the <i>EU CRR</i> (Limits to large exposures).
<p><i>non-core large exposures group exemption</i></p> <p>FCA</p>	<p>the exemption in ■ IFPRU 8.2.6 R (Intra-group exposures: non-core large exposures group).</p>
<p><i>non-core large exposures group permission</i></p> <p>FCA</p>	<p>a permission referred to in ■ IFPRU 8.2.6 R given by the <i>FCA</i> for the purpose of article 400(2)(c) of the <i>EU CRR</i> (Large exposures: exemptions).</p>
<p><i>non-core large exposures group waiver</i></p> <p>PRA</p>	<p>a <i>waiver</i> that has the result of requiring a <i>firm</i> to apply ■ BIPRU 10.9A (Intra-group exposures: non-core large exposures), which in summary exempts partially or fully exposures between members of the <i>core UK group</i> and members of the <i>non-core large exposures group</i> from the limits described in ■ BIPRU 10.5 (Limits on exposures).</p>

*non-credit
equalisation
provision*

FCA PRA

the provision required to be established under INSPRU 1.4.17R.

*non-directive
firm*

FCA PRA

(in SUP 11 (Controllers and close links) and SUP 16 (Reporting requirements)) (in accordance with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774)) a *UK domestic firm* other than:

- (a) a *credit institution* authorised under the *Banking Consolidation Directive*;
- (b) an *investment firm* authorised under *MIFID*;
- (c) a *management company* as defined in article 2(1)(b) of the *UCITS Directive*, authorised under that directive;
- (d) an *undertaking* pursuing the activity of direct insurance within the meaning of:
 - (i) article 2 of the *Consolidated Life Directive*, authorised under that directive; or
 - (ii) article 1 of the *First Non-Life Directive*, authorised under that directive;
- (e) an *undertaking* pursuing the activity of *reinsurance* within the meaning of article 2.1 (a) of the *Reinsurance Directive*, authorised under that directive.

*non-directive
friendly society*

FCA PRA

- (a) a *friendly society* whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis;
- (b) a *friendly society* whose *long-term insurance business* is restricted to the provision of benefits for employed and self-employed *persons* belonging to an undertaking or group of undertakings, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves);
- (c) a *friendly society* which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind;
- (d) a *friendly society* (carrying on *long-term insurance business*):
 - (i) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other *persons* who have undertaken to provide it; and
 - (ii) whose annual gross premium income (other than from contracts of reinsurance) has not exceeded 5 million Euro for each of the three preceding financial years;
- (e) a *friendly society* (carrying on *general insurance business*):
 - (i) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits;
 - (ii) whose gross premium income (other than from contracts of reinsurance) for the preceding financial year did not exceed 5 million Euro; and

non-directive
insurer

FCA PRA

- (iii) whose members provided at least half of that gross premium income;
- (f)
 - (i) a *friendly society* whose liabilities in respect of *general insurance contracts* are fully reinsured with or guaranteed by other *mutuals* (including *friendly societies*); and
 - (ii) the *mutuals* providing the *reinsurance* or the *guarantee* are subject to the rules of the *First Non-Life Directive*;

and in each case whose *insurance business* is limited to that described in any of (a) to (f).

- (a) an *insurer* which is a provident or mutual benefit institution whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions are determined on a flat-rate basis; or
- (b) an *insurer* whose *long-term insurance business* is restricted to the provision of benefits for employed and self-employed persons belonging to an *undertaking* or group of *undertakings*, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves); or
- (c) an *insurer* which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind; or
- (d) a *mutual* (carrying on *long-term insurance business*) whose:
 - (i) articles of association contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other persons who have undertaken to provide it; and
 - (ii) annual gross *premium* income (other than from contracts of *reinsurance*) has not exceeded 5 million Euro for each of the *financial year* in question and the two previous *financial years*; or
- (e) a *mutual* (carrying on *general insurance business*) whose:
 - (i) articles of association contain provisions for calling up additional contributions from members or reducing their benefits;
 - (ii) business does not cover liability risks, other than *ancillary risks*, or credit or suretyship risks;
 - (iii) gross *premium* income (other than from contracts of *reinsurance*) for the *financial year in question* did not exceed 5 million Euro; and
 - (iv) members provided at least half of that gross *premium* income; or
- (f) an *insurer* whose *insurance business* (other than *reinsurance*) is:
 - (i) restricted to the provision of assistance for persons who get into difficulties while travelling, while away from home or while away from their permanent residence;
 - (ii) carried out exclusively on a local basis and consists only of benefits in kind; and
 - (iii) such that the gross *premium* income from the provision of assistance in the *financial year in question* did not exceed 200,000 Euro; or

<p><i>non-directive mutual</i></p> <p>FCA PRA</p>	<p>(g)</p> <p>(i) a <i>mutual</i> whose liabilities in respect of <i>general insurance contracts</i> are fully reinsured with or guaranteed by other <i>mutuals</i> (including <i>friendly societies</i>); and</p> <p>(ii) the <i>mutuals</i> providing the <i>reinsurance</i> or the guarantee are subject to the rules of the <i>First Non-Life Directive</i>.</p> <p>a <i>mutual</i> that falls into (d), (e) or (g) of the definition of a <i>non-directive insurer</i>.</p>
<p><i>non-discretionary investment manager</i></p> <p>FCA PRA</p>	<p>(in relation to <i>firm type</i> in ■ SUP 16.10 (Confirmation of standing data)) a <i>person</i> who, acting only on behalf of a <i>client</i> , manages <i>designated investments</i> in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.</p>
<p><i>non-discretionary management agreement</i></p> <p>FCA PRA</p>	<p>an agreement for the non-discretionary management of <i>investments</i>:</p> <p>(a) under which the <i>firm</i> agrees to conduct a regular review of the suitability of the <i>client's</i> account or portfolio, based on an assessment of the <i>client's</i> requirements; and</p> <p>(b) that sets out the <i>client's</i> investment objectives, investment strategy, and attitude to risk, the intervals at which the portfolio will be reviewed, and the arrangements for consulting the <i>client</i> about proposed investment decisions.</p>
<p><i>non-EEA AIF</i></p> <p>FCA PRA</p>	<p>an <i>AIF</i> which is not a <i>UK AIF</i> or an <i>EEA AIF</i>.</p>
<p><i>non-EEA AIFM</i></p> <p>FCA</p>	<p>an <i>AIFM</i> which is not a <i>UK AIFM</i> or an <i>EEA AIFM</i>.</p>
<p><i>non-EEA bank</i></p> <p>FCA PRA</p>	<p>a <i>bank</i> which is a <i>body corporate</i> or <i>partnership</i> formed under the law of any country or territory outside the <i>EEA</i>.</p>
<p><i>non-EEA direct insurer</i></p> <p>FCA PRA</p>	<p>an <i>insurer</i>, other than a <i>pure reinsurer</i>, whose head office is not in an <i>EEA State</i>.</p>
<p><i>non-EEA firm</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> that has its registered office (or, if it has no registered office, its head office) in a <i>non-EEA state</i>.</p>
<p><i>non-EEA insurer</i></p> <p>FCA PRA</p>	<p>an <i>insurer</i> whose head office is not in an <i>EEA State</i>.</p>
<p><i>non-EEA state</i></p> <p>FCA PRA</p>	<p>a country or state that is not an <i>EEA State</i>.</p>

non-EEA sub-group

FCA **PRA**

(A) In the PRA Handbook:

a group of *undertakings* identified as a *non-EEA sub-group* in BIPRU 8.3.1R (Main consolidation rule for non-EEA sub-groups); however where the provision in question refers to a *non-EEA sub-group* in another *EEA State* it means a group of *undertakings* identified in Article 73(2) of the *Banking Consolidation Directive* (Non-EEA sub-groups) required to be supervised on a consolidated basis under Article 73(2) of the *Banking Consolidation Directive* by a competent authority in that *EEA State*.

(B) In the FCA Handbook:

(1) (in *GENPRU* (except **■ GENPRU 3**) and *BIPRU* (except **■ BIPRU 12**)) a group of *undertakings* identified as a *non-EEA sub-group* in BIPRU 8.3.1R (Main consolidation rule for non-EEA sub-groups); however where the provision in question refers to a *non-EEA sub-group* in another *EEA State* it means a group of *undertakings* identified in Article 73(2) of the *Banking Consolidation Directive* (Non-EEA sub-groups) required to be supervised on a consolidated basis under Article 73(2) of the *Banking Consolidation Directive* by a competent authority in that *EEA State*.

(2) (except in (1)) a group of *undertakings* identified in article 22 of the *EU CRR*(Sub-consolidation in cases of entities in third countries).

non-equity transferable securities

FCA **PRA**

(in *PR*) (as defined in section 102A of the *Act*) all *transferable securities* that are not equity securities.

non-executive director

FCA **PRA**

a *director* who has no responsibility for implementing the decisions or the policies of the *governing body* of a *firm*.

non-executive director function

FCA **PRA**

(1) (in the *FCA Handbook*) *FCA controlled function* CF2 in Part 1 of the *table of FCA controlled functions*, described more fully in **■ SUP 10A.6.12 R** and **■ SUP 10A.6.13 R**.

(2) (in the *PRA Handbook*) *PRA controlled function* CF2 in the *table of PRA controlled functions*, described more fully in **■ SUP 10B.6.3 R** to **■ SUP 10B.6.5 R**.

Non-Exempt Activities Order

FCA **PRA**

the Financial Services and Markets Act 2000 (Professions) (Non-Exempt Activities) Order 2001 (SI 2001/1227).

non-ILAS BIPRU firm

FCA **PRA**

a *firm* falling into BIPRU 12.1.1R which is not an *ILAS BIPRU firm*.

PAGE
N9

non-independent research

FCA **PRA**

a *research recommendation* which:

(a) relates to *financial instruments* (as specified in Section C of Annex 1 of *MiFID*, whether or not they are admitted to trading on a *regulated market*) ; and

(b) does not constitute *investment research*.

<p><i>non-investment insurance contract</i></p> <p>FCA PRA</p>	<p>[Note: article 24(2) of the <i>MiFID implementing Directive</i>]</p> <p>a <i>contract of insurance</i> which is a <i>general insurance contract</i> or a <i>pure protection contract</i> but which is not a <i>long-term care insurance contract</i>.</p>
<p><i>Non-Life Directives</i></p> <p>FCA PRA</p>	<p>the <i>First Non-Life Directive</i>, the <i>Second Non-Life Directive</i> and the <i>Third Non-Life Directive</i>.</p>
<p><i>non-listed company</i></p> <p>FCA</p>	<p>(in accordance with article 4(1)(ac) of <i>AIFMD</i>) a <i>company</i> which has its registered office in the <i>EEA</i> and the <i>shares</i> of which are not <i>admitted to trading</i> on a <i>regulated market</i>.</p>
<p><i>non-mainstream pooled investment</i></p> <p>FCA</p>	<p>any of the following <i>investments</i>:</p> <ul style="list-style-type: none"> (a) a <i>unit</i> in an <i>unregulated collective investment scheme</i>; (b) a <i>unit</i> in a <i>qualified investor scheme</i>; (c) a <i>security</i> issued by a <i>special purpose vehicle</i>, other than an <i>excluded security</i>; (d) a <i>traded life policy investment</i>; (e) <i>rights to or interests in investments</i> that are any of (a) to (d).
<p><i>non-mainstream regulated activity</i></p> <p>FCA PRA</p>	<p>a <i>regulated activity</i> of an <i>authorised professional firm</i> in relation to which the conditions in ■ PROF 5.2.1 R are satisfied.</p>
<p><i>non-market-price transaction</i></p> <p>FCA PRA</p>	<p>a transaction where:</p> <ul style="list-style-type: none"> (a) the <i>dealing rate</i> or price paid by the <i>firm</i> or its <i>client</i> differs from the prevailing market rate or price to a material extent; or (b) the <i>firm</i> or its <i>client</i> otherwise gives materially more or less in value than it receives in return.
<p><i>non-profit fund</i></p> <p>FCA PRA</p>	<p>a <i>long-term insurance fund</i> which is not a <i>with-profits fund</i>.</p>
<p><i>non-profit insurance business</i></p> <p>FCA PRA</p>	<p>the business of <i>effecting</i> or carrying out non-profit insurance contracts.</p>
<p><i>non-profit insurance contract</i></p> <p>FCA PRA</p>	<p>a <i>long-term insurance contract</i> which is not a <i>with-profits insurance contract</i>.</p>

<p><i>non-proportional reinsurance treaty</i></p> <p>FCA PRA</p>	<p>see <i>proportional reinsurance treaty</i>.</p>
<p><i>non-readily realisable security</i></p> <p>FCA</p>	<p>a <i>security</i> which is not any of the following:</p> <ul style="list-style-type: none"> (a) a <i>readily realisable security</i>; (b) a <i>packaged product</i>; (c) a <i>non-mainstream pooled investment</i>.
<p><i>non-real time financial promotion</i></p> <p>FCA PRA</p>	<p>(in accordance with article 7(2) of the <i>Financial Promotion Order</i>) a <i>financial promotion</i> that is not a <i>real time financial promotion</i>.</p>
<p><i>non-retail communication</i></p> <p>FCA PRA</p>	<p>a <i>financial promotion</i> and:</p> <ul style="list-style-type: none"> (a) is <i>made only to recipient</i> who the <i>firm</i> reasonably believes are <i>professional clients</i> or <i>eligible counterparties</i>; or (b) may reasonably be regarded as <i>directed only at recipients</i> who are <i>professional clients</i> or <i>eligible counterparties</i>.
<p><i>non-stakeholder CTF</i></p> <p>FCA PRA</p>	<p>a CTF that is not a <i>stakeholder CTF</i>.</p>
<p><i>non-trading book</i></p> <p>FCA PRA</p>	<p>positions, exposures, assets and liabilities that are not in the <i>trading book</i>.</p>
<p><i>non-UCITS retail scheme</i></p> <p>FCA PRA</p>	<p>an <i>authorised fund</i> which is neither a <i>UCITS scheme</i> or a <i>qualified investor scheme</i>.</p>
<p><i>non-UCITS scheme</i></p> <p>FCA PRA</p>	<p>an <i>authorised fund</i> that is not a <i>UCITS scheme</i>.</p>
<p><i>non-UK DLG by modification</i></p> <p>FCA PRA</p>	<p>either of the following:</p> <ul style="list-style-type: none"> (a) a <i>non-UK DLG by modification (firm level)</i>; or (b) a <i>non-UK DLG by modification (DLG level)</i>.
<p><i>non-UK DLG by modification (DLG level)</i></p> <p>FCA PRA</p>	<p>(in relation to any reporting period under ■ SUP 16 (Reporting requirements) and in relation to a <i>firm</i> that meets the following conditions (a group liquidity reporting firm):</p> <ul style="list-style-type: none"> (a) it is a <i>UK ILAS BIPRU firm</i> with an <i>intra-group liquidity modification</i>;

<p>(b) it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i> created by that <i>intra-group liquidity modification</i>;</p> <p>(c) the <i>overall liquidity adequacy rule</i> applies under that <i>intra-group liquidity modification</i> to that <i>UK DLG by modification</i>; and</p> <p>(d) that <i>UK DLG by modification</i> can rely, under that <i>intra-group liquidity modification</i>, for any part of that period, on a group of other <i>persons</i> for the purpose of the <i>overall liquidity adequacy rule</i> as applied to that <i>UK DLG by modification</i>);</p> <p>means the group made up of the following:</p> <p>(e) that <i>ILAS BIPRU firm</i>;</p> <p>(f) the other members of that <i>UK DLG by modification</i>; and</p> <p>(g) the group of other <i>persons</i> mentioned in (d).</p> <p>A <i>firm</i> has a 'non-UK DLG by modification (DLG level)' for a period even if it only has one during part of that period.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other new definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)</p>	<p>(b) it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i> created by that <i>intra-group liquidity modification</i>;</p> <p>(c) the <i>overall liquidity adequacy rule</i> applies under that <i>intra-group liquidity modification</i> to that <i>UK DLG by modification</i>; and</p> <p>(d) that <i>UK DLG by modification</i> can rely, under that <i>intra-group liquidity modification</i>, for any part of that period, on a group of other <i>persons</i> for the purpose of the <i>overall liquidity adequacy rule</i> as applied to that <i>UK DLG by modification</i>);</p> <p>means the group made up of the following:</p> <p>(e) that <i>ILAS BIPRU firm</i>;</p> <p>(f) the other members of that <i>UK DLG by modification</i>; and</p> <p>(g) the group of other <i>persons</i> mentioned in (d).</p> <p>A <i>firm</i> has a 'non-UK DLG by modification (DLG level)' for a period even if it only has one during part of that period.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other new definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)</p>
<p><i>non-UK DLG by modification (firm level)</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>group liquidity reporting firm</i>) a <i>DLG by modification (firm level)</i> that is not a <i>UK DLG by modification</i>. A <i>firm</i> with a <i>non-UK DLG by modification (firm level)</i> cannot also have a <i>UK DLG by modification</i>.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)</p>
<p><i>normal trading hours</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>trading venue</i> or an <i>investment firm</i>) those hours which the <i>trading venue</i> or <i>investment firm</i> establishes in advance and makes public as its trading hours.</p> <p>[Note: article 2(5) of the <i>MiFID Regulation</i>]</p>
<p><i>normally based</i></p> <p>FCA PRA</p>	<p>(in <i>ICOBS</i>) (in relation to a <i>vehicle</i>):</p> <p>(a) the territory of the <i>EEA State</i> of which the <i>vehicle</i> bears a registration plate; or</p> <p>(b) in cases where no registration is required for the type of <i>vehicle</i>, but the <i>vehicle</i> bears an insurance plate or a distinguishing sign analogous to a registration plate, the territory of the <i>EEA State</i> in which the insurance plate or the sign is issued; or</p> <p>(c) in cases where neither registration plate nor insurance plate nor distinguishing sign is required for the type of <i>vehicle</i>, the territory of the <i>EEA State</i> in which the keeper of the <i>vehicle</i> is permanently resident.</p> <p>[Note: article 1(4) of Directive 72/166/EC (First Motor Insurance Directive)]</p>
<p><i>normally resident</i></p> <p>FCA PRA</p>	<p>(in <i>MCOB</i>) normally resident; for the purposes of this definition:</p> <p>(a) an individual (whether or not acting as trustee) is to be treated as normally resident in the country which he indicates is his country of residence, unless the <i>firm</i> has reason to doubt this; and</p> <p>(b) a <i>body corporate</i> acting as trustee is to be treated as resident in the country in which its registered office (or, if it has no registered office, its head office) is located.</p>

Northern
Ireland credit
union

FCA PRA

a body corporate registered under the Credit Unions (Northern Ireland) Order 1985 which is an *authorised person* or a body corporate registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a *credit union* which is an *authorised person*.

not-for-profit
body

FCA

a body which by virtue of its constitution or any enactment:

(a) is required (after payment of outgoings) to apply the whole of its income, and any capital which it expends, for charitable or public purposes; and

(b) is prohibited from directly or indirectly distributing among its members any part of its assets (otherwise than for charitable or public purposes).

not-for-profit
debt advice
body

FCA

a body which is a *not-for-profit body* with a *limited permission* to carry on *debt counselling* alone or together with either or both *debt adjusting* and *providing credit information services*, and *agreeing to carry on a regulated activity* so far as relevant to those activities, where no *associate* (other than a *not-for-profit debt advice body*) of the body carries on *debt adjusting* or *debt counselling* or *providing credit information services*.

notice of
discontinuance

FCA PRA

a notice given by the *appropriate regulator* in accordance with section 389 of the *Act* (Notices of discontinuance) which states that the *appropriate regulator* has decided not to take the action proposed in a *warning notice* or the action to which a *decision notice* relates.

notice of
intention

FCA PRA

a notice of intention (as described in ■ SUP 13.5) given by a *UK firm* to:

(a) establish a *branch* in an *EEA State* under paragraph 19(2) of Part III of Schedule 3 to the *Act* (Exercise of passport rights by UK firms); or

(b) provide services in an *EEA State* under paragraph 20(1) of Part III of Schedule 3 to the *Act* (Exercise of passport rights by UK firms)
or

(c) establish a *branch* or provide services in an *EEA state* in the exercise of its *EEA right* under the *auction regulation*.

notification
rule

FCA PRA

(1) (in relation to a *firm*) a *rule* requiring a *firm* to give the *appropriate regulator* notice of, or information regarding, an event, but excluding:

(a) a *rule* requiring periodic submission of a report; and

(b) a *rule* in the *listing rules*.

(2) (in relation to a *recognised body*) a *rule* made by the *FCA* under section 293 of the *Act* (Notification requirements) or section 295 of the *Act* (Notification: overseas investment exchanges and overseas clearing houses)
:

(a) requiring a *recognised body* to give the *FCA*:

(i) notice of, and specified information regarding, specified events relating to the body;

(ii) specified information relating to the body at specified times or in respect of specified periods; and

(iii) any other information required to be given by such a *rule*; or

(b) (in relation to an *RIE*):

(i) specifying descriptions of *regulatory provision* in relation to which, or circumstances in which, the duty to notify the *FCA* of such *regulatory provision* in section 300B(1) of the *Act* does not apply or providing that the

*notional
principal*

FCA PRA

duty to notify applies only to specified descriptions of *regulatory provision* or in specified circumstances; or

(ii) making provision as to the form and contents of the notice required under (2)(b)(i), and requiring *recognised bodies* to provide specified information in connection with that notification.

(a) (in relation to a *contract for differences* which is an index *derivative*):

(i) the current mark to market valuation of a *contract for differences* which resembles a *futures* contract; or

(ii) the exercise value of a *contract for differences* which resembles an *option* contract;

(b) (in relation to any other *contract for differences*) the notional lot size of the contract.

nuclear risks

FCA PRA

risks falling within any *class of general insurance business* and arising in connection with the construction and use of any nuclear reactor or nuclear installation or the carriage of any nuclear matter.

firm (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

Ombudsman

FCA PRA

a *person* appointed to the panel of *persons* maintained by the *FOS Ltd* to determine complaints, including the Chief Ombudsman.

Ombudsman
Transitional
Order

FCA PRA

the Financial Services and Markets Act 2000 (Transitional Provisions) (Ombudsman Scheme and Complaints Scheme) Order 2001 (SI 2001/2326).

*omnibus client
account*

FCA

as the context requires, either:

an account maintained by a *person* for more than one of the *clients* in respect of which the *person* has agreed with the *client* to provide ; or

an *account* maintained by a *firm* for more than one *indirect client* at a *clearing member* in respect of which that clearing member has agreed with the *firm* to provide segregation arrangements that satisfy the requirements of article 4(2)(a) of the *EMIR L2 Regulation*.

*omnibus client
segregation*

FCA PRA

as defined in article 39(2) of *EMIR*.

OMPS

FCA PRA

the Handbook Guide for oil market participants.

ONA

FCA

the *appropriate regulator's* online notifications and applications system, by whatever name known.

*one-day VaR
measure*

FCA PRA

(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.98R (Backtesting: One day VaR measure), which is in summary and in relation to a particular *business day*, the *VaR number* for that *business day* calibrated to a one *business day* holding period and a 99% one-tailed confidence level.

*one-off
promotion*

FCA

a communication meeting the requirements set out in articles 15 or 15A of the *Promotion of Collective Investment Schemes Order* or in articles 28 or 28A of the *Financial Promotions Order*.

*one-off
transaction*

FCA PRA

any transaction other than a transaction carried out in the course of an established business relationship formed by a *person* acting in the course of relevant financial business.

*one-sided
credit
valuation
adjustment*

FCA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a *credit valuation adjustment* that reflects the market value of the credit risk of the counterparty to a *firm*, but does not reflect the market value of the credit risk of the *firm* to the counterparty.

<p><i>on-exchange</i> FCA PRA</p>	<p>(a) (in relation to a transaction in the <i>United Kingdom</i>) effected by means of the <i>facilities</i> of, or governed by the <i>rules</i> of, an <i>RIE</i> or a <i>regulated market</i>;</p> <p>(b) (in relation to any other transaction) effected by means of the <i>facilities</i> of, or governed by the <i>rules</i> of, an exchange.</p>
<p><i>ongoing basis</i> FCA PRA</p>	<p>in ■ BIPRU 9.15, maintaining on an <i>ongoing basis</i> means that the retained positions, interest or exposures are not hedged or sold.</p> <p>[Note: BCD, Article 122a, paragraph 1]</p>
<p><i>open</i> FCA PRA</p>	<p>in relation to a <i>syndicate year</i>, one which has not been <i>closed</i>.</p>
<p><i>open currency position</i> FCA PRA</p>	<p>the amount calculated under BIPRU 7.5.19R (Open currency position) as part of the calculation of the <i>foreign currency PRR</i>.</p>
<p><i>open offer</i> FCA PRA</p>	<p>(in <i>LR</i> and in ■ DTR 5) an invitation to existing <i>securities</i> holders to subscribe or purchase <i>securities</i> in proportion to their holdings, which is not made by means of a renounceable letter (or other negotiable document).</p>
<p><i>open-end agreement</i> FCA</p>	<p>a <i>credit agreement</i> with no fixed duration.</p>
<p><i>open-ended investment company</i> FCA PRA</p>	<p>(as defined in section 236 of the <i>Act</i> (Open-ended investment companies)) a <i>collective investment scheme</i> which satisfies both the property condition and the investment condition:</p> <p>(a) the property condition is that the property belongs beneficially to, and is managed by or on behalf of, a <i>body corporate</i> ("BC") having as its purpose the investment of its funds with the aim of:</p> <ul style="list-style-type: none"> (i) spreading investment risk; and (ii) giving its members the benefit of the results of the management of those funds by or on behalf of that body; <p>(b) the investment condition is that, in relation to BC, a reasonable investor would, if he were to participate in the <i>scheme</i>:</p> <ul style="list-style-type: none"> (i) expect that he would be able to realise, within a period appearing to him to be reasonable, his investment in the <i>scheme</i> (represented, at any given time, by the value of shares in, or securities of, BC held by him as a <i>participant</i> in the <i>scheme</i>); and (ii) be satisfied that his investment would be realised on a basis calculated wholly or mainly by reference to the value of property in respect of which the <i>scheme</i> makes arrangements. <p>(see also <i>investment company with variable capital</i>.)</p>
<p><i>operating a dormant account fund</i> FCA PRA</p>	<p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> (a) <i>meeting of repayment claims</i>; or (b) <i>managing dormant account funds (including the investment of such funds)</i>.

operating a multilateral trading facility

FCA **PRA**

the *regulated activity* in article 25D of the *Regulated Activities Order*, which is, in summary, the operation of a multilateral trading facility on which MiFID instruments are traded.

In this definition "MiFID instrument" means any investment:

(a) of the kind specified by articles 76, 77, 78, 79, 80, 81, 83, 84 or 85 of the *Regulated Activities Order*; or

(b) of the kind specified by article 89 of the *Regulated Activities Order*, so far as relevant to an investment falling within (a),

that is a *financial instrument*.

operating an electronic system in relation to lending

FCA

a *regulated activity* of the kind specified in article 36H of the *Regulated Activities Order*.

operational objectives

FCA **PRA**

as defined in section 1B(3) of the *Act*.

operational risk

FCA **PRA**

(A) In the PRA Handbook:

(1) (in *COLL* and *FUND*) the risk of loss for a *UCITS* or *AIF* resulting from inadequate internal processes and failures in relation to the people and systems of the *management company* or *AIFM* or from external events, and it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the *fund*.

(2) (in *GENPRU* (except ■ *GENPRU 3* (Cross sector groups) and *BIPRU* (except ■ *BIPRU 12* (Liquidity Standards)) (in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

(3) (in ■ *GENPRU 3*, *IFPRU*, and ■ *BIPRU 12*) has the meaning in Article 4(1)(52) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in *COLL* and *FUND*) the risk of loss for a *UCITS* or *AIF* resulting from inadequate internal processes and failures in relation to the people and systems of the *management company* or *AIFM* or from external events, and it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the *fund*.

(2) (in *GENPRU* (except ■ *GENPRU 3* (Cross sector groups) and *BIPRU* (except ■ *BIPRU 12* (Liquidity Standards)) (in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

(3) (except in (1) and (2)) has the meaning in article 4(1)(52) of the *EU CRR*.

operational risk capital requirement

PRA

the part of the *capital resources requirement* of a BIPRU firm falling within BIPRU 6.1.1R in respect of *operational risk*, calculated in accordance with BIPRU 6.2.

operator

FCA PRA

(1) (except in EG):

(a) (in relation to an AUT) the *manager*;

(aa) (in relation to an ACS) the *authorised contractual scheme manager*;

(b) (in relation to an ICVC) that *company* or, if applicable, the *authorised corporate director*;

(ba) (in relation to any other OEIC which is an undertaking for *collective investment* in transferable securities within the meaning of the *UCITS Directive* and which has appointed a *person* to manage the *scheme*) the *manager*;

(c) (in relation to any other *collective investment scheme* that is a *unit trust scheme* with a separate *trustee*) any *person* who, under the *trust deed* establishing the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(ca) (in relation to any other *collective investment scheme* that is a contractual scheme) any *person* who, under the constituent instrument, is responsible for the management of the property held for or within the *scheme*;

(d) (in relation to any other *collective investment scheme* that is an *open-ended investment company*) that *company* or, if applicable, any *person* who, under the constitution or founding arrangements of the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(e) (in relation to any other *collective investment scheme*) any *person* who, under the constitution or founding arrangements of the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(f) (in relation to an *investment trust savings scheme*) any *person* appointed, by those responsible for managing the property of the *investment trust*, to manage the *investment trust savings scheme* ;

(g) (in relation to a *personal pension scheme* or *stakeholder pension scheme*) the *person* who carries on the *regulated activity* specified in article 52 of the *Regulated Activities Order* (Establishing etc. a pension scheme).

(2) (in EG) (in accordance with section 237(2) of the Act (Other definitions)):

(a) (in relation to a *unit trust scheme* with a separate *trustee*) the *manager*;

(b) (in relation to an OEIC which is an undertaking for collective investment in transferable securities within the meaning of the *UCITS Directive* and which has appointed a *person* to manage the *scheme*) the *manager*;

(c) (in relation to any other OEIC) the *company*.

operator of an electronic

a *person* who has, or ought to have, *permission* for *operating an electronic system in relation to lending*.

system in relation to lending

FCA

OPS activity

FCA PRA

OPS collective investment scheme

FCA PRA

OPS firm

FCA PRA

- (a) *managing investments* in a case where the assets managed are:
- (i) held for the purposes of an *occupational pension scheme*; or
 - (ii) held for the purposes of a *welfare trust* established by a *person* who is, or has been at any time during the last 12 *months*, an *associate* of the *OPS firm*; or
 - (iii) assets of an *OPS collective investment scheme*;
- (b) any one or more of the following activities undertaken in the course of, or incidental to, the operation of an *occupational pension scheme*, *welfare trust* or *OPS collective investment scheme*:
- (i) *dealing in investments as principal*;
 - (ii) *dealing in investments as agent*;
 - (iii) arranging (bringing about) deals in investments;
 - (iv) *making arrangements with a view to transactions in investments*;
 - (v) *safeguarding and administering investments*;
 - (vi) *advising on investments*;
 - (vii) receiving or holding *client money*.

a *collective investment scheme* the contributions to which consist entirely of assets held for an *occupational pension scheme*.

- (a) (except in *IPRU(INV)*) a *firm* which:
- (i) carries on *OPS activity*; and
 - (ii) is one or more of the following:
 - (A) a trustee of the *occupational pension scheme* in question;
 - (B) a *company* owned by the trustees of the *occupational pension scheme* in question;
 - (C) a *company* which is:
 - (I) an employer in relation to the *occupational pension scheme* in question in respect of its employees or former employees or their dependants; or
 - (II) a *company* within the *group* which includes an employer within (I); or
 - (III) an administering authority subject to the Local Government Pension Scheme (Administration) Regulations 2008; or

(b) a *firm* which:

*opted-in
exempt CAD
firm*

FCA **PRA**

option

FCA **PRA**

(i) has satisfied the requirements set out in (a) at any time during the past 12 *months*; but

(ii) is no longer able to comply with those requirements because of a change in the control or ownership of the employer referred to in (a)(ii) during that period.

an *exempt CAD firm* which complies with the requirements in regulation 4C (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007 (SI 2007/126).

(A) In the PRA Handbook:

the *investment*, specified in article 83 of the *Regulated Activities Order* (Options), which is an option to acquire or dispose of:

(a) a *designated investment* (other than an option or one to which (d) or (e) applies); or

(b) currency of the *United Kingdom* or of any other country or territory; or

(c) palladium, platinum, gold or silver; or

(d) a commodity to which article 83(2) of the *Regulated Activities Order* applies; or

(e) a *financial instrument* in paragraph 10 of Section C of Annex 1 to *MiFID* to which article 83(3) of the *Regulated Activities Order* applies; or

(f) an option to acquire or dispose of an option specified in (a), (b), (c), (d) or (e);

but so that for the purposes of calculating capital requirements for *BIPRU firms* it also includes any of the items listed in the table in ■ [BIPRU 7.6.18 R](#) (Option PRR: methods for different types of option) and any cash settled option.

(B) In the FCA Handbook:

the *investment*, specified in article 83 of the *Regulated Activities Order* (Options), which is an option to acquire or dispose of:

(a) a *designated investment* (other than an option or one to which (d) or (e) applies); or

(b) currency of the *United Kingdom* or of any other country or territory; or

(c) palladium, platinum, gold or silver; or

(d) a commodity to which article 83(2) of the *Regulated Activities Order* applies; or

(e) a *financial instrument* in paragraph 10 of Section C of Annex 1 to *MiFID* to which article 83(3) of the *Regulated Activities Order* applies; or

(f) an option to acquire or dispose of an option specified in (a), (b), (c), (d) or (e);

but so that for the purposes of calculating capital requirements for *BIPRU firms* it also includes any of the items listed in the table in ■ [BIPRU 7.6.18 R](#) (Option PRR: methods for different types of option) and any cash settled option.

<p><i>option hedging method</i></p> <p>FCA PRA</p>	<p>the method of calculating the <i>option PRR</i> in BIPRU 7.6.24R (The hedging method).</p>
<p><i>option PRR</i></p> <p>FCA PRA</p>	<p>the part of the market risk capital requirement calculated in accordance with BIPRU 7.6 (Option PRR) or, in relation to a particular position, the portion of the overall option PRR attributable to that position.</p>
<p><i>option standard method</i></p> <p>FCA PRA</p>	<p>the method of calculating the option PRR in BIPRU 7.6.20R to BIPRU 7.6.22R (The standard method).</p>
<p>ORCR</p> <p>PRA</p>	<p>the <i>operational risk capital requirement</i>.</p>
<p><i>organisation</i></p> <p>FCA PRA</p>	<p>a <i>body corporate</i>, a <i>partnership</i>, a trust or an unincorporated association.</p>
<p><i>original financing costing amount</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>share</i>, <i>debenture</i> or other investment in, or external contribution to the capital of, a <i>firm</i> that is subject to a <i>step-up</i>) the <i>financing cost amount</i> for the instrument for a period beginning on or near the date of issue of the instrument and ending on or near the date of the first <i>step-up</i>.</p>
<p><i>originator</i></p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>(in accordance with Article 4(41) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of securitisation) either of the following:</p> <ul style="list-style-type: none"> (a) an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the <i>exposures</i> being <i>securitised</i>; or (b) an entity which purchases a third party's <i>exposures</i> onto its balance sheet and then <i>securitises</i> them. <p>(B) In the FCA Handbook:</p> <p>(1) (in <i>GENPRU</i> (except ■ <i>GENPRU</i> 3) and <i>BIPRU</i> (except ■ <i>BIPRU</i> 12)) (in accordance with Article 4(41) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of securitisation) either of the following:</p> <ul style="list-style-type: none"> (a) an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the <i>exposures</i> being <i>securitised</i>; or (b) an entity which purchases a third party's <i>exposures</i> onto its balance sheet and then <i>securitises</i> them. <p>(2) (except in (1)) has the meaning in article 4(1)(13) of the <i>EU CRR</i>.</p>

OTC

FCA PRA

over the counter.

OTC

derivative

FCA PRA

a *derivative* traded solely *over the counter*.

OTC

derivative
transaction

FCA

a derivative financial instrument of a type listed on Annex II to the CRR that is traded *over the counter*.

OTC

derivatives,
CCPs and
trade
repositories
regulation

FCA

the Financial Services and Markets Act 2000 (Over the Counter Derivatives, Central Counterparties and Trade Repositories) Regulations 2013

*out of the
money*

FCA PRA

(for the purposes of BIPRU 7 (Market risk) and in relation to an *option* or *warrant*) that *option* or *warrant* being neither *at the money* nor *in the money*.*outgoing ECA
provider*

FCA PRA

a *firm* which:(a) provides an *electronic commerce activity*, from an *establishment* in the *United Kingdom*, with or for an *ECA recipient* present in an *EEA State* other than the *United Kingdom*; and(b) is a national of an *EEA State* or a firm or company mentioned in article 54 of the *Treaty*.*outsourcing*

FCA PRA

(1) (except in ■ SYSC 8, ■ COBS 11.7 and the definition of *relevant person*) the use of a *person* to provide customised services to a *firm* other than:(a) a member of the *firm's* governing body acting in his capacity as such; or(b) an individual employed by a *firm* under a contract of service.(2) (in ■ SYSC 8, ■ COBS 11.7 and the definition of *relevant person*) an arrangement of any form between a *firm* and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the *firm* itself.[Note: article 2(6) of the *MiFID implementing Directive*]*over**collateralisation*

FCA PRA

(in *RCB*) (as defined in Regulation 3(3) of the *RCB Regulations*) the provision of additional *assets* that assist the payment from the *relevant asset pool* of claims attaching to a *regulated covered bond* in the event of the failure of the *issuer*.*over the
counter*

FCA PRA

(in relation to a transaction in an *investment*) not *on-exchange*.

overall
financial
adequacy rule

FCA PRA

(A) In the PRA Handbook:

■ GENPRU 1.2.26A G (Requirement for certain *firms* to have adequate financial resources).

(B) In the FCA Handbook:

(1) (in *GENPRU*, *BIPRU* and *INSPRU*) ■ GENPRU 1.2.26A G (Requirement for certain *firms* to have adequate financial resources).

(2) (in *IFPRU*) IFPRU 2.2.1R (Adequacy of financial resources).

overall
financial sector

FCA PRA

a sector composed of one or more the following types of entities:

(a) members of each of the *financial sectors*; and

(b) (except where ■ GENPRU 3.1 (Cross sector groups) or GENPRU 3 Ann 1R (Capital adequacy calculations for financial conglomerates) provide otherwise) a *mixed financial holding company*.

overall
liquidity
adequacy rule

FCA PRA

BIPRU 12.2.1R.

overall Pillar 2
rule

FCA PRA

(A) In the PRA Handbook:

■ GENPRU 1.2.30 R (Systems, strategies, processes and reviews for certain *firms*).

(B) In the FCA Handbook:

(1) (in *GENPRU*, *BIPRU* and *INSPRU*) ■ GENPRU 1.2.30 R (Systems, strategies, processes and reviews for certain *firms*).

(2) (in *IFPRU*) IFPRU 2.2.7R (Strategy processes and systems).

overallocation
facility

FCA PRA

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) a clause in the underwriting agreement or lead management agreement which permits acceptance of subscriptions or offers to purchase a greater number of *relevant securities* than originally offered.

overdraft
facility

FCA

(in ■ CONC App 1.2) an explicit agreement whereby a *lender* makes available to a *borrower* funds which exceed the current balance in the *borrower's current account*.

overseas

FCA PRA

outside the *United Kingdom*.

overseas
company

FCA PRA

(in *LR* and *PR*) a *company* incorporated outside the *United Kingdom*.

overseas
financial
services
institution

FCA PRA

an institution authorised to carry on any *regulated activity* or other financial service by an *overseas regulator*.

overseas financial stability information power

FCA **PRA**

the PRA's power under section 169A of the Act (Support of overseas regulator with respect to financial stability) which, in summary, is a power exercisable at the request of an *overseas regulator* to require a *person* to provide information or documents relevant to the stability of one or more aspects of the *relevant financial system* operating in the country or territory of that regulator.

overseas firm

FCA **PRA**

(1) (in relation to **MAR 5**) a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom* excluding an *incoming EEA firm*.

(2) (in any other case) a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom*.

overseas introducing broker

FCA **PRA**

a *person*, who is not an *authorised person*:

(a) who is resident outside the *United Kingdom*; and

(b) who introduces transactions relating to designated investments arranged (brought about) for its *clients* to a *clearing firm* in the *United Kingdom*.

overseas investment exchange

FCA **PRA**

an investment exchange which has neither its head office nor its registered office in the *United Kingdom*.

overseas long-term insurer

FCA **PRA**

an *insurance undertaking* which is not an *authorised person* and which:

(a) has its head office in an *EEA State* other than the *United Kingdom*, and is entitled to carry on *long-term insurance business* in that *EEA State*; or

(b) has a *branch* or agency in an *EEA State* other than the *United Kingdom* and is entitled to carry on *long-term insurance business* in that *EEA State*; or

(c) is authorised to effect or carry on *long-term insurance business* in the Bailiwick of Jersey, the Bailiwick of Guernsey, the Isle of Man, the Commonwealth of Pennsylvania or the State of Iowa;

for the purposes of (a) and (b), Gibraltar is to be regarded as if it were an *EEA State*.

overseas person

FCA **PRA**

(A) In the PRA Handbook:

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) a *person* who:

(a) carries on any of the following *regulated activities*:

(i) *dealing in investments as principal*;

(ii) *dealing in investments as agent*;

(iii) *arranging (bringing about) deals in investments*;

(iv) *arranging (bringing about) regulated mortgage contracts*;

(v) *making arrangements with a view to regulated mortgage contracts*;

(vi) *making arrangements with a view to transactions in investments*;

- (vii) *managing investments*;
- (viii) *safe custody and administering investments*;
- (ix) *sending dematerialised instructions*;
- (x) *causing dematerialised instructions to be sent*;
- (xi) *establishing, operating or winding up a collective investment scheme*;
- (xii) *acting as trustee of an authorised unit trust scheme*;
- (xiii) *acting as the depositary or sole director of an open-ended investment company*;
- (xiii a) *acting as the depositary of an authorised contractual scheme*;
- (xiv) *establishing, operating or winding up a stakeholder pension scheme*;
- (xiva) *establishing, operating or winding up a personal pension scheme*;
- (xv) *advising on investments*;
- (xvi) *advising on regulated mortgage contracts* ;
- (xvii) *entering into a regulated mortgage contract* ;
- (xviii) *administering a regulated mortgage contract* ;
- (xix) *arranging (bringing about) a home reversion plan*;
- (xx) *making arrangements with a view to a home reversion plan*;
- (xxi) *advising on a home reversion plan*;
- (xxii) *entering into a home reversion plan*;
- (xxiii) *administering a home reversion plan*;
- (xxiv) *arranging (bringing about) a home purchase plan*;
- (xxv) *making arrangements with a view to a home purchase plan*;
- (xxvi) *advising on a home purchase plan*;
- (xxvii) *entering into a home purchase plan*;
- (xxviii) *administering a home purchase plan*;
- (xxix) *agreeing to carry on those regulated activities, disregarding the exclusion in article 72 of the Regulated Activities Order (Overseas persons); but*

(b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the *United Kingdom*.

(B) In the FCA Handbook:

(in accordance with article 3(1) of the *Regulated Activities Order (Interpretation)*)
a *person* who:

- (a) carries on any of the following *regulated activities*:
 - (i) *dealing in investments as principal*;
 - (ii) *dealing in investments as agent*;
 - (iii) *arranging (bringing about) deals in investments*;
 - (iv) *arranging (bringing about) regulated mortgage contracts*;
 - (v) *making arrangements with a view to regulated mortgage contracts*;

- (vi) *making arrangements with a view to transactions in investments;*
- (vii) *managing investments;*
- (viii) *safe custody and administering investments;*
- (ix) *sending dematerialised instructions;*
- (x) *causing dematerialised instructions to be sent;*
- (xa) *managing a UCITS;*
- (xb) *acting as trustee or depositary of a UCITS;*
- (xc) *managing an AIF;*
- (xd) *acting as trustee or depositary of an AIF;*
- (xi) *establishing, operating or winding up a collective investment scheme;*
- (xii) *acting as trustee of an authorised unit trust scheme;*
- (xiii) *acting as the depositary or sole director of an open-ended investment company;*
- (xiiia) *acting as the depositary of an authorised contractual scheme;*
- (xiv) *establishing, operating or winding up a stakeholder pension scheme;*
- (xiva) *establishing, operating or winding up a personal pension scheme;*
- (xv) *advising on investments;*
- (xvi) *advising on regulated mortgage contracts ;*
- (xvii) *entering into a regulated mortgage contract ;*
- (xviii) *administering a regulated mortgage contract ;*
- (xix) *arranging (bringing about) a home reversion plan;*
- (xx) *making arrangements with a view to a home reversion plan;*
- (xxi) *advising on a home reversion plan;*
- (xxii) *entering into a home reversion plan;*
- (xxiii) *administering a home reversion plan;*
- (xxiv) *arranging (bringing about) a home purchase plan;*
- (xxv) *making arrangements with a view to a home purchase plan;*
- (xxvi) *advising on a home purchase plan;*
- (xxvii) *entering into a home purchase plan;*
- (xxviii) *administering a home purchase plan;*
- (xxix) *agreeing to carry on those regulated activities, disregarding the exclusion in article 72 of the Regulated Activities Order (Overseas persons); but*

(b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the *United Kingdom*.

(1) (except in relation to the *overseas financial stability information power*) (as defined in section 195(3) of the *Act* (Exercise of power in support of overseas regulator)) an authority in a country or territory outside the *United Kingdom*:

overseas
regulator



- (a) which is a *Home State regulator*; or
- (b) which exercises any of the following functions:
- (i) a function corresponding to any function of the *FCA* or *PRA* under the *Act*;
 - (ii) a function corresponding to any function exercised by the *FCA* in its capacity as *competent authority* in relation to the listing of securities;
 - (iii) a function corresponding to any function exercised by the Secretary of State under the Companies Acts (as defined in section 2 of the Companies Act 2006);
 - (iv) a function in connection with the investigation of conduct of the kind prohibited by Part V of the Criminal Justice Act 1993 (Insider Dealing), or with the enforcement of rules (whether or not having the force of law) relating to such conduct;
 - (v) a function prescribed by regulations made for the purposes of section 195(4) of the *Act* (Exercise of powers) which, in the opinion of the Treasury, relates to companies or financial services.
- (2) (in relation to the *overseas financial stability information power*) (as defined in section 169A(2) of the *Act* (Support of overseas regulator with respect to financial stability)) an authority in a country or territory outside the *United Kingdom* which exercises functions with respect to the stability of the *relevant financial system* operating in that country or territory.

own account order

FCA **PRA**

an order which relates to an *own account transaction*.

own account trading firm

FCA **PRA**

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *firm* that only *deals* or arranges *deals* in *securities* or *contractually based investments* for its own benefit, or for the benefit of an *associate*.

own account transaction

FCA **PRA**

a transaction *executed* by the *firm* for its own benefit or for the benefit of its *associate*.

own estimates of volatility adjustments approach

FCA **PRA**

the approach to calculating volatility adjustments under the *financial collateral comprehensive method* under which the *firm* uses its own estimates of such adjustments, as more fully described in ■ BIPRU 5.4 (Financial collateral) and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

own funds

FCA **PRA**

(A) In the PRA Handbook:

(1) (in *GENPRU* (except ■ GENPRU 3 (Cross sector groups) and *BIPRU* (except ■ BIPRU 12 (Liquidity standards))) own funds as described in articles 56 to 67 of the *Banking Consolidation Directive*.

(2) [deleted]

own funds instruments

FCA

own funds requirements

FCA PRA

owner

FCA PRA

(2A) (in ■ IPRU(INV) 11) the own funds of a *firm* calculated in line with ■ IPRU(INV) Table 11.4 (Method of calculating initial capital and own funds).

(3) (in IPRU(INV) 8) capital, as defined in ■ CREDS 5.2.1 R.

(3A) (in IPRU(INV) 13) the own funds of a *firm* calculated in accordance with 13.1A.14R.

(4) (in UPRU) funds calculated in accordance with ■ UPRU Table 2.2.1 R (Method of calculation of financial resources) composed of the specified items set out in that Table.

(5) (except in (1) to (4)) has the meaning in article 4(1)(118) of the EU CRR.

(B) In the FCA Handbook:

(1) (in GENPRU (except ■ GENPRU 3 (Cross sector groups) and BIPRU (except ■ BIPRU 12 (Liquidity standards)) own funds as described in articles 56 to 67 of the *Banking Consolidation Directive*.

(2) [deleted]

(2A) (in ■ IPRU(INV) 11) has the meaning in article 4(1)(118) of the EU CRR.

(3) (in IPRU(INV) 8) capital, as defined in ■ CREDS 5.2.1 R.

(3A) (in IPRU(INV) 13) the own funds of a *firm* calculated in accordance with 13.1A.14R.

(4) (in UPRU) has the meaning in article 4(1)(118) of the EU CRR.

(5) (except in (1) to (4)) has the meaning in article 4(1)(118) of the CRR.

has the meaning in article 4(1)(119) of the EU CRR.

(A) (In the PRA Handbook):

as defined in article 92 (Own funds requirements) of the EU CRR.

(B) (In the FCA Handbook):

as defined in article 92 (Own funds requirements) of the EU CRR.

(A) In the PRA Handbook

(in RCB) (as defined in Regulation 4 of the *RCB Regulations*) an owner which owns an *asset pool* and issues a guarantee to pay from that *asset pool* claims attaching to a *regulated covered bond* in the event of a failure of the *issuer* of that bond.

(B) In the FCA Handbook

(1) (in RCB) (as defined in Regulation 4 of the *RCB Regulations*) an owner which owns an *asset pool* and issues a guarantee to pay from that *asset pool* claims attaching to a *regulated covered bond* in the event of a failure of the *issuer* of that bond.

(2) (in relation to a *credit-related regulated activity*), in accordance with article 60N(3) of the *Regulated Activities Order*:

(a) the *person* who bails or, in Scotland, hires goods under a *consumer hire agreement*; or

ownership share

FCA **PRA**

(b) a *person* who exercises, or has the right to exercise, the rights and duties of a *person* who bailed or, in Scotland, hired *goods* under a *consumer hire agreement*.

in accordance with the definition of a "share" in section 422(6) of the *Act* (Controller):

- (a) (in relation to an *undertaking* with a share capital) an allotted share;
- (b) (in relation to an *undertaking* with capital but no share capital) a right to share in the capital of the *undertaking* ;
- (c) (in relation to an *undertaking* without capital) an interest:
 - (i) conferring any right to share in the profits, or liability to contribute to the losses, of the *undertaking* ; or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the *undertaking* in the event of a winding up.

own-initiative powers

FCA **PRA**

FCA's or the *PRA's own-initiative variation power* and *own-initiative requirement power*.

own-initiative requirement power

FCA **PRA**

The *FCA's* power under section 55L(3) of the *Act* or the *PRA's* power under section 55M(3) of the *Act* to impose a new *requirement* on a *firm*, to vary a *requirement* that it has imposed on the *firm* or to cancel any such *requirement* otherwise than on the application of a *firm*.

own-initiative variation power

FCA **PRA**

The *FCA's* or the *PRA's* power under section 55J (Variation or cancellation on initiative of regulator) to vary or cancel a *Part 4A permission* otherwise than on the application of a *firm*.

P2P agreement

FCA

(a) (in relation to a *borrower*) in accordance with article 36H of the *Regulated Activities Order*, an agreement between one *person* ("the borrower") and another *person* ("the lender") by which the lender provides the borrower with credit (within the meaning of article 60L of the *Regulated Activities Order*) and in relation to which the borrower is an *individual* and either:

(i) the lender provides credit (within that meaning) of less than or equal to £25,000; or

(ii) the agreement is not entered into by the borrower wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower.

(b) (in relation to a lender) in accordance with article 36H of the *Regulated Activities Order*, an agreement between one person ("the borrower") and another person ("the lender") by which the lender provides the borrower with credit (within the meaning of article 60L of the *Regulated Activities Order*) and in relation to which either the lender is an *individual*, or if the lender is not an *individual*, the borrower is an *individual* and either:

(i) the lender provides credit (within that meaning) of less than or equal to £25,000; or

(ii) the agreement is not entered into by the borrower wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower.

packaged bank account

FCA PRA

an arrangement under which a *firm* provides a *retail banking service* as part of a package which includes access to other goods or services, whether or not a fee is charged.

packaged product

FCA PRA

- (a) a *life policy*;
- (b) a *unit* in a *regulated collective investment scheme*;
- (c) an interest in an *investment trust savings scheme*;
- (d) a *stakeholder pension scheme*;
- (e) a *personal pension scheme*;

whether or not (in the case of (a), (b) or (c)) held within an *ISA* or a *CTF* and whether or not the *packaged product* is also a *stakeholder product*.

parent financial holding company in a Member State

FCA PRA

(A) In the PRA Handbook:

(1) (in *GENPRU* (except ■ *GENPRU 3* and *BIPRU* (except ■ *BIPRU 12*)) (in accordance with Article 4(15) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) a *financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

(2) (except in (1)) has the meaning in article 4(1)(30) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in *GENPRU* (except ■ *GENPRU 3* and *BIPRU* (except ■ *BIPRU 12*)) (in accordance with Article 4(15) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) a *financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

(2) (except in (1)) has the meaning in article 4(1)(30) of the *EU CRR*.

parent institution in a Member State

FCA **PRA**

(A) In the PRA Handbook:

(1) (in GENPRU (except ■ GENPRU 3 and BIPRU (except ■ BIPRU 12)) (in accordance with Article 4(14) of the *Banking Consolidation Directive* and Article 3 of the *Capital Adequacy Directive* (Definitions)) an *institution* which has an *institution* or a *financial institution* as a *subsidiary undertaking* or which holds a *participation* in such an institution, and which is not itself a *subsidiary undertaking* of another *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

(2) (except in (1)) has the meaning in article 4(1)(28) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in GENPRU (except ■ GENPRU 3 and BIPRU (except ■ BIPRU 12)) (in accordance with Article 4(14) of the *Banking Consolidation Directive* and Article 3 of the *Capital Adequacy Directive* (Definitions)) an *institution* which has an *institution* or a *financial institution* as a *subsidiary undertaking* or which holds a *participation* in such an institution, and which is not itself a *subsidiary undertaking* of another *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

(2) (except in (1)) has the meaning in article 4(1)(28) of the *EU CRR*.

parent mixed financial holding company in a Member State

FCA **PRA**

(A) In the PRA Handbook:

(1) (in GENPRU (except ■ GENPRU 3 and BIPRU (except ■ BIPRU 12)) in accordance with Article 4(15a) of the *Banking Consolidation Directive* (Definitions)) a *mixed financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*

(2) (except in (1)) has the meaning in article 4(1)(32) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in GENPRU (except ■ GENPRU 3 and BIPRU (except ■ BIPRU 12)) in accordance with Article 4(15a) of the *Banking Consolidation Directive* (Definitions)) a *mixed financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*

(2) (except in (1)) has the meaning in article 4(1)(32) of the *EU CRR*.

parent undertaking

FCA **PRA**

(A) In the PRA Handbook:

(1) (in accordance with section 420 of the *Act* (Parent and subsidiary undertaking) and section 1162 of the *Companies Act 2006* (Parent and subsidiary undertakings)):

(a) (in relation to whether an *undertaking*, other than an *incorporated friendly society*, is a *parent undertaking* and except for the purposes described in (c)) an *undertaking* which has the following relationship to another *undertaking* ("S"):

- (i) it holds a majority of the voting rights in S; or
- (ii) it is a member of S and has the right to appoint or remove a majority of its board of directors; or
- (iii) it has the right to exercise a dominant influence over S through:
 - (A) provisions contained in S's memorandum or articles; or
 - (B) a control contract; or
- (iv) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or
- (v)
 - (A) it has the power to exercise, or actually exercises, dominant influence or control over S; or
 - (B) it and S are managed on a unified basis; or
- (vi) it is a parent undertaking of a parent undertaking of S; or
- (vii) (except in *REC* or for the purposes of the *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's or to the *Society* or *managing agents* in respect of *members*) he is an individual and would be a *parent undertaking* if he were an *undertaking*; or
- (viii) (except in *REC* or for the purposes of *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's or to the *Society* or *managing agents* in respect of *members*) it is incorporated in or formed under the law of another *EEA State* and is a parent undertaking within the meaning of any rule of law in that State for purposes connected with implementation of the Seventh Company Law Directive;

in relation to (ii) and (iv); the *undertaking* will be treated as a member of S if any of its *subsidiary undertakings* is a member of S, or if any shares in S are held by a *person* acting on behalf of the *undertaking* or any of its *subsidiary undertakings*; the provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (i) to (vi);

(b) (in relation to whether an incorporated friendly society is a parent undertaking and except for the purposes escribed in (c)) an *incorporated friendly society* which has the following relationship to a *body corporate* ("S"):

- (i) it holds a majority of the voting rights in S; or
- (ii) it is a member of S and has the right to appoint or remove a majority of S's board of directors; or
- (iii) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or
- (iv) it is the *parent undertaking* of a *body corporate* which has the relationship in (i), (ii) or (iii) to S.

(c) (for the purposes of *BIPRU* (except ■ *BIPRU 12*), *GENPRU* (except ■ *GENPRU 3*) and *INSPRU* as they apply on a consolidated basis and for the purposes of ■ *SYSC 12* (Group risk systems and controls requirement) and ■ *SYSC 19C* (Remuneration Code for *BIPRU* firms) and in relation to whether an *undertaking* is a *parent undertaking*) an *undertaking* which has the following relationship to another *undertaking* ("S"):

- (i) a relationship described in (a) other than (a)(vii); or
- (ii) it effectively exercises a dominant influence over S;

and so that (a)(v) does not apply for the purpose of *BIPRU* as it applies on a consolidated basis (including *BIPRU 8* (Group risk - consolidation)) or *BIPRU 10*.

(2) a *parent undertaking* within the meaning of (1) of a .

(3) (for the purposes of ■ *GENPRU 3*, ■ *BIPRU 12*, *IFPRU* and ■ *SYSC 19A* (Remuneration Code)) has the meaning in article 4(1)(15) of the *EU CRR* but so that (in accordance with article 2(9) of the *Financial Groups Directive*) article 4(1)(15)(b) applies for the purpose of ■ *GENPRU 3*.

(B) In the FCA Handbook:

(1) (in accordance with section 420 of the *Act* (Parent and subsidiary undertaking) and section 1162 of the *Companies Act 2006* (Parent and subsidiary undertakings)):

(a) (in relation to whether an *undertaking* , other than an *incorporated friendly society*, is a *parent undertaking* and except for the purposes described in (c)) an *undertaking* which has the following relationship to another *undertaking* ("S"):

- (i) it holds a majority of the voting rights in S; or
- (ii) it is a member of S and has the right to appoint or remove a majority of its board of directors; or
- (iii) it has the right to exercise a dominant influence over S through:

(A) provisions contained in S's memorandum or articles; or

(B) a control contract; or

(iv) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or

(v)

(A) it has the power to exercise, or actually exercises, dominant influence or control over S; or

(B) it and S are managed on a unified basis; or

(vi) it is a parent undertaking of a parent undertaking of S; or

(vii) (except in *REC* or for the purposes of the *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society of Lloyd's* or to the *Society* or *managing agents* in respect of *members*) he is an individual and

would be a *parent undertaking* if he were an *undertaking*; or

(viii) (except in *REC* or for the purposes of *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's or to the *Society* or *managing agents* in respect of *members*) it is incorporated in or formed under the law of another *EEA State* and is a parent undertaking within the meaning of any rule of law in that State for purposes connected with implementation of the Seventh Company Law Directive;

in relation to (ii) and (iv); the *undertaking* will be treated as a member of S if any of its *subsidiary undertakings* is a member of S, or if any shares in S are held by a *person* acting on behalf of the *undertaking* or any of its *subsidiary undertakings*; the provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (i) to (vi);

(b) (in relation to whether an incorporated friendly society is a parent undertaking and except for the purposes escribed in (c)) an *incorporated friendly society* which has the following relationship to a *body corporate* ("S"):

- (i) it holds a majority of the voting rights in S; or
- (ii) it is a member of S and has the right to appoint or remove a majority of S's board of directors; or
- (iii) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or
- (iv) it is the *parent undertaking* of a *body corporate* which has the relationship in (i), (ii) or (iii) to S.

(c) (for the purposes of *BIPRU* (except ■ *BIPRU 12*), *GENPRU* (except ■ *GENPRU 3*) and *INSPRU* as they apply on a consolidated basis and for the purposes of ■ *SYSC 12* (Group risk systems and controls requirement) and ■ *SYSC 19C* (Remuneration Code for *BIPRU* firms) and in relation to whether an *undertaking* is a *parent undertaking*) an *undertaking* which has the following relationship to another *undertaking* ("S"):

- (i) a relationship described in (a) other than (a)(vii); or
- (ii) it effectively exercises a dominant influence over S;

and so that (a)(v) does not apply for the purpose of *BIPRU* as it applies on a consolidated basis (including *BIPRU 8* (Group risk - consolidation)) or *BIPRU 10*.

(2) a *parent undertaking* within the meaning of (1) of a .

(3) (for the purposes of ■ *GENPRU 3*, ■ *BIPRU 12*, *IFPRU* and ■ *SYSC 19A* (Remuneration Code)) has the meaning in article 4(1)(15) of the *EU CRR* but so that (in accordance with article 2(9) of the *Financial Groups Directive*) article 4(1)(15)(b) applies for the purpose of ■ *GENPRU 3*.

(as defined in section 3(9) of the Child Trust Fund Act 2004):

(a) parental responsibility within the meaning of the Children Act 1989 or the Children (Northern Ireland) Order 1995 (SI 1995/755 (N.I. 2)); or

(b) parental responsibilities within the meaning of the Children (Scotland) Act 1995.

Part 30
exemption
order

FCA PRA

an order under regulation 30.10 of the General Regulations under the US Commodity Exchange Act, issued by the Commodity Futures Trading Commission on 15 May 1989, granting a *person* exemption from the registration requirement contained in Part 30 of those General Regulations.

Part 4A
permission

FCA PRA

(as defined in section 55A of the *Act* (Application for *permission*)) a *permission* given by the *FCA* or *PRA* under Part 4A of the *Act* (Permission to carry on regulated activities), or having effect as if so given.

Part 6 rules

FCA PRA

(as defined in section 73A of the *Act*) *rules* made for the purposes of Part VI of the *Act*.

Part XX
exemption

FCA PRA

the exemption from the *general prohibition* conferred on an *exempt professional firm* by section 327 of the *Act* (Exemption from the *general prohibition*).

participant

FCA PRA

(in accordance with section 235(2) of the *Act* (*Collective investment schemes*)) a *person* who participates in a *collective investment scheme*.

participant
firm

FCA PRA

(A) In the PRA Handbook:

(1) (except in ■ FEES 1 and ■ FEES 6) a *firm* or a *member* other than:

(a) (in accordance with section 213(10) of the *Act* (The compensation scheme) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) an *incoming EEA firm* which is:

(i) a *credit institution*;

(ii) a *MiFID investment firm*; or

(iii) [deleted]

(iv) both (i) and (ii); or

(v) an *IMD insurance intermediary* or an *IMD reinsurance intermediary* which is neither (i) or (ii);

(vi) an *AIFM* managing an *unauthorised AIF* or providing the services in article 6(4) of *AIFMD*;

in relation to its *passport activities*, unless it has *top-up cover*

(aa) (in accordance with section 213(10) of the *Act* (The compensation scheme) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) an *incoming EEA firm* which is a *management company* other than to the extent that it carries on the following activities from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*:

(i) *collective portfolio management* for a *UCITS scheme*; or

(ii) *managing investments* (other than of a *collective investment scheme*), *advising on investments* or *safeguarding and administering investments* (the services referred to in article 6(3) of the *UCITS Directive*), but only if it has *top-up cover*;

(b) a *service company*;

(c) [deleted]

(d) [deleted]

(e) an *underwriting agent*, or *members' adviser*, in respect of *advising on syndicate participation at Lloyd's* or managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;

(f) an *authorised professional firm* that is subject to the rules of the Law Society (England and Wales) or the Law Society of Scotland

(g) an *ICVC*;

(h) a *UCITS* qualifier;

(i) [deleted]

(j) in respect of the carrying on of *bidding in emissions auctions*, a *firm* that is exempt from *MiFID* under article 2(1)(i).

(k) an *AIFM* *qualifier*.

(B) In the FCA Handbook:

(1) (except in ■ FEES 1 and ■ FEES 6) a *firm* or a *member* other than:

(a) (in accordance with section 213(10) of the *Act* (The compensation scheme) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) an *incoming EEA firm* which is:

(i) a *credit institution*;

(ii) a *MiFID investment firm*; or

(iii) [deleted]

(iv) both (i) and (ii); or

(v) an *IMD insurance intermediary* or an *IMD reinsurance intermediary* which is neither (i) or (ii);

(vi) an *AIFM* managing an *unauthorised AIF* or providing the services in article 6(4) of *AIFMD*;

in relation to its *passport activities*, unless it has *top-up cover*

(aa) (in accordance with section 213(10) of the *Act* (The compensation scheme) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) an *incoming EEA firm* which is a *management company* other than to the extent that it carries on the following activities from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*:

(i) *collective portfolio management* for a *UCITS scheme*; or

(ii) *managing investments* (other than of a *collective investment scheme*), *advising on investments* or *safeguarding and administering investments* (the services referred to in article 6(3) of the *UCITS Directive*), but only if it has top-up cover;

(b) a service company;

(c) [deleted]

(d) [deleted]

(e) an *underwriting agent*, or *members' adviser*, in respect of *advising on syndicate participation at Lloyd's* or managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;

(f) an *authorised professional firm* that is subject to the rules of the Law Society (England and Wales) or the Law Society of Scotland

(g) an *ICVC*;

<p><i>participating deposit-taker</i></p> <p>FCA PRA</p>	<p>(h) a UCITS qualifier;</p> <p>(i) [deleted]</p> <p>(j) in respect of the carrying on of <i>bidding in emissions auctions</i>, a <i>firm</i> that is exempt from <i>MiFID</i> under article 2(1)(i);</p> <p>(k) an <i>AIFM qualifier</i>;</p> <p>(l) an <i>operator of an electronic system in relation to lending</i> in respect of operating the system.</p> <p>(as defined in article 2(2) of the <i>compensation transitionals order</i>) a <i>person</i> who was at any time before <i>commencement</i>:</p> <p>(a) a UK institution, participating institution, former UK institution or former participating institution as defined in section 52(6) of the Banking Act 1987; or</p> <p>(b) a former authorised institution (as defined in section 106(1) of the Banking Act 1987 (other than a former UK institution or former participating institution as defined in section 52(6) of that Act), which was not a recognised bank or licensed institution excluded by an order under section 23(2) of the Banking Act 1979.</p>
<p><i>participating institution</i></p> <p>FCA PRA</p>	<p>(as defined in article 2(2) of the <i>compensation transitionals order</i>) a <i>person</i> who was at any time before <i>commencement</i> a participating institution within the meaning of section 24(4) of the Building Societies Act 1986.</p>
<p><i>participating insurance undertaking</i></p> <p>FCA PRA</p>	<p>an insurer which:</p> <p>(a) has a <i>subsidiary undertaking</i> that is an <i>insurance undertaking</i>; or</p> <p>(b) holds a <i>participation</i> in an <i>insurance undertaking</i>; or</p> <p>(c) is linked to an <i>insurance undertaking</i> by a <i>consolidation Article 12(1) relationship</i>.</p>
<p><i>participating security</i></p> <p>FCA PRA</p>	<p>a participating security as defined in regulation 3 of the Uncertificated Securities Regulations 1995 (SI 1995/3272), which enable title to participating securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.</p>
<p><i>participation</i></p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>(for the purposes of <i>UPRU</i> and <i>GENPRU</i> (except ■ <i>GENPRU</i> 3) and for the purposes of <i>BIPRU</i> (except ■ <i>BIPRU</i> 12) and <i>INSPRU</i> as they apply on a consolidated basis):</p> <p>(a) a participating interest may be defined according to:</p> <p style="margin-left: 40px;">(i) section 421A of the <i>Act</i> where applicable; or</p> <p style="margin-left: 40px;">(ii) paragraph 11(1) of Schedule 10 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) where applicable; or</p> <p style="margin-left: 40px;">(iii) paragraph 8 of Schedule 7 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) where applicable; or</p>

(iv) paragraph 8 of Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) where applicable; or

(v) paragraph 8 of Schedule 5 to the Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912) where applicable; or

(b) (otherwise) the direct or indirect ownership of 20% or more of the voting rights or capital of an *undertaking*;

but excluding the interest of a *parent undertaking* in its *subsidiary undertaking*.

(2) (except in (1) has the meaning in article 4(1)(35) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (for the purposes of *UPRU* and *GENPRU* (except ■ *GENPRU* 3) and for the purposes of *BIPRU* (except ■ *BIPRU* 12) and *INSPRU* as they apply on a consolidated basis):

(a) a participating interest may be defined according to:

(i) section 421A of the *Act* where applicable; or

(ii) paragraph 11(1) of Schedule 10 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) where applicable; or

(iii) paragraph 8 of Schedule 7 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) where applicable; or

(iv) paragraph 8 of Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) where applicable; or

(v) paragraph 8 of Schedule 5 to the Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912) where applicable; or

(b) (otherwise) the direct or indirect ownership of 20% or more of the voting rights or capital of an *undertaking*;

but excluding the interest of a *parent undertaking* in its *subsidiary undertaking*.

(2) (except in (1) has the meaning in article 4(1)(35) of the *EU CRR*.

(in relation to a *firm* which is a *partnership*) any *person* appointed to direct its affairs, including:

(a) a *person* occupying the position of a partner (by whatever name called); and

(b) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the partners are accustomed to act.

partner

FCA PRA

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partner function

FCA **PRA**

(1) (in the *FCA Handbook*) *FCA controlled function* CF4 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.6.23 R to ■ SUP 10A.6.27 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF4 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.6.12 R to ■ SUP 10B.6.14 R.

partnership

FCA **PRA**

(in accordance with section 417(1) of the *Act* (Definitions)) any partnership, including a partnership constituted under the law of a country or territory outside the *United Kingdom*, but not including a *limited liability partnership*.

passport right

FCA **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) the entitlement of a *person* to establish a branch or provide services in an *EEA State* other than that in which they are authorised to provide *electronic money* issuance services:

(a) in accordance with the Treaty on the Functioning of the European Union as applied in the *EEA*; and

(b) subject to the conditions of the *Electronic Money Directive*.

passported activity

FCA **PRA**

an activity carried on by an *EEA firm*, or by a *UK firm*, under an *EEA right*.

pawn

FCA

any article subject to a *pledge*.

pawnee

FCA

a *person* who takes any article in *pawn* and includes any *person* to whom the rights and duties of the original pawnee have passed by assignment or operation of law.

pawnor

FCA

includes any *person* to whom the rights and duties of the original pawnor have passed by assignment or operation of law.

pawn-receipt

FCA

has the meaning given by section 114 of the *CCA*.

payment

FCA

includes tender.

payment holiday

FCA **PRA**

a feature of a *regulated mortgage contract* under which the *mortgage lender* permits the customer to make no payments for a specified period without being in *arrears*.

payment information

FCA **PRA**

the information described in COBS 7.3.4R, that is, the amount and nature of any payments that the *client* will have to make, directly or indirectly, for the *personal recommendation*.

payment institution

FCA **PRA**

an *authorised payment institution*, an *EEA authorised payment institution* or a *small payment institution*.

[Note: articles 4(4) and 26(3) of the *Payment Services Directive*]

payment instrument

FCA **PRA**

(in *BCOBS*) any personalised device or personalised set of procedures agreed between the *banking customer* and the *firm* used by the *banking customer* to initiate an instruction or request by the *banking customer* to the *firm* to make a payment.

payment leg

FCA

(for the purposes of the *CCR standardised method* and as more fully defined in **■** BIPRU 13.5.2 R (Derivation of risk position: payment legs) the contractually agreed gross payments under a *financial derivative instrument*, including the notional amount of the transaction.

payment protection contract

FCA **PRA**

A *non-investment insurance contract* which has elements of a *general insurance contract* and the benefits of which are described as enabling a *policyholder* to protect his ability to continue to make payments due to third parties, or can reasonably be expected to be used in this way.

payment routing information

FCA **PRA**

a combination of letters, numbers or symbols specified by a *firm* to be provided when instructing or requesting the *firm* to make a payment from an account of a *banking customer* for the purpose of routing the payment to the correct destination and intended recipient.

payment service

FCA **PRA**

(in accordance with regulation 2(1) of, and Schedule 1 to, the *Payment Services Regulations*):

(a) Any of the following activities when carried out as a regular occupation or business activity:

(i) services enabling cash to be placed on a payment account and all of the operations required for operating a payment account;

(ii) services enabling cash withdrawals from a payment account and all of the operations required for operating a payment account;

(iii) execution of the following types of payment transaction:

(A) direct debits, including one-off direct debits;

(B) payment transactions executed through a payment card or a similar device;

(C) credit transfers, including standing orders;

(iv) execution of the following types of payment transaction where the funds are covered by a credit line for the *payment service user*:

(A) direct debits, including one-off direct debits;

(B) payment transactions executed through a payment card or a similar device;

(C) credit transfers, including standing orders;

(v) issuing payment instruments or acquiring payment transactions;

(vi) *money remittance*;

(vii) execution of payment transactions where the consent of the payer to execute the payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only

as an intermediary between the *payment service user* and the supplier of the goods or services.

- (b) The following activities do not constitute payment services:
- (i) payment transactions executed wholly in cash and directly between the payer and the payee, without any intermediary intervention;
 - (ii) payment transactions between the payer and the payee through a commercial agent authorised to negotiate or conclude the sale or purchase of goods or services on behalf of the payer or the payee;
 - (iii) the professional physical transport of banknotes and coins, including their collection, processing and delivery;
 - (iv) payment transactions consisting of non-professional cash collection and delivery as part of a not-for-profit or charitable activity;
 - (v) services where cash is provided by the payee to the payer as part of a payment transaction for the purchase of goods or services following an explicit request by the payer immediately before the execution of the payment transaction;
 - (vi) money exchange business consisting of cash-to-cash operations where the funds are not held on a payment account;
 - (vii) payment transactions based on any of the following documents drawn on the *payment service provider* with a view to placing funds at the disposal of the payee:
 - (A) paper cheques of any kind, including traveller's cheques;
 - (B) bankers' drafts;
 - (C) paper-based vouchers;
 - (D) paper postal orders;
 - (viii) payment transactions carried out within a payment or securities settlement system between *payment service providers* and settlement agents, central counterparties, clearing houses, central banks or other participants in the system;
 - (ix) payment transactions related to securities asset servicing, including dividends, income or other distributions, or redemption or sale, carried out by *persons* referred to in (h) or by investment firms, *full credit institutions*, collective investment undertakings, asset management companies providing investment services or by any other entities allowed to have the custody of financial instruments;
 - (x) services provided by technical service providers, which support the provision of *payment services*, without the provider entering at any time into possession of the funds to be transferred, including:
 - (A) the processing and storage of data;
 - (B) trust and privacy protection services;
 - (C) data and entity authentication;
 - (D) information technology;
 - (E) communication network provision; and

(F) the provision and maintenance of terminals and devices used for *payment services*;

(xi) services based on instruments that can be used to acquire goods or services only:

(A) in or on the issuer's premises; or

(B) under a commercial agreement with the issuer, either within a limited network of service providers or for a limited range of goods or services,

and for these purposes the "issuer" is the person who issues the instrument in question;

(xii) payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the *payment service user* and the supplier of the goods and services;

(A) payment transactions carried out between *payment service providers*, or their agents or *branches*, for their own account;

(B) payment transactions between a parent undertaking and its subsidiary or between subsidiaries of the same parent undertaking, without any intermediary intervention by a *payment service provider* other than an undertaking belonging to the same group;

(C) services by providers to withdraw cash by means of automated teller machines acting on behalf of one or more card issuers, which are not party to the *framework contract* with the customer withdrawing money from a payment account, where no other *payment service* is conducted by the provider.

[Note: articles 3 and 4(3) of, and the Annex to, the *Payment Services Directive*]

(1) (except in *DISP*) (in accordance with regulation 2(1) of the *Payment Service Regulations*) any of the following *persons* when they carry out a *payment service*:

- (a) an *authorised payment institution*;
- (b) a *small payment institution*;
- (c) an *EEA authorised payment institution*;
- (d) a *full credit institution*;
- (e) an *electronic money issuer*;
- (f) the Post Office Limited;
- (g) the Bank of England, the European Central Bank and the national central banks of *EEA States* other than the *United Kingdom*, other than when acting in their capacity as a monetary authority or carrying out other functions of a public nature; and
- (h) government departments and local authorities, other than when carrying out functions of a public nature.

[Note: article 1(1) of the *Payment Services Directive*]

*payment
service
provider*

FCA PRA

<p><i>payment service user</i></p> <p>FCA PRA</p>	<p>(2) (in <i>DISP</i> and ■ FEES 5.5) as in (1) but excluding a <i>full credit institution</i></p> <p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a <i>person</i> when making use of a <i>payment service</i> in the capacity of either payer or payee, or both.</p> <p>[Note: article 4(10) of the <i>Payment Services Directive</i>]</p>
<p><i>Payment Services Directive</i></p> <p>FCA PRA</p>	<p>Directive 2007/64/EC of the European Parliament and of the Council of 13th November 2007 on payment services in the internal market.</p>
<p><i>Payment Services Regulations</i></p> <p>FCA PRA</p>	<p>the Payment Services Regulations 2009 (SI 2009/209).</p>
<p>PD</p> <p>FCA PRA</p>	<p>(1) (except in <i>GENPRU</i> and <i>BIPRU</i>) Prospectus Directive.</p> <p>(2) (in <i>GENPRU</i>, <i>BIPRU</i> and <i>BSOCS</i>) <i>probability of default</i>.</p>
<p><i>PD Regulation</i></p> <p>FCA PRA</p>	<p>the Prospectus Directive Regulation (No 2004/809/EC).</p>
<p><i>PD/LGD approach</i></p> <p>FCA PRA</p>	<p>the method for treating <i>equity exposures</i> under the <i>IRB approach</i> set out in ■ BIPRU 4.7.14 R-■ BIPRU 4.7.22 R.</p>
<p><i>peak exposure</i></p> <p>FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a high percentile of the distribution of exposures at any particular future date before the maturity date of the longest transaction in the <i>netting set</i>.</p>
<p><i>pending application</i></p> <p>FCA PRA</p>	<p>(as defined in article 3(1) of the <i>compensation transitionals order</i>):</p> <p>(a) an application for compensation made under an <i>investment business compensation scheme</i> before <i>commencement</i> in relation to which a <i>terminating event</i> did not occur before <i>commencement</i>; and</p> <p>(b) an application made to the <i>FSCS</i> after <i>commencement</i> under an <i>investment business compensation scheme</i>, even if at the time of application that scheme had otherwise ceased to exist.</p>
<p><i>penny share</i></p> <p>FCA PRA</p>	<p>a <i>readily realisable security</i> in relation to which the bid-offer spread is 10 per cent or more of the offer price, but not:</p> <p>(a) a <i>government and public security</i>; or</p> <p>(b) a <i>share</i> in a <i>company</i> quoted on The Financial Times Stock Exchange 100 Index; or</p> <p>(c) a <i>security</i> issued by a <i>company</i> which, at the time that the firm <i>deals</i> or recommends to the <i>client</i> to <i>deal</i> in the <i>investment</i>, has a market</p>

pension annuity

FCA PRA

capitalisation of £100 million or more (or its equivalent in any other currency at the relevant time).

an *investment* purchased with the sums derived from the vesting (partial or full) of a *pension policy* or *pension contract*, for the purposes of securing the beneficiary's entitlement to immediate or future benefits.

pension buy-out contract

FCA PRA

a *pension policy* bought from an *insurer* using funds from:

- (a) a scheme that was approved under Chapter 1 of Part 14 of the Income and Corporation Taxes Act 1988 when that chapter was in force; or
- (b) a scheme that is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

pension contract

FCA PRA

a contract under which rights to benefits are obtained by the making of contributions to an *occupational pension scheme* or to a *personal pension scheme*, where the contributions are paid to a *regulated collective investment scheme*.

pension fund management

FCA PRA

(in relation to a class of contract of insurance) the class of contract of insurance specified in paragraph VII of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance) namely:

- (a) pension fund management contracts; and
- (b) pension fund management contracts which are combined with *contracts of insurance* covering either conservation of capital or payment of a minimum interest;

where effected or carried out by a *person* who does not carry on a banking business, and otherwise carries on *insurance business*.

pension fund management contract

FCA PRA

(as defined in article 3(1) of the *Regulated Activities Order* (Interpretation)) a contract to manage the *investments* of pension funds (other than funds solely for the benefit of the officers or employees of the *person* effecting or carrying out the contract and their dependants or, in the case of a *company*, partly for the benefit of officers and employees of its subsidiary or holding company or a subsidiary of its holding company and their dependants; in this definition "subsidiary" and "holding company" mean either *subsidiary* and *holding company*, or *subsidiary* and *holding company* defined in accordance with article 4 of the Companies (Northern Ireland) Order 1986 (SI 1986) No 1032 (NI 6)) as amended by article 62 of the Companies (No 2) (Northern Ireland) Order 1990 (SI 1990 No 1504 (NI 10)).

pension opt-out

FCA PRA

a transaction, resulting from the decision of a *retail client* who is an individual, to:

- (a) opt out of an *occupational pension scheme*, *group personal pension scheme* or *group stakeholder pension scheme* to which his employer contributes and of which he is a member; or
- (b) decline to become a member of an *occupational pension scheme*, *group personal pension scheme* or *group stakeholder pension scheme* to which his employer contributes and of which he is eligible to join, or will be eligible to join at the end of a waiting period;

in favour of a *stakeholder pension scheme* or *personal pension scheme*.

pension policy

FCA PRA

a contract under which a right to benefits results from contributions made to an *occupational pension scheme* or to a *personal pension scheme*, where the contributions are paid to a *long-term insurer*.

<p><i>pension scheme</i></p> <p>FCA PRA</p>	<p>a scheme under which a right to benefits results from contributions made under a <i>pension contract</i> or <i>pension policy</i>.</p>
<p><i>pension term assurance policy</i></p> <p>FCA PRA</p>	<p>a <i>personal pension policy</i> which is a <i>pure protection contract</i> and in connection with which tax relief is available under Chapter 4 of Part 4 of the Finance Act 2004.</p>
<p><i>pension transfer</i></p> <p>FCA PRA</p>	<p>a transaction , resulting from the decision of a <i>retail client</i> who is an individual, to transfer deferred benefits from:</p> <ul style="list-style-type: none"> (a) an <i>occupational pension scheme</i>; (b) an individual pension contract providing fixed or guaranteed benefits that replaced similar benefits under a <i>defined benefits pension scheme</i>; or (c) (in the cancellation rules (■ COBS 15)) a <i>stakeholder pension scheme</i> or <i>personal pension scheme</i> , <p>to:</p> <ul style="list-style-type: none"> (d) a <i>stakeholder pension scheme</i>; (e) a <i>personal pension scheme</i>; or (f) a deferred annuity <i>policy</i> , where the eventual benefits depend on investment performance in the period up to the date when those benefits will come into payment.
<p><i>pension transfer specialist</i></p> <p>FCA PRA</p>	<p>an individual appointed by a <i>firm</i> to check the suitability of a <i>pension transfer</i> or <i>pension opt-out</i> who has passed the required examinations as specified in TC.</p>
<p><i>pension wrapper</i></p> <p>FCA PRA</p>	<p>(in the cancellation rules (■ COBS 15)) a <i>SIPP</i>, <i>pension contract</i> or <i>personal pension product</i>.</p>
<p><i>per se eligible counterparty</i></p> <p>FCA PRA</p>	<p>a <i>client</i> categorised as a per se eligible counterparty in accordance with ■ COBS 3.6.</p>
<p><i>per se professional client</i></p> <p>FCA PRA</p>	<p>a <i>client</i> categorised as a per se professional <i>client</i> in accordance with ■ COBS 3.5.</p>
<p><i>percentage ratio</i></p> <p>FCA PRA</p>	<p>(in LR) (in relation to a transaction) the figure, expressed as a percentage, that results from applying a calculation under a <i>class test</i> to the transaction.</p>
<p>PERG</p> <p>FCA PRA</p>	<p>the Perimeter Guidance manual.</p>

period rate of charge

FCA

(in ■ CONC App 1.1) means a percentage rate of charge for a period, comprising all charges included in the *total charge for credit* determined in accordance with ■ CONC App 1.1.4 R to ■ CONC App 1.1.6 R.

periodic information

FCA PRA

the information identified in the table in ■ COBS 16 Annex 2R R, and if the *client* has not elected to receive *trade confirmation information* on a transaction by transaction basis under ■ COBS 16.3.3 R, the information identified in column 2 of ■ COBS 16 Annex 1R R.

periodic statement

FCA PRA

a report which a *firm* is required to provide to a *client* under ■ COBS 16.3 (Periodic reporting).

permanent health

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph IV of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that:

- (a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age of the persons concerned, or without limit of time; and
- (b) either are not expressed to be terminable by the insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract.

permanent health reinsurance business

FCA PRA

reinsurance acceptances which are *contracts of insurance* falling within *long-term insurance business class IV*.

permanent interest bearing shares

FCA PRA

(A) In the PRA Handbook:

any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest-bearing shares and on terms which qualify them as own funds for the purposes of the *EU CRR*.

(B) In the FCA Handbook:

any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest-bearing shares and on terms which qualify them as own funds for the purposes of the *EU CRR*.

permanent share capital

FCA PRA

an item of capital that is stated in GENPRU 2.2.83R (Core tier one capital: permanent share capital) to be permanent share capital.

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permission

FCA PRA

permission to carry on *regulated activities*; that is, any of the following:

- (a) a *Part 4A permission*;
- (b) the permission that an *incoming EEA firm* has, under paragraph 15(1) or paragraph 15A(1), (3) or (4) of Schedule 3 to the *Act* (EEA Passport Rights), on qualifying for *authorisation* under paragraph 12 of that Schedule;

<p><i>permitted activity</i> FCA PRA</p>	<p>(c) the permission that an <i>incoming Treaty firm</i> has, under paragraph 4(1) of Schedule 4 to the <i>Act</i> (Treaty Rights), on qualifying for <i>authorisation</i> under paragraph 2 of that Schedule;</p> <p>(d) the permission that a <i>UCITS qualifier</i> has, under paragraph 2(1) of Schedule 5 to the <i>Act</i> (Persons concerned in Collective Investment Schemes);</p> <p>(e) the permission that an <i>ICVC</i> has, under paragraph 2(2) of Schedule 5 to the <i>Act</i> (Persons concerned in Collective Investment Schemes);</p> <p>(f) the permission that the Society of Lloyd's has, under section 315(2) of the <i>Act</i> (The Society: authorisation and permission), which is to be treated as a <i>Part IV permission</i> for the purposes of <i>Part 4A</i> of the <i>Act</i> (Permission to carry on regulated activities) in accordance with section 315(3) of the <i>Act</i>.</p>
<p><i>permitted business</i> FCA PRA</p>	<p>(1) (except in ■ SUP 13A and ■ SUP 14) a <i>regulated activity</i> which a <i>firm</i> has <i>permission</i> to carry on.</p> <p>(2) (in ■ SUP 13A and ■ SUP 14) an activity identified in a consent notice, a regulator's notice or, where none is required, a notice of intention.</p>
<p><i>permitted deposits</i> FCA PRA</p>	<p>(in <i>UPRU</i>) means <i>permitted activity</i>.</p>
<p><i>permitted derivatives contract</i> FCA PRA</p>	<p>in relation to <i>permitted links</i>, <i>deposits</i> with any of the following:</p> <p>(a) an <i>approved credit institution</i>; or</p> <p>(b) an <i>approved financial institution</i>; or</p> <p>(c) an <i>approved investment firm</i>.</p>
<p><i>permitted immovable</i> FCA PRA</p>	<p>in relation to <i>permitted links</i>, a contract involving a <i>derivative</i> or <i>quasi-derivative</i> that satisfies ■ INSPRU 3.2.5 R to ■ INSPRU 3.2.35A G with the exception of ■ INSPRU 3.2.18 R, as applied in relation to assets covering liabilities in respect of <i>linked long-term</i> contracts of insurance.</p>
<p><i>permitted land and property</i> FCA PRA</p>	<p>any interest in land or buildings which falls within ■ COLL 5.6.18 R (2) and ■ COLL 5.6.18 R (6) (Investment in property) and which, being a leasehold interest or its equivalent, has an unexpired term of at least 20 years, but excluding, in relation to an <i>ICVC</i>, immovable property that is necessary for the direct pursuit of its business .</p> <p>in relation to <i>permitted links</i>, any interest in land (and any buildings situated on it) provided that:</p> <p>(a) it is considered by the <i>firm</i> to be located in a territory with a properly functioning market, indicated by the following criteria:</p> <p>(i) a lack of artificial barriers, including barriers to foreign ownership and repatriation of capital;</p> <p>(ii) fair and accurate valuation;</p> <p>(iii) suitably qualified and independent surveyors;</p> <p>(iv) accurate financial information;</p> <p>(v) enforceable contractual and other property rights;</p> <p>(vi) clarity of taxation;</p>

- (vii) availability of reliable economic and property market data;
 - (viii) ethical transaction standards; and
- (b) it is:
- (i) owned directly by the *firm*; or
 - (ii) held in a structure, or a series of structures, that do not pose a materially greater risk to *linked policyholders* than a direct holding; and
- (c) it is not geared in excess of 10% of the gross asset value of the *linked fund* excluding any amounts represented by holdings in property detailed in *permitted scheme interests* (b) (i) to (iv). But this percentage restriction does not apply if the relevant *policyholder* or trustee or operator acting on behalf of an individual beneficiary requests, directly or indirectly, the *firm* to hold those investments based on the risk profile and objectives, stipulated by and specific for that individual under an investment management agreement with that individual.

permitted links

FCA PRA

the property in ■ COBS 21.3.1 R that an insurer may use for the purposes of determining *property-linked benefits* or *index-linked benefits* under *linked long-term* contracts of insurance.

permitted loans

FCA PRA

in relation to *permitted links*, a loan with any of the following:

- (a) an *approved credit institution*; or
- (b) an *approved financial institution*; or
- (c) an approved *investment firm*; or
- (d) any person, provided that the loan:
 - (i) is documented in a written agreement setting out the rate of interest and the amount of, and due dates for, repayments; and
 - (ii) is fully secured by a mortgage or charge on *permitted land and property* that, if made to someone other than a body corporate, is not used wholly or mainly for domestic purposes.

permitted scheme interests

FCA PRA

(a) in respect of a firm's business with *institutional linked policyholders* only, any of the following:

- (i) a *qualified investor scheme* or its EEA equivalent;
- (ii) any *unregulated collective investment scheme* that invests only in *permitted links* and publishes its prices regularly;
- (iii) any of the interests set out in (b)(i) to (b)(iv);

(b) in respect of a firm's business with *linked policyholders* other than those described in (a), any of the following:

- (i) an *authorised fund*;
- (ii) a *recognised scheme*;
- (iii) a scheme falling within the *UCITS Directive*;
- (iv) a *non-UCITS retail scheme*;
- (v) a *qualified investor scheme* or its EEA equivalent or any *unregulated collective investment scheme* that invests only in *permitted links* and publishes its prices regularly, provided that no more than 20% of the gross assets of the *linked fund* are so invested.

permitted stock lending

in relation to *permitted links*, a *stock lending* transaction (including a *repo* transaction) that satisfies ■ INSPRU 3.2.36A R to ■ INSPRU 3.2.42 G (inclusive).

FCA PRA

permitted third party

FCA PRA

a third party who is:

- (a) an *authorised person*; or
- (b) an *exempt person* for whom an *authorised person* is accepting responsibility; or
- (c) a *person* lawfully carrying on a *regulated activity* in another *EEA State*.

permitted units

FCA PRA

in relation to *permitted links*, units or beneficial interests in any real or notional fund that invests only in *permitted links* and is managed either:

- (a) wholly by the *insurer*; or
- (b) wholly or partly by:
 - (i) an agent on behalf of the *insurer*; or
 - (ii) a *reinsurer* in relation to a *reinsurance contract* with the *insurer*;

for whom the *insurer* retains all responsibility towards its *linked policyholders*.*permitted unlisted securities*

FCA PRA

in relation to *permitted links*, means any investment (including a *share*, *debt security*, Treasury Bill, Tax Reserve Certificate or Certificate of Tax Deposit) that is not a *listed security*, but provided always that it is realisable in the short term.*person*

FCA PRA

(in accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a *partnership*).*person discharging managerial responsibilities*

FCA PRA

(in accordance with section 96B(1) of the Act):

- (a) a *director* of an *issuer*:
 - (i) registered in the *United Kingdom* that has requested or approved admission of its *shares* to trading on a *regulated market*; or
 - (ii) not registered in the *United Kingdom* or any other *EEA State* but has requested or approved admission of its *shares* to trading on a *regulated market* and for whom the *United Kingdom* is its *Home Member State*; or
- (b) a senior executive of such an *issuer* who:
 - (i) has regular access to *inside information* relating, directly or indirectly, to the *issuer*; and
 - (ii) has power to make managerial decisions affecting the future development and business prospects of the *issuer*.

person exercising significant influence

FCA PRA

(in LR) in relation to a *listed company*, a *person* or entity which exercises significant influence over that *listed company*.

person with whom a relevant person has a family relationship

FCA PRA

any of the following:

- (a) the spouse of the *relevant person* or any partner of that person considered by national law as equivalent to a spouse;
- (b) a child or stepchild of the *relevant person*;
- (c) any other relative of the *relevant person* who has shared the same household as that person for at least one year on the date of the personal transaction concerned.

[Note: article 2(7) of the *MiFID implementing Directive*]

Personal Insurance Arbitration Service

FCA PRA

the *former scheme* set up on a voluntary basis and run by the Chartered Institute of Arbitrators to handle complaints against those insurance companies which subscribed to it.

personal investment firm

FCA PRA

(A) In the PRA Handbook:

a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *IFPRU investment firm*, *BIPRU firm*, *building society*, *collective portfolio management firm*, *credit union*, *energy market participant*, *ICVC*, *insurer*, *media firm*, *oil market participant*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ *IPRU(INV) 3* (Securities and futures firms) or 5 (Investment management firms), and which is within (a), (b) or (c):

(a) a *firm*:

- (i) which was a member of PIA immediately before *commencement*; and
- (ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the *Financial Services Act 1986*), or *IMRO* or *SFA* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ *IPRU(INV) 13* (Personal investment firms);

(c) a *firm*:

- (i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the *Financial Services Act 1986* immediately before *commencement* and not a member of *IMRO*, *PIA* or *SFA*; and
- (ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the

Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the Act):

(A) *advising on investments, arranging (bringing about) deals in investments or making arrangements with a view to transactions in investments, in relation to packaged products;*

(B) *managing investments for retail clients.*

(B) In the FCA Handbook:

a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm, bank, IFPRU investment firm, BIPRU firm, building society, collective portfolio management firm, credit union, energy market participant, ICVC, insurer, media firm, oil market participant, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission) or UCITS qualifier (without a top-up permission)*, whose *permission* does not include a *requirement* that it comply with ■ IPRU(INV) 3 (Securities and futures firms) or 5 (Investment management firms), and which is within (a), (b) or (c):

(a) a *firm*:

(i) which was a member of PIA immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or IMRO or SFA (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU(INV) 13 (Personal investment firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and not a member of IMRO, PIA or SFA; and

(ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the

<p><i>personal pension contract</i></p> <p>FCA PRA</p>	<p><i>firm's financial year preceding its authorisation under the Act):</i></p> <p>(A) <i>advising on investments, arranging (bringing about) deals in investments or making arrangements with a view to transactions in investments, in relation to packaged products;</i></p> <p>(B) <i>managing investments for retail clients.</i></p> <p>a <i>pension contract</i> under which contributions (single or regular) are paid to a <i>personal pension scheme</i>.</p>
<p><i>personal pension deposit</i></p> <p>FCA PRA</p>	<p>a contract under which rights to benefits are obtained by making contributions to a <i>personal pension scheme</i> operated by a <i>deposit-taking firm</i>.</p>
<p><i>personal pension policy</i></p> <p>FCA PRA</p>	<p>a <i>pension policy</i> under which contributions (single or regular) are paid to a <i>personal pension scheme</i>.</p>
<p><i>personal pension product</i></p> <p>FCA PRA</p>	<p>a contract under which rights to benefits are obtained by making contributions to a <i>personal pension scheme</i> other than a <i>personal pension policy</i>, a <i>personal pension contract</i>, a <i>personal pension deposit</i> or a <i>SIPP</i>.</p>
<p><i>personal pension scheme</i></p> <p>FCA PRA</p>	<p>a scheme or arrangement which is not an <i>occupational pension scheme</i> or <i>stakeholder pension scheme</i> and which is comprised in one or more instruments or agreements having or capable of having effect so as to provide benefits to or in respect of people:</p> <ul style="list-style-type: none"> (a) on retirement; or (b) on having reached a particular age; or (c) on termination of service in an employment.
<p><i>personal projection</i></p> <p>FCA PRA</p>	<p>a <i>projection</i> that reflects the terms of a particular contract with, or to be offered to, a particular <i>client</i>.</p>
<p><i>personal recommendation</i></p> <p>FCA PRA</p>	<p>(except in <i>CONRED</i>) a recommendation that is <i>advice on investments</i>, or <i>advice on a home finance transaction</i> and is presented as suitable for the person to whom it is made, or is based on a consideration of the circumstances of that person.</p> <p>A recommendation is not a personal recommendation if it is issued exclusively through distribution channels or to the public.</p> <p>[Note: article 52 of the <i>MiFID implementing Directive</i>]</p> <p>(in <i>CONRED</i>) a recommendation which is <i>advice on investments</i> and:</p> <ul style="list-style-type: none"> (a) where given on or before 31 October 2007, was given to a specific <i>person</i>; or

personal transaction

FCA **PRA**

(b) where given on or after 1 November 2007, was presented as suitable for the *person* to whom the recommendation was made, or was based on a consideration of the circumstances of that *person*, other than a recommendation issued exclusively through distribution channels or to the public.

a trade in a *designated investment* effected by or on behalf of a *relevant person*, where at least one of the following criteria are met:

- (1) that *relevant person* is acting outside the scope of the activities he carried out in that capacity;
- (2) the trade is carried out for the account of any of the following *persons*:
 - (a) the *relevant person*;
 - (b) the spouse or civil partner of the *relevant person* or any partner of that *person* considered by national law as equivalent to a spouse;
 - (c) a dependent child or stepchild of the *relevant person*;
 - (d) any other relative of the *relevant person* who has shared the same household as that *person* for at least one year on the date of the *personal transaction* concerned;
 - (e) any *person* with whom he has *close links*;
 - (f) a *person* whose relationship with the *relevant person* is such that the *relevant person* has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

[Note: article 2(7) and article 11 of the *MiFID implementing Directive*]

physical commodities

FCA **PRA**

a physical holding of a *commodity*, or documents evidencing title to a *commodity*.

PIA

FCA **PRA**

the Personal Investment Authority Limited.

PIA
Ombudsman
scheme

FCA **PRA**

the *former scheme* set up by PIA under the Financial Services Act 1986 and operated by the PIA Ombudsman Bureau Ltd to handle complaints against members of PIA.

PIBS

FCA **PRA**

permanent interest bearing shares.

PII capital
requirement

FCA

(1) (in **IPRU(INV)** 11) an amount of *own funds* that a *collective portfolio management firm* must hold in relation to its professional indemnity insurance policy to cover any defined excess (as set out in article 15 of the *AIFMD level 2 regulation* (professional indemnity insurance) (as replicated in **IPRU(INV)** 11.3.15EU)) and exclusions to that policy (see **IPRU(INV)** 11.3.16R (Professional negligence)).

[deleted]

placing

FCA **PRA**

(in *LR*) a marketing of *securities* already in issue but not *listed* or not yet in issue, to specified *persons* or clients of the *sponsor* or any securities house assisting in the placing, which does not involve an offer to the public or to existing holders of the *issuer's securities* generally.

plan investor

FCA **PRA**

a *person* entered in the *plan register* under ■ COLL 6.4.9 R (Plan registers) .

plan manager

FCA

in relation to:

- (a) [deleted]
- (b) a *group ISA* , the *ISA manager* ;
- (c) a *group savings plan*, the *person* primarily responsible for that *group savings plan*.

plan register

FCA

(1) (in relation to an *ICVC*) a record of *persons* who subscribe to a *group plan* and for whom *shares* in the *ICVC* are held for the purposes of the *group plan* by the *plan manager* or a nominee (other than a record for the establishment or maintenance of which no payments are to be made out of the *scheme property*).

(2) (in relation to an *AUT* or *ACS*) a sub- *register* to the *register*, which sub-*register* records *persons* who subscribe to a *group plan* and for whom *units* in the *AUT* or *ACS* are held for the purposes of the plan by the *plan manager* or a nominee (other than any sub- *register* that has not been established and maintained in accordance with ■ COLL 6.4.4 R (Register: general requirements and contents) or for the establishment of which no payments are to be made out of the *scheme property*).

plastic card

FCA **PRA**

a card, or a token with an equivalent function, which a *customer* can use to pay for goods and services, or to obtain cash or both, such as a credit card, charge card, debit card, cash card or electronic purse.

platform charge

FCA

any form of charge payable by or on behalf of a *retail client* to a *firm* in relation to the provision of a *platform service* and which is agreed between the *platform service provider* and the *retail client*.

platform service

FCA **PRA**

a service which:

- (a) involves *arranging* and *safeguarding and administering investments*; and
- (b) distributes *retail investment products* which are offered to *retail clients* by more than one product provider;

but is neither:

- (c) solely paid for by *adviser charges*; nor
- (d) ancillary to the activity of *managing investments* for the *retail client*.

[*Note*: This definition applies only within the *FCA Handbook*.]

platform service provider

FCA **PRA**

a *firm* providing a *platform service*.

PLC
Safeguards
Directive

FCA PRA

the Second Council Directive of 13 December 1976 on coordination of safeguards for the protection of the interests of members and others in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (No 77/91/EEC).

pledge

FCA

a *pawnee's* rights over an article taken in *pawn*.

plus factor

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model)) an increase to the *minimum multiplication factor* based on *backtesting exceptions* as more fully defined in ■ BIPRU 7.10.124 R (Capital calculations: Multiplication factors).

policy

FCA PRA

(as defined in article 2 of the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361)) as the context requires:

- (a) a *contract of insurance*, including one under which an existing liability has already accrued; or
- (b) any instrument evidencing such a contract.

policy
summary

FCA PRA

a summary of a *non-investment insurance contract* in the format and containing the information specified in ■ ICOBS 6 Annex 2.

policyholder

FCA PRA

(as defined in article 3 of the Financial Services and Markets Act 2000 (Meaning of "Policy and "Policyholder") Order 2001 (SI 2001/2361)) the *person* who for the time being is the legal holder of the *policy*, including any *person* to whom, under the *policy*, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided.

policyholder
advocate

FCA PRA

the *person* appointed under ■ COBS 20.2.42 R to negotiate with a *firm* on its proposals for making a *retribution* of its *inherited estate*.

port

FCA PRA

means, in respect of the assets and positions recorded in a *client transaction account* that is an *individual client account* or an *omnibus client account* at an *authorised central counterparty*, action taken by that *authorised central counterparty* to transfer those assets and positions in accordance with article 48 of EMIR to another clearing member designated by the *individual client* (in the case of an *individual client account*) or designated by all of the *clients* for whom the account is held (in the case of an *omnibus client account*).

portfolio
management

FCA PRA

managing portfolios in accordance with mandates given by *clients* on a discretionary *client-by-client* basis where such portfolios include one or more *financial instruments*.

[Note: article 4(1)(9) of MiFID]

portfolio trade

FCA PRA

a transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price.

[Note: article 2(6) of the MiFID Regulation]

POS
Regulations

the Public Offers of Securities Regulations 1995 (SI 1995/1537).

FCA PRA

position

FCA PRA

(A) In the PRA Handbook:

(in accordance ■ BIPRU 1.2.4 R (Definition of the trading book: Positions)) includes proprietary positions and positions arising from client servicing and market making.

(B) In the FCA Handbook:

(1) (in accordance ■ BIPRU 1.2.4 R (Definition of the trading book: Positions)) includes proprietary positions and positions arising from client servicing and market making.

(2) (in *IFPRU*) has the meaning which it has, or is used, in the *EU CRR*.

position risk adjustment

FCA PRA

a percentage applied to a *position* as part of the process of calculating the *PRR* in relation to that *position* as set out in the tables in ■ BIPRU 7.2.44 R (Specific risk position risk adjustments), ■ BIPRU 7.2.57 R (General market risk position risk adjustments), ■ BIPRU 7.3.30 R (Simplified equity method position risk adjustments), ■ BIPRU 7.3.34 R (Position risk adjustments for specific risk under the standard equity method) and ■ BIPRU 7.6.8 R (The appropriate position risk adjustment) and also as set out in ■ BIPRU 7.2.48A R to ■ BIPRU 7.2.48L R.

position risk requirement

FCA PRA

a capital requirement applied to a position treated under ■ BIPRU 7 (Market risk) as part of the calculation of the *market risk capital requirement* or, if the relevant provision of the *Handbook* distinguishes between *general market risk* and *specific risk*, the portion of that capital requirement with respect to whichever of *general market risk* or *specific risk* is specified by that provision.

post

FCA PRA

(in relation to sending a *document* by post) sending pre-paid by a postal service which seeks to deliver *documents* by post within the *United Kingdom* no later than the next working day in all or the majority of cases, and to deliver by post outside the *United Kingdom* within such a period as is reasonable in all the circumstances.

Post-BCCI Directive

FCA PRA

the European Parliament and Council Directive of 29 June 1995 amending certain directives with a view to reinforcing prudential supervision (No 95/26/EC).

potential tier one instrument

FCA PRA

an item of capital that falls into GENPRU 2.2.62R (Tier one capital: General)

power of intervention

FCA PRA

the power conferred on the *FCA* or the *PRA* under section 196 of the *Act* (The Power of Intervention) to impose a requirement on an *incoming firm*.

PPFM

FCA PRA

Principles and Practices of Financial Management.

PPFM guidance table

FCA PRA

the table in ■ COBS 20.3.8 G (Guidance on with-profits principles and practices).

<p><i>PPFM issues table</i></p> <p>FCA PRA</p>	<p>The table in ■ COBS 20.3.6 R (Issues to be covered in PPFM).</p>
<p><i>PR</i></p> <p>FCA PRA</p>	<p>the Prospectus Rules sourcebook.</p>
<p><i>PRA</i></p> <p>FCA PRA</p>	<p>Prudential Regulation Authority.</p>
<p><i>PRA chief executive function</i></p> <p>FCA PRA</p>	<p>(in the <i>FCA Handbook</i>) <i>PRA controlled function</i> CF3 in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA controlled function</i></p> <p>FCA PRA</p>	<p>a <i>controlled function</i> which is specified by the <i>PRA</i> under section 59 of the <i>Act</i> (Approval for particular arrangements) in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA director function</i></p> <p>FCA PRA</p>	<p>(in the <i>FCA Handbook</i>) <i>PRA controlled function</i> CF1 in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA governing function</i></p> <p>FCA PRA</p>	<p>any of the <i>PRA controlled functions</i> CF1 to CF6 in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA Handbook</i></p> <p>FCA PRA</p>	<p>the <i>PRA's Handbook</i> of rules and guidance.</p>
<p><i>PRA required functions</i></p> <p>FCA PRA</p>	<p>any of the <i>PRA controlled functions</i> CF12 to CF12B in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA's SCV requirements</i></p> <p>FCA PRA</p>	<p>(in <i>COMP</i>) the <i>PRA's</i> requirements with respect to <i>single customer view</i>.</p>
<p><i>PRA-approved person</i></p> <p>FCA PRA</p>	<p>an <i>approved person</i> in relation to whom the <i>PRA</i> has given its approval under section 59 of the <i>Act</i> (Approval for particular arrangements) for the performance of a <i>PRA controlled function</i>.</p>

<p><i>PRA-authorised person</i></p> <p>FCA PRA</p>	<p>as defined in section 2B(5) of the <i>Act</i>, an <i>authorised person</i> who has permission:</p> <ul style="list-style-type: none"> (a) given under Part 4A of the <i>Act</i>; or (b) resulting from any other provision of the <i>Act</i>; <p>to carry on <i>regulated activities</i> that consist of or include one or more <i>PRA-regulated activities</i>.</p>
<p><i>PRA-regulated Activities Order</i></p> <p>FCA PRA</p>	<p>(A) (In the PRA Handbook):</p> <p><u>the Financial Services and Market Act 2000 (PRA-regulated Activities) Order 2013 (SI 2013/556).</u></p> <p>(B) (In the FCA Handbook):</p> <p>the Financial Services and Market Act 2000 (PRA-regulated Activities) Order 2013 (SI 2013/556).</p>
<p><i>PRA-regulated activity</i></p> <p>FCA PRA</p>	<p>a <i>regulated activity</i> specified in an order made under section 22A of the <i>Act</i> or specified pursuant to a power granted in such an order.</p>
<p><i>precious metals</i></p> <p>FCA PRA</p>	<p>(in <i>COLL</i>) gold, silver or platinum.</p>
<p><i>predecessor scheme</i></p> <p>FCA PRA</p>	<p>any of the following:</p> <ul style="list-style-type: none"> (a) The Office of the Banking Ombudsman; (b) The Office of the Building Societies Ombudsman; (c) The Insurance Ombudsman Bureau; (d) The Office of the Investment Ombudsman; (e) The Personal Investment Authority Ombudsman Bureau; (f) The Personal Insurance Arbitration Service; (g) The Securities and Futures Authority Complaints Bureau and Arbitration Service; (h) The FSA Complaints Unit and Independent Investigator.
<p><i>pre-existing arrangements</i></p> <p>FCA</p>	<p>in relation to a <i>borrower-lender agreement</i> or a <i>borrower-lender-supplier agreement</i>, a <i>credit agreement</i> is entered into under pre-existing arrangements between a <i>lender</i> and a <i>supplier</i> if it is entered into in accordance with, or in connection with, arrangements previously made between the <i>lender</i> (or the <i>lender's associate</i>) and the <i>supplier</i> (or the <i>supplier's associate</i>) unless the arrangements are:</p> <ul style="list-style-type: none"> (a) for the making, in circumstances specified in the <i>credit agreement</i>, of payments to the <i>supplier</i> by the <i>lender</i> ("L") and L indicates that L is willing to make, in such circumstances, payments of the kind to <i>suppliers</i> generally, or (b) for the electronic transfer of funds from a current account held with an <i>authorised person</i> with <i>permission to accept deposits</i>, <p>but if a <i>lender</i> is an <i>associate</i> of the <i>supplier's</i>, the <i>credit agreement</i> is to be treated as entered into under pre-existing arrangements between the <i>lender</i> and the <i>supplier</i> unless the <i>lender</i> can show that this is not the case.</p>
<p><i>preference share</i></p>	<p>a <i>share</i> conferring preference as to income or return of capital which does not form part of the <i>equity share capital</i> of a <i>company</i>.</p>

FCA PRA

preliminary
charge

FCA PRA

a *charge* upon a *sale* of *units* by an *authorised fund manager* whether or not acting as *principal*.

premium

FCA PRA

(1) (except in *ICOBS* and ■ *CASS 5*) (in relation to a *general insurance contract*) the consideration payable under the contract by the *policyholder* to the *insurer*.

(2) (except in *ICOBS* and ■ *CASS 5*) (in relation to a *long-term insurance contract*) the consideration payable under the contract by the *policyholder* to the *insurer*; (except in ■ *SUP 16.8* (Persistence reports from insurers)) a premium is a regular premium if it is one of a series of payments under the contract:

(a)

(i) which are payable on dates that are certain or ascertainable at the time the contract is made;

(ii) which are payable over a period that exceeds one year in length; and

(iii) assuming the *policy* evidencing the contract is not surrendered or otherwise terminated before the *premiums* fall due, will fall due on those dates without either party to the contract exercising any option under the contract; or

(b) of which the first payment is an obligation under the contract, and subsequent payments, calculated according to an agreed formula, are payable over a period which exceeds one year in length under a collateral written arrangement with the *insurer* or *friendly society*.

(2A) (in *ICOBS* and ■ *CASS 5*) as in (1) and (2) except that '*insurance undertaking*' is substituted for '*insurer*' (except where '*insurer*' is used in the heading to ■ *SUP 16.8*).

(3) (in relation to an *option*) the total amount which the purchaser of the *option* is, or may be, required to pay in consideration for the right to exercise the *option*.

premium
listing

FCA PRA

(a) in relation to *equity shares* (other than those of a *closed-ended investment fund* or of an *open-ended investment company*), means a *listing* where the *issuer* is required to comply with those requirements in ■ *LR 6* (Additional requirements for premium listing (commercial company)) and the other requirements in the *listing rules* that are expressed to apply to such *securities* with a *premium listing*;

(b) in relation to *equity shares* of a *closed-ended investment fund*, means a *listing* where the *issuer* is required to comply with those requirements in ■ *LR 15* (Closed-Ended Investment Funds: Premium listing) and other requirements in the *listing rules* that are expressed to apply to such *securities* with a *premium listing*;

(c) in relation to *equity shares* of an *open-ended investment company*, means a *listing* where the *issuer* is required to comply with ■ *LR 16* (Open-ended investment companies: Premium listing) and other requirements in the *listing rules* that are expressed to apply to such *securities* with a *premium listing*.

<p><i>premium listing (commercial company)</i></p> <p>FCA PRA</p>	<p>a <i>premium listing</i> of <i>equity shares</i> (other than those of a <i>closed-ended investment fund</i> or of an <i>open-ended investment company</i>).</p>
<p><i>premium listing (investment company)</i></p> <p>FCA PRA</p>	<p>a <i>premium listing</i> of <i>equity shares</i> of a <i>closed-ended investment fund</i> or of an <i>open-ended investment company</i>.</p>
<p><i>premiums amount</i></p> <p>FCA PRA</p>	<p>(for the purposes of INSPRU 1.1), an amount, as defined in INSPRU 1.1.45R, used in the calculation of the <i>general insurance capital requirement</i>.</p>
<p><i>prescribed asset share methodology</i></p> <p>FCA PRA</p>	<p>the methodology described in ■ COBS 20.2.5 R for assessing maturity payments by reference to unsmoothed asset shares.</p>
<p><i>prescribed auction platform</i></p> <p>FCA PRA</p>	<p>an auction platform which has been prescribed by the Treasury in the <i>Prescribed Markets and Qualifying Investments Order</i>.</p>
<p><i>prescribed market</i></p> <p>FCA PRA</p>	<p>a market which has been prescribed by the Treasury in the <i>Prescribed Markets and Qualifying Investments Order</i></p>
<p><i>Prescribed Markets and Qualifying Investments Order</i></p> <p>FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996).</p>
<p><i>prescribed pricing basis</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>derivative contract</i>, or <i>quasi-derivative contract</i>), the pricing basis set out in ■ IPRU(INS) 4.12R(8) (Derivative contracts) as that rule was in force on 30 December 2004 .</p>
<p><i>previous regulator</i></p> <p>FCA PRA</p>	<p>(1) (in relation to a <i>firm</i> which was authorised under the Banking Act 1987 immediately before <i>commencement</i> or which was a European institution (as defined in the Banking Coordination (Second Council Directive) Regulations 1992) immediately before <i>commencement</i>) the FSA.</p> <p>(2) (in relation to a <i>firm</i> which was a <i>building society</i> immediately before <i>commencement</i>) the <i>Building Societies Commission</i>.</p> <p>(3) (in relation to a <i>firm</i> which was a <i>friendly society</i> immediately before <i>commencement</i>) the <i>Friendly Societies Commission</i>.</p>

(4) (in relation to a *firm* authorised under the Insurance Companies Act 1982 immediately before *commencement*) the Treasury.

(5) (in relation to an *underwriting agent* which obtained the *permission* relevant to that category under the Financial Services and Markets Act 2000 (Repeals, Transitional Provisions and Savings) Order 2001 (SI 2001/2636)) the *Society of Lloyd's*.

(6) (in relation to a *firm* which was authorised, or which was an *appointed representative*, under the Financial Services Act 1986 immediately before *commencement* or which was a European investment firm (as defined in the Investment Services Regulations 1995 (SI 1995/3275)) immediately before *commencement*) any of:

- (a) *IMRO*;
- (b) *PIA*;
- (c) *SFA*;
- (d) a *recognised professional body*; and
- (e) the *FSA*;

if the *firm* (or, if relevant, its principal for the purposes of section 44 of the Financial Services Act 1986) was subject in carrying on business to the rules, requirements, regulations or guidance of that body.

(7) (in relation to an *ex-section 43 firm*) the *FSA*.

(8) (in relation to a *firm* which was authorised under the *Act* immediately before 1 April 2013) the *FSA*.

price

FCA **PRA**

(in *COLL*)

(in relation to a *unit* in an *authorised fund*) the price of the *unit* calculated in accordance with **■ COLL 6.3** (Valuation and pricing).

price information

FCA **PRA**

(in *MCOB*) information, in a *financial promotion*, that relates to:

- (a) any rate of charge; or
- (b) the presence or absence of any payments, fees or charges (other than the fees for advising on or *arranging a regulated mortgage contract* as required by **■ MCOB 3.6.27 R**); or
- (c) the amount, frequency or number of any payments, repayments, fees or charges; or
- (d) any monetary amounts.

price stabilising rules

FCA **PRA**

the *rules* made under section 137Q of the *Act*, and appearing in **■ MAR 2.1** to **■ MAR 2.4**, together with any other provisions available for their interpretation.

primary information provider

FCA

a *person* approved by the *FCA* under section 89P of the *Act*.

primary pooling event

FCA **PRA**

(A) In the *PRA Handbook*:

- (1) [deleted]
- (2) (in **■ CASS 5**) an event that occurs in the circumstances described in **■ CASS 5.6.5 R** (Failure of the authorised firm: primary pooling event).

(3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.2.2 R (Failure of the authorised firm: primary pooling event).

(B) In the FCA Handbook:

(1) [deleted]

(2) (in ■ CASS 5) an event that occurs in the circumstances described in ■ CASS 5.6.5 R (Failure of the authorised firm: primary pooling event).

(3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.2.2 R (Failure of the authorised firm: primary pooling event).

(4) (in ■ CASS 11) an event that occurs in the circumstances described in ■ CASS 11.13.3 R.

*prime
brokerage
agreement*

FCA PRA

an agreement between a *prime brokerage firm* and a *client* for *prime brokerage services*.

*prime
brokerage firm*

FCA

a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

(1) (except in *FUND*) a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

(2) (in *FUND*) a *credit institution*, regulated *investment firm* or another entity subject to prudential regulation and ongoing supervision, offering services to *professional clients* primarily to finance or execute transactions in *financial instruments* as counterparty and which may also provide other services, such as clearing and settlement of trades, custodial services, *stock lending*, customised technology and operational support facilities.

[Note: article 4(1)(af) of AIFMD]

*prime
brokerage
services*

FCA

a package of services provided under a *prime brokerage agreement* which gives a *prime brokerage firm* a right to use *safe custody assets* for its own account and which comprises each of the following:

- (a) *custody or arranging safeguarding and administration of assets*;
- (b) clearing services; and
- (c) financing, the provision of which includes one or more of the following:
 - (i) capital introduction;
 - (ii) margin financing;
 - (iii) *stock lending*;
 - (iv) stock borrowing;
 - (v) entering into repurchase or reverse repurchase transactions;

and which, in addition, may comprise consolidated reporting and other operational support.

the part of the *Handbook* in High Level Standards that has the title Principles for Businesses.

principal

FCA PRA

(A) In the PRA Handbook:

(1) in relation to a *person* :(a) a *person* acting on his own account;(b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt under section 39 of the *Act* (Exemption of appointed representatives).(2) in relation to an *option* , *future* or forward contract:(a) (except in the case of an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *option* , *future* or forward contract;(b) (in relation to an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *future* .

(B) In the FCA Handbook:

(1) in relation to a *person* :(a) a *person* acting on his own account;(b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt, or in him carrying on a *regulated activity* to which sections 20(1) and (1A) and 23(1A) of the *Act* do not apply, under section 39 of the *Act* (Exemption of appointed representatives).(2) in relation to an *option* , *future* or forward contract:(a) (except in the case of an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *option* , *future* or forward contract;(b) (in relation to an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *future* .*Principle*

FCA PRA

one of the Principles set out in ■ PRIN 2.1.1 R (Principles for Businesses).

Principles and Practices of Financial Management

FCA PRA

the Principles and Practices of Financial Management, containing *with-profits principles* and *with-profits practices*, which a *firm* carrying on *with-profits business* must establish, maintain and record under ■ COBS 20.3 (Principles and Practices of Financial Management).*priority debt*

FCA PRA

(in *BCOBS*) an obligation on the part of a *consumer* to make a payment:

(a) where the remedies for a breach of that obligation potentially include seeking possession of, or seeking to exercise a power of sale in respect of:

(i) the sole or main residence of the *consumer* (for example, an obligation to pay secured by a mortgage or charge in respect of

private
customer

FCA

land, an obligation to pay rent under a tenancy, or an obligation to make payment under a licence to occupy land); or

(ii) the *consumer's* essential goods or services (for example, an obligation to pay under a hire purchase, conditional sale or hire agreement that relates to, or an obligation to pay secured by a charge on, the *consumer's* cooker, refrigerator, or the means to travel to work); or

(b) where that obligation arises out of an order of the court, an Act or secondary legislation (for example, an obligation to pay council tax, child support maintenance, income tax or court fines); or

(c) where that obligation arises under a contract for the provision of utility supplies (for example, water, gas or electricity).

(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):

(1) (except in ■ COB 3, ■ COB 4.2 and ■ COB 6.4) subject to (h), a *client* who is not a market counterparty or an *intermediate customer*, including:

(a) an individual who is not a *firm* ;

(b) an overseas individual who is not an *overseas financial services institution*;

(c) [deleted]

(d) (except for the purposes of *DISP*) a *client* when he is classified as a *private customer* in accordance with ■ COB 4.1.14 R (Client classified as a private customer);

(e) a *person* to whom a *firm* gives *basic advice* ;

(f) (in ■ COB 6.1 to ■ 6.5) where the *regulated activity* (except for a personal recommendation relating to a contribution to a *CTF*) relates to a *CTF* and there is no *registered contact*, the *person* to whom the statement must be sent in accordance with Regulation 10 of the *CTF* Regulations;

(g) (in ■ COB 6.7) where the *regulated activity* (except for a personal recommendation relating to a contribution to a *CTF*) relates to a *CTF* and there is no *registered contact*, the child, via the person to whom the statement must be sent in accordance with Regulation 10 of the *CTF* Regulations;

(h) a *client* who would otherwise be excluded as a market counterparty or *intermediate customer* if the *client* is within (e), (f) or (g);

but excluding a *client*, who would otherwise be a *private customer*:

(i) when he is classified as an *intermediate customer* in accordance with ■ COB 4.1.9 R (Expert private customer classified as an intermediate customer); or

(ii) when the *regulated activity* relates to a *CTF*, any *person* other than (e), (f), (g) or (h).

(2) (in ■ COB 3) a *person* in (1) or a *person* excluded under (1)(h)(ii) or a *person* who would be such a *person* if he were a *client*. (in ■ COB 4.2 and 6.1 to 6.5) a *person* in (1) and, in relation to the conclusion of a *distance contract*, a *consumer*.

(3) (in ■ COB 4.2 and ■ 6.1 to ■ 6.5) a *person* in (1) and, in relation to the conclusion of a *distance contract*, a *consumer*.

private person

FCA PRA

(A) In the PRA Handbook:

(as defined in article 3 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2000 (SI 2001/2256)):

(a) any individual, unless he suffers the loss in question in the course of carrying on:

(i) any *regulated activity*; or(ii) any activity which would be a *regulated activity* apart from any exclusion made by article 72 of the *Regulated Activities Order* (Overseas persons); and(b) any *person* who is not an individual, unless he suffers the loss in question in the course of carrying on business of any kind;but not including a government, a local authority (in the *United Kingdom* or elsewhere) or an international organisation; for the purposes of (a), an individual who suffers loss in the course of *effecting or carrying out contracts of insurance* written at Lloyd's is not to be taken to suffer loss in the course of carrying on a *regulated activity*; in this definition:

(A) "government" means:

(I) the government of the *United Kingdom*; or

(II) the Scottish Administration; or

(III) the Executive Committee of the Northern Ireland Assembly; or

(IV) the National Assembly for Wales; or

(V) the government of any country or territory outside the *United Kingdom*;(B) "international organisation" means any international organisation the members of which include the *United Kingdom* or any other State;(C) "local authority", in relation to the *United Kingdom*, means:

(I) in England and Wales, a local authority as defined in the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(II) in Scotland, a local authority as defined in the Local Government (Scotland) Act 1973; and

(III) in Northern Ireland, a district council as defined in the Local Government Act (Northern Ireland) 1972.

(B) In the FCA Handbook:

(as defined in article 3 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2000 (SI 2001/2256)):

(a) any individual, unless he suffers the loss in question in the course of carrying on:

(i) any *regulated activity*; or(ii) any activity which would be a *regulated activity* apart from any exclusion made by article 72 of the *Regulated Activities Order* (Overseas persons);(b) any *person* who is not an individual, unless he suffers the loss in question in the course of carrying on business of any kind;(c) a relevant recipient of *credit* (within the meaning of article 60L of the *Regulated Activities Order*) who is not an individual and who has suffered

the loss in question in connection with an activity of the kind specified by article 36A, 39D, 39E, 39F, 39G, 60B, 60N, 89A or 89B of that Order or article 64 of that Order, so far as relevant to any of those activities; and

(d) a person who is, by virtue of article 36J of the *Regulated Activities Order*, to be regarded as a person who uses, may use, has or may have used or has or may have contemplated using, services provided by *authorised persons* in carrying on a *regulated activity* of the kind specified by article 36H of that Order or article 64 of that Order so far as relevant to that activity;

but not including a government, a local authority (in the *United Kingdom* or elsewhere) or an international organisation; for the purposes of (a), an individual who suffers loss in the course of *effecting or carrying out contracts of insurance* written at Lloyd's is not to be taken to suffer loss in the course of carrying on a *regulated activity*; in this definition:

(A) "government" means:

(I) the government of the *United Kingdom*; or

(II) the Scottish Administration; or

(III) the Executive Committee of the Northern Ireland Assembly; or

(IV) the National Assembly for Wales; or

(V) the government of any country or territory outside the *United Kingdom*;

(B) "international organisation" means any international organisation the members of which include the *United Kingdom* or any other State;

(C) "local authority", in relation to the *United Kingdom*, means:

(I) in England and Wales, a local authority as defined in the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(II) in Scotland, a local authority as defined in the Local Government (Scotland) Act 1973; and

(III) in Northern Ireland, a district council as defined in the Local Government Act (Northern Ireland) 1972.

(in accordance with Article 4(25) of the *Banking Consolidation Directive* (Definitions) and for the purpose of *BIPRU*) the probability of default of a counterparty over a one year period; for the purposes of the *IRB approach*, default has the meaning in the definition of *default*.

(in *LR*):

(a) in respect of *mineral companies* primarily involved in the *extraction* of oil and gas resources, those reserves which are not yet *proven* but which, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced; and

(b) in respect of *mineral companies* other than those primarily involved in the *extraction* of oil and gas resources, those measured and/or indicated mineral resources, which are not yet *proven* but of which detailed technical and economic studies have demonstrated that *extraction* can be justified at the time of the determination and under specified economic conditions.

the total amount paid by a *home finance provider* to a *home finance intermediary*, whether directly or indirectly, in connection with providing applications from *customers* to enter into *home finance transactions* with that *home finance provider*.

probability of default

FCA

probable reserves

FCA PRA

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procuration fee

FCA PRA

product provider

FCA **PRA**

a *firm* which is:

- (i) a *long-term insurer*;
- (ii) a *friendly society*;
- (iii) the *operator* of a *regulated collective investment scheme* or an *investment trust savings scheme* ; or
- (iv) the *operator* of a *personal pension scheme* or *stakeholder pension scheme*.

PROF

FCA **PRA**

the Professional Firms sourcebook.

professional ACS investor

FCA

in relation to an ACS, a *person* who falls within one of the categories (1) to (4) of Section I of Annex II (professional clients for the purpose of that directive) to *MiFID*.

professional client

FCA **PRA**

a *client* that is either a *per se professional client* or an *elective professional client* (see **■** COBS 3.5.1 R).

[Note: article 4(1)(12) of *MiFID*].

professional firm

FCA **PRA**

a *person* which is:

- (a) an individual who is entitled to practise a profession regulated by a *designated professional body* and, in practising it, is subject to its rules, whether or not he is a member of that body; or
- (b) a *person* (not being an individual) which is controlled or managed by one or more such individuals.

professional negligence capital requirement

FCA

(1) (in **■** IPRU(INV) 11) an amount of *own funds* that a *collective portfolio management firm* must hold professional liability risks as set out in article 14 of the *AIFMD level 2 regulation* (additional own funds) (as replicated in **■** IPRU(INV) 11.3.14EU) (Professional negligence).

[deleted]

profit and loss figure

FCA **PRA**

(in **■** BIPRU 7.10 (Use of a value at risk model) and in relation to a *business day*) a *firm's* actual profit or loss for that day in respect of the trading activities within the scope of the *firm's VaR model permission*, adjusted by stripping out specified items, as more fully defined in **■** BIPRU 7.10.100 R (Backtesting: Calculating the profit and loss).

profit estimate

FCA **PRA**

(in *PR* and *LR*) (as defined in the *PD Regulation*) a profit forecast for a financial period which has expired and for which results have not yet been published.

profit forecast

FCA **PRA**

(in *PR* and *LR*) (as defined in the *PD Regulation*) a form of words which expressly states or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for the current financial period and/or financial periods subsequent to that period, or contains data from which a calculation of such a figure for future profits or losses may be made, even if no particular figure is mentioned and the word "profit" is not used.

programme

FCA **PRA**

(in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) issues, or series of issues, of *covered bonds* which have substantially similar terms and are subject to a framework contract or contracts.

<p><i>prohibited period</i> FCA PRA</p>	<p>(in LR) as defined by paragraph 1(e) of the <i>Model Code</i>.</p>
<p><i>prohibition order</i> FCA PRA</p>	<p>an order made under section 56 of the <i>Act</i> (Prohibition orders) which prohibits an individual from performing a specified function, any function falling within a specified description or any function.</p>
<p><i>projection</i> FCA PRA</p>	<p>a projection of the amount of any future benefit payable under a contract or <i>policy</i>, being a benefit the amount of which is not ascertainable under the terms of the contract or <i>policy</i> when the calculation is made.</p>
<p><i>projection date</i> FCA PRA</p>	<p>the date to which the <i>projection</i> is made.</p>
<p><i>projection period</i> FCA PRA</p>	<p>(in COBS) the period covered by a <i>standardised deterministic projection</i>, which begins on the date the investment is reasonably expected to be made and ends on the <i>projection date</i> described in paragraph 2.1 of ■ COBS 13 Annex 2.</p>
<p><i>Promotion of Collective Investment Schemes Order</i> FCA</p>	<p>the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001.</p>
<p><i>property</i> FCA PRA</p>	<p>(in LR) freehold, heritable or leasehold property.</p>
<p><i>property authorised investment fund</i> FCA PRA</p>	<p>an <i>open-ended investment company</i> to which Part 4A of the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964) applies.</p>
<p><i>property collective investment undertaking</i> FCA PRA</p>	<p>(in PR) (as defined in the <i>PD Regulation</i>) a collective investment undertaking whose investment objective is the participation in the holding of property in the long term.</p>
<p><i>property company</i> FCA PRA</p>	<p>(in LR) a <i>company</i> primarily engaged in <i>property</i> activities including:</p> <ul style="list-style-type: none"> (a) the holding of <i>properties</i> (directly or indirectly) for letting and retention as investments; (b) the development of <i>properties</i> for letting and retention as investments; (c) the purchase and development of <i>properties</i> for subsequent sale; (d) the purchase of land for development <i>properties</i> for retention as investments.

<p><i>property enterprise trust</i></p> <p>FCA PRA</p>	<p>an <i>unregulated collective investment scheme</i> of which the underlying assets are land and buildings.</p>
<p><i>property fund</i></p> <p>FCA PRA</p>	<p>(a) a <i>regulated collective investment scheme</i> dedicated to land and interests in land;</p> <p>(b) a fund of funds of which one or more of the funds to which it is dedicated falls within (a);</p> <p>(c) a constituent part of an umbrella fund which, if it were a separate fund, would fall within (a).</p>
<p><i>property valuation report</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) a <i>property valuation report</i> prepared by an independent expert in accordance with:</p> <p>(1) for an <i>issuer</i> incorporated in the <i>United Kingdom</i>, the Channel Islands or the Isle of Man, the Appraisal and Valuation Standards (5th edition) issued by the Royal Institution of Chartered Surveyors; or</p> <p>(2) for an <i>issuer</i> incorporated in any other place, either the standards referred to in paragraph (1) or the International Valuation Standards (7th edition) issued by the International Valuation Standards Committee.</p>
<p><i>property-linked assets</i></p> <p>FCA PRA</p>	<p>in relation to an <i>insurer</i>, <i>long-term insurance assets</i> that are, for the time being, identified in the records of the <i>insurer</i> as being assets by reference to the value of which <i>property-linked benefits</i> are to be determined.</p>
<p><i>property-linked benefits</i></p> <p>FCA PRA</p>	<p>benefits other than <i>index-linked benefits</i> provided for under a <i>linked long-term contract of insurance</i>.</p>
<p><i>property-linked liabilities</i></p> <p>FCA PRA</p>	<p>insurance liabilities in respect of <i>property-linked benefits</i>.</p>
<p><i>proportional reinsurance treaty</i></p> <p>FCA PRA</p>	<p>a reinsurance treaty under which a pre-determined proportion of each <i>claim</i> payment by the cedant under <i>policies</i> subject to the treaty is recoverable from the <i>reinsurer</i>; <i>non-proportional reinsurance treaty</i> is construed accordingly.</p>
<p><i>proprietary trader</i></p> <p>FCA PRA</p>	<p>(in ■ SUP 10 (Approved Persons) and <i>APER</i>) a <i>person</i> (A) whose responsibilities include committing another <i>person</i> (B) as part of B's <i>proprietary trading</i>.</p>
<p><i>proprietary trading</i></p> <p>FCA PRA</p>	<p>(in ■ SUP 10A (Approved Persons) and <i>APER</i>) <i>dealing in investments as principal</i> as part of a business of trading in <i>specified investments</i>. For these purposes <i>dealing in investments as principal</i> includes any activities that would be included but for the exclusion in Article 15 (Absence of holding out) , Article 16 (Dealing in contractually based investments) or, for a <i>UK AIFM</i> or <i>UK UCITS management company</i>, article 72AA (Managers of UCITS and AIFs) of the <i>Regulated Activities Order</i>.</p>

prospectus

FCA **PRA**

(1) (in *LR* and *PR* , *FEES* and ■ **FUND 3** (Requirements for managers of alternative investment funds)) a *prospectus* required under the *prospectus directive*.

(2) (except in *LR* and *PR*) (in relation to a *collective investment scheme*) a document containing information about the *scheme* and complying with the *requirements* in ■ **COLL 4.2.5 R** (Table: contents of the prospectus), ■ **COLL 8.3.4 R** (Table: contents of qualified investor scheme prospectus) or ■ **COLL 9.3.2 R** (Additional information required in the prospectus for an application under section 272) applicable to a *prospectus* of a *scheme* of the type concerned.

Prospectus Directive

FCA **PRA**

the Directive of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC).

Prospectus Rules

FCA **PRA**

(as defined in section 73A(4) of the *Act*) *rules* expressed to relate to *transferable securities*.

protected claim

FCA **PRA**

a *claim* which is covered by the *compensation scheme*, as defined in ■ **COMP 5.2.1 R**.

protected contract of insurance

FCA **PRA**

a *contract of insurance* which is covered by the *compensation scheme*, as defined in ■ **COMP 5.4.1 R**.

protected deposit

FCA **PRA**

a *deposit* which is covered by the *compensation scheme*, as defined in ■ **COMP 5.3.1 R**.

protected dormant account

FCA **PRA**

a *dormant account* which is covered by the *compensation scheme*, as defined in **COMP 5.3.2R**.

protected home finance mediation

FCA **PRA**

activities in relation to *home finance transactions* which are covered by the *compensation scheme*, as defined in ■ **COMP 5.6.1 R**.

protected investment business

FCA **PRA**

designated investment business which is covered by the *compensation scheme*, as defined in ■ **COMP 5.5.1 R**.

<p><i>protected items</i></p> <p>FCA PRA</p>	<p>(as defined in section 413 of the <i>Act</i> (Protected items)) communications (and items which they enclose or refer to and which are in the possession of a <i>person</i> entitled to possession of them) between:</p> <ul style="list-style-type: none"> (a) a professional legal adviser and his client or any <i>person</i> representing his client; or (b) a professional legal adviser, his client or any <i>person</i> representing his client and any other <i>person</i>; <p>where the communication or the item is made:</p> <ul style="list-style-type: none"> (i) in connection with the giving of legal advice to the client; or (ii) in connection with, or in contemplation of, legal proceedings and for the purposes of those proceedings; and <p>is not held with the intention of furthering a criminal purpose.</p>
<p><i>protected non-investment insurance mediation</i></p> <p>FCA PRA</p>	<p><i>insurance mediation activities</i> which are covered by the <i>compensation scheme</i>, as defined in ■ COMP 5.7.1 R.</p>
<p><i>protection buyer</i></p> <p>FCA</p>	<p>(in <i>BIPRU</i>) (in relation to a credit derivative and in accordance with paragraph 8 of Annex I of the <i>Capital Adequacy Directive</i> (Calculating capital requirements for position risk)) the <i>person</i> who transfers credit risk.</p>
<p><i>protection seller</i></p> <p>FCA</p>	<p>(in <i>BIPRU</i>) (in relation to a credit derivative and in accordance with paragraph 8 of Annex I of the <i>Capital Adequacy Directive</i> (Calculating capital requirements for position risk)) the <i>person</i> who assumes the credit risk.</p>
<p><i>proven reserves</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>):</p> <ul style="list-style-type: none"> (a) in respect of <i>mineral companies</i> primarily involved in the <i>extraction</i> of oil and gas resources, those reserves which, on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced; and (b) in respect of <i>mineral companies</i> other than those primarily involved in the <i>extraction</i> of oil and gas resources, those measured mineral resources of which detailed technical and economic studies have demonstrated that <i>extraction</i> can be justified at the time of the determination, and under specified economic conditions.
<p><i>provider of credit information services</i></p> <p>FCA</p>	<p>a person <i>providing credit information services</i> who has, or ought to have, a <i>Part 4A permission</i> to carry on the <i>regulated activity</i> of <i>providing credit information services</i>.</p>
<p><i>provider of credit references</i></p> <p>FCA</p>	<p>a <i>person providing credit references</i> who has, or ought to have, a <i>Part 4A permission</i> to carry on the <i>regulated activity</i> of <i>providing credit references</i>.</p>

providing credit information services

FCA

a *regulated activity* of the kind specified in article 89A of the *Regulated Activities Order*.

providing credit references

FCA

the *regulated activity* specified in article 89B of the *Regulated Activities Order*.

providing information in relation to a specified benchmark

FCA

The *regulated activity*, specified in article 63O(1)(a) of the *Regulated Activities Order*, which in summary means making *benchmark submissions*.

providing qualifying credit

FCA PRA

the *controlled activity*, specified in paragraph 10 of Schedule 1 to the *Financial Promotion Order*, of providing *qualifying credit*.

proxy capital resources requirement

FCA PRA

the *minimum capital requirement* to which an *undertaking* would have been subject if it had *permission* for each activity it carries on anywhere in the world, so far as that activity is a *regulated activity*.

PRR

FCA PRA

position risk requirement.

PRR charge

FCA PRA

one of the following:

- (a) the *interest rate PRR*;
- (b) the *equity PRR*;
- (c) the *commodity PRR*;
- (d) the *foreign currency PRR*;
- (e) the *option PRR*;
- (f) the *collective investment undertaking PRR*; and
- (g) (if the context requires) the *model PRR*.

PRR identical product netting rules

FCA PRA

the following:

- (a) ■ BIPRU 7.2.37 R (Deriving the net position in each debt security: Netting positions in the same debt security);
- (b) ■ BIPRU 7.2.40 R (Deriving the net position in each debt security: Netting zero-specific-risk securities with different maturities);
- (c) ■ BIPRU 7.3.23 R (Deriving the net position in each equity);

PRR item

FCA

PRU

FCA PRA

prudential context

FCA PRA

- (d) ■ BIPRU 7.4.20 R and ■ BIPRU 7.4.22 R (Calculating the PRR for each commodity: General);
- (e) ■ BIPRU 7.5.19 R (1) (Open currency position); and
- (f) the obligation under ■ BIPRU 7.5.20 R (Net gold position) to calculate a separate *foreign exchange PRR* charge for gold).

(in *BIPRU*) a *commodity* or a *CRD financial instrument*.

the Integrated Prudential Sourcebook

(A) In the PRA Handbook:

(1) For the *FCA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (a) the integrity of the *UK financial system*; or
- (b) the ability of the *firm* to meet either:

(i) the "fit and proper" test in *threshold condition* 2E and 3D (Suitability); or

(ii) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

(2) For the *PRA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (a) the safety and soundness of *PRA-authorised persons*; or
- (b) the ability of the *firm* to meet either:

(i) the "fit and proper" test in *threshold condition* 4E and 5E (Suitability); or

(ii) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

(B) In the FCA Handbook:

(1) For the *FCA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (a) the integrity of the *UK financial system*; or
- (b) the ability of the *firm* to meet either:

(i) the "fit and proper" test in *threshold condition* 2E and 3D (Suitability); or

<p style="margin: 0;">(ii) the applicable requirements and standards under the <i>regulatory system</i> relating to the <i>firm's</i> financial resources.</p> <p style="margin: 0;">(2) For the <i>PRA</i>, in relation to activities carried on by a firm, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:</p> <p style="margin: 0; padding-left: 20px;">(a) the safety and soundness of <i>PRA-authorised persons</i>; or</p> <p style="margin: 0; padding-left: 20px;">(b) the ability of the <i>firm</i> to meet either:</p> <p style="margin: 0; padding-left: 40px;">(i) the "fit and proper" test in <i>threshold condition 5</i> (Suitability); or</p> <p style="margin: 0; padding-left: 40px;">(ii) the applicable requirements and standards under the <i>regulatory system</i> relating to the <i>firm's</i> financial resources.</p>	<p style="margin: 0;"><i>PSE</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">a <i>public sector entity</i>.</p>
<p style="margin: 0;">any communication made by or on behalf of the <i>issuer</i> or the <i>stabilising manager</i> being a communication made in circumstances in which it is likely that members of the public will become aware of the communication.</p>	<p style="margin: 0;"><i>public announcement</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">(1) a statement published under section 205 (Public censure) of the <i>Act</i>;</p> <p style="margin: 0;">(2) a statement of misconduct published under section 66 (Disciplinary powers) of the <i>Act</i>;</p> <p style="margin: 0;">(3) a statement published under section 123 (Power to impose penalties in cases of market abuse) of the <i>Act</i>;</p> <p style="margin: 0;">(4) a statement published under section 87M (Public censure of issuer) of the <i>Act</i>, under section 88A (Disciplinary powers: contravention of s88(3)(c) or (e)) of the <i>Act</i> or under section 91 (Penalties for breach of Part 6 rules) of the <i>Act</i>.</p>
<p style="margin: 0;"><i>public international body</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">(1) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) a legal entity of public nature established by an international treaty between sovereign States and of which one or more Member States are members.</p> <p style="margin: 0;">(2) (in <i>LR</i> and <i>DTR</i>) the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Council of Europe Development Bank, the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Company for the Financing of Railroad Stock, the <i>EU</i>, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, the International Monetary Fund and the Nordic Investment Bank.</p>	<p style="margin: 0;">an offer of <i>securities</i> to the public and described in the <i>POS Regulations</i>.</p>
<p style="margin: 0;"><i>public offer</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">(in accordance with Article 4(18) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) any of the following:</p> <p style="margin: 0; padding-left: 20px;">(a) non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or</p>	<p style="margin: 0;"><i>public sector entity</i></p> <p style="margin: 0;">FCA</p>

public sector issuer

FCA PRA

(b) authorities that exercise the same responsibilities as regional and local authorities; or

(c) non commercial *undertakings* owned by central governments that have explicit guarantee arrangements; or

(d) self administered bodies governed by law that are under public supervision.

states and their regional and local authorities, *state monopolies*, *state finance organisations*, *public international bodies*, statutory bodies and *OECD state guaranteed issuers*.

published recommendation

FCA PRA

any publication by or on behalf of a *firm* (including publication by sound broadcasting or television or other electronic means) which contains:

(a) the results of research into *investments*; or

(b) analysis of factors likely to influence the future performance of *investments*; or

(c) advice or recommendations based on those results or analysis, including any communication of which the content is common to a number of communications although worded as if it were a *personal recommendation*.

pure protection contract

FCA PRA

(1) a *long-term insurance contract* in respect of which the following conditions are met:

(a) the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;

(b) [deleted]

(c) the contract has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium; and

(d) the contract makes no provision for its conversion or extension in a manner which would result in it ceasing to comply with (a) or (c); or

(e) [deleted]

(2) a *reinsurance contract* covering all or part of a risk to which a *person* is exposed under a *long-term insurance contract*.

pure protection service

FCA PRA

(a) making a *personal recommendation* to a *consumer* in relation to a *pure protection contract*;

(b) arranging for a *consumer* to enter into a *pure protection contract*.

pure reinsurer

FCA PRA

an *insurer* whose *insurance business* is restricted to reinsurance.

<p><i>redemption charge</i> FCA PRA</p>	<p>an amount levied by the <i>operator</i> of a <i>scheme</i> upon the <i>redemption of units</i>, in the case of an <i>authorised fund</i> under COLL 6.7.7R (Charges on buying and selling units).</p>
<p><i>redemption price</i> FCA PRA</p>	<p>(in COLL) the <i>price</i> payable by the <i>authorised fund manager</i> for each <i>unit</i> it <i>redeems</i> from a unitholder, calculated in accordance with ■ COLL 6.3 (Valuation and pricing).</p>
<p><i>redress determination</i> FCA PRA</p>	<p>a written communication from a <i>respondent</i> under a <i>consumer redress scheme</i> which:</p> <ul style="list-style-type: none"> (a) sets out the results of the <i>respondent's</i> determination under the scheme; (b) encloses a copy of the <i>Financial Ombudsman Service's</i> standard explanatory leaflet; and (c) informs the complainant that if he is dissatisfied, he may now make a <i>complaint</i> to the <i>Financial Ombudsman Service</i> and must do so within six <i>months</i>.
<p><i>reduced net underwriting position</i> FCA PRA</p>	<p>the <i>net underwriting position</i> as adjusted under ■ BIPRU 7.8.27 R (Calculating the reduced net underwriting position).</p>
<p><i>Referral Fees Regulations</i> FCA</p>	<p>the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013 (SI 2013/1635).</p>
<p><i>refinance</i> FCA</p>	<p>see the definition of <i>finance</i> (except in relation to ■ CONC 6.7.18 R to ■ CONC 6.7.23 R and ■ CONC 7.6.12 R).</p>
<p><i>register</i> FCA</p>	<ul style="list-style-type: none"> (1) [deleted] (2) [deleted] (3) (in COLL) the register of <i>unitholders</i> kept under Schedule 3 to the <i>OEIC Regulations</i> or ■ COLL 6.4.4 R (Register: general requirements and contents), or ■ COLL 8.5.8 R (The register of unitholders: AUTs or ACSs) as appropriate or, in relation to a <i>collective investment scheme</i> that is not an <i>authorised fund</i>, a record of the holders (other than of <i>bearer certificates</i>) of <i>units</i> in it.
<p><i>registered branch</i> FCA PRA</p>	<p>a branch of a <i>friendly society</i> which is separately registered under the Friendly Societies Act 1974.</p>
<p><i>registered charity</i> FCA</p>	<p>a charity:</p> <ul style="list-style-type: none"> (a) registered on the Charity Commission's Register of Charities; (b) registered on the Scottish Charity Register; (c) registered on the Charity Commission of Northern Ireland's Register of Charities; or

<p><i>registered contact</i> FCA PRA</p>	<p>(d) that is or will be required to register on the register in (c) and which is recognised as a charity for tax purposes by Her Majesty's Revenue and Customs.</p> <p>(as defined in regulation 8(1)(d) of the <i>CTF Regulations</i>) the <i>person</i> who is capable of giving instructions to the <i>CTF provider</i> with respect to the management of the <i>CTF</i>.</p>
<p><i>registered friendly society</i> FCA PRA</p>	<p>a <i>friendly society</i> registered under section 7(1)(a) of the <i>Friendly Societies Act 1974</i> or any enactment which it replaced, including any registered branches.</p>
<p><i>registrar</i> FCA PRA</p>	<p>the <i>person</i> who maintains a <i>register</i>.</p>
<p><i>registration date</i> FCA PRA</p>	<p>(in <i>RCB</i>) the date of the <i>FCA</i> decision to register a <i>regulated covered bond</i>.</p>
<p><i>registration document</i> FCA PRA</p>	<p>(in <i>Part 6 rules</i>) a registration document referred to in ■ PR 2.2.2 R.</p>
<p><i>regular user</i> FCA PRA</p>	<p>(1) (as defined in section 130A(3) of the <i>Act</i> (Market abuse)) a <i>person</i> who is, in relation to a particular market, a reasonable <i>person</i> who regularly deals on that market in <i>investments</i> of the kind in question.</p> <p>(2) (in accordance with section 130A(3) of the <i>Act</i> (Market abuse) as modified by the <i>RAP Regulations</i>) a <i>person</i> who is, in relation to a particular auction platform, a reasonable <i>person</i> who regularly makes bids on that market for <i>investments</i> of the kind in question.</p>
<p><i>Regulated Activities Amendment Order</i> FCA</p>	<p>the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 (SI 2013/1881).</p>
<p><i>Regulated Activities Order</i> FCA PRA</p>	<p>the <u>Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)</u>.</p>
<p><i>regulated activity</i> FCA PRA</p>	<p>(A) in the <i>PRA Handbook</i>:</p> <p>(in accordance with section 22 of the <i>Act</i> (Regulated activities)) any of the following activities specified in Part II of the <i>Regulated Activities Order</i> (Specified Activities):</p> <ul style="list-style-type: none"> (a) <i>accepting deposits</i> (article 5); (aa) <i>issuing electronic money</i> (article 9B); (b) <i>effecting contracts of insurance</i> (article 10(1));

- (c) *carrying out contracts of insurance* (article 10(2));
- (d) *dealing in investments as principal* (article 14);
- (e) *dealing in investments as agent* (article 21);
- (ea) *bidding in emissions auctions* (article 24A);
- (f) *arranging (bringing about) deals in investments* (article 25(1));
- (g) *making arrangements with a view to transactions in investments* (article 25(2));
- (ga) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (gb) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (gc) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (gd) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (ge) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (gf) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (gg) *operating a multilateral trading facility* (article 25D);
- (gh) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (gi) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (h) *managing investments* (article 37);
- (ha) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (i) *safeguarding and administering investments* (article 40); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *safeguarding and administration of assets (without arranging)*;
 - (ii) *arranging safeguarding and administration of assets*;
- (j) *sending dematerialised instructions* (article 45(1));
- (k) *causing dematerialised instructions to be sent* (article 45(2));
- (l) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *establishing, operating or winding up a regulated collective investment scheme*;
 - (ii) *establishing, operating or winding up an unregulated collective investment scheme*;
- (m) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));
- (ma) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));
- (n) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));
- (na) *managing a UCITS* (article 51ZA);
- (nb) *acting as trustee or depositary of a UCITS* (article 51ZB);

- (nc) *managing an AIF* (article 51ZC);
 - (nd) *acting as trustee or depositary of an AIF* (article 51ZD);
 - (ne) *establishing, operating or winding up a collective investment scheme* (51ZE).
 - (o) *establishing, operating or winding up a stakeholder pension scheme* (article 52 (a));
 - (oa) *providing basic advice on stakeholder products* (article 52B);
 - (ob) *establishing, operating or winding up a personal pension scheme* (article 52(b));
 - (p) *advising on investments* (article 53); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *advising on investments* (except pension transfers and pension opt-outs);
 - (ii) *advising on pension transfers and pension opt-outs*;
 - (pa) *advising on regulated mortgage contracts* (article 53A);
 - (pb) *advising on a home reversion plan* (article 53B);
 - (pc) *advising on a home purchase plan* (article 53C);
 - (pd) *advising on a regulated sale and rent back agreement* (article 53D);
 - (q) *advising on syndicate participation at Lloyd's* (article 56);
 - (r) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's* (article 57);
 - (s) *arranging deals in contracts of insurance written at Lloyd's* (article 58);
 - (sa) *entering into a regulated mortgage contract* (article 61(1));
 - (sb) *administering a regulated mortgage contract* (article 61(2));
 - (sc) *entering into a home reversion plan* (article 63B(1));
 - (sd) *administering a home reversion plan* (article 63B(2));
 - (se) *entering into a home purchase plan* (article 63F(1));
 - (sf) *administering a home purchase plan* (article 63F(2));
 - (sg) *entering into a regulated sale and rent back agreement* (article 63J(1));
 - (sh) *administering a regulated sale and rent back agreement* (article 63J(2));
 - (si) *meeting of repayment claims* (article 63N(1)(a));
 - (sj) *managing dormant account funds (including the investment of such funds)* (article 63N(1)(b));
 - (t) *entering as provider into a funeral plan contract* (article 59);
- (B) in the FCA Handbook:
- (a) *accepting deposits* (article 5);
 - (aa) *issuing electronic money* (article 9B);
 - (b) *effecting contracts of insurance* (article 10(1));
 - (c) *carrying out contracts of insurance* (article 10(2));
 - (d) *dealing in investments as principal* (article 14);

- (e) *dealing in investments as agent* (article 21);
- (ea) *bidding in emissions auctions* (article 24A);
- (f) *arranging (bringing about) deals in investments* (article 25(1));
- (g) *making arrangements with a view to transactions in investments* (article 25(2));
- (ga) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (gb) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (gc) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (gd) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (ge) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (gf) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (gg) *operating a multilateral trading facility* (article 25D);
- (gh) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (gi) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (h) *managing investments* (article 37);
- (ha) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (i) *safeguarding and administering investments* (article 40); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *safeguarding and administration of assets (without arranging)*;
 - (ii) *arranging safeguarding and administration of assets*;
- (j) *sending dematerialised instructions* (article 45(1));
- (k) *causing dematerialised instructions to be sent* (article 45(2));
- (l) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *establishing, operating or winding up a regulated collective investment scheme*;
 - (ii) *establishing, operating or winding up an unregulated collective investment scheme*;
- (m) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));
- (ma) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));
- (n) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));
- (na) *managing a UCITS* (article 51ZA);
- (nb) *acting as trustee or depositary of a UCITS* (article 51ZB);
- (nc) *managing an AIF* (article 51ZC);
- (nd) *acting as trustee or depositary of an AIF* (article 51ZD);

- (ne) *establishing, operating or winding up a collective investment scheme* (article 51ZE);
- (o) *establishing, operating or winding up a stakeholder pension scheme* (article 52(a));
- (oa) providing *basic advice on stakeholder products* (article 52B);
- (ob) *establishing, operating or winding up a personal pension scheme* (article 52(b));
- (p) *advising on investments* (article 53); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *advising on investments* (except pension transfers and pension opt-outs);
 - (ii) *advising on pension transfers and pension opt-outs*;
- (pa) *advising on regulated mortgage contracts* (article 53A);
- (pb) *advising on a home reversion plan* (article 53B);
- (pc) *advising on a home purchase plan* (article 53C);
- (pd) *advising on a regulated sale and rent back agreement* (article 53D);
- (q) *advising on syndicate participation at Lloyd's* (article 56);
- (r) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's* (article 57);
- (s) *arranging deals in contracts of insurance written at Lloyd's* (article 58);
- (sa) *entering into a regulated mortgage contract* (article 61(1));
- (sb) *administering a regulated mortgage contract* (article 61(2));
- (sc) *entering into a home reversion plan* (article 63B(1));
- (sd) *administering a home reversion plan* (article 63B(2));
- (se) *entering into a home purchase plan* (article 63F(1));
- (sf) *administering a home purchase plan* (article 63F(2));
- (sg) *entering into a regulated sale and rent back agreement* (article 63J(1));
- (sh) *administering a regulated sale and rent back agreement* (article 63J(2));
- (si) *meeting of repayment claims* (article 63N(1)(a));
- (sj) *managing dormant account funds (including the investment of such funds)* (article 63N(1)(b));
- (t) *entering as provider into a funeral plan contract* (article 59);
- (ta) *providing information in relation to a specified benchmark*;
- (tb) *administering a specified benchmark*;
- (tc) *credit broking* (article 36A);
- (td) *operating an electronic system in relation to lending* (article 36H);
- (te) *debt adjusting* (article 39D);
- (tf) *debt counselling* (article 39E);
- (tg) *debt collecting* (article 39F);
- (th) *debt administration* (article 39G);

- (ti) *entering into a regulated credit agreement as lender* (article 60B(1));
- (tj) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2));
- (tk) *entering into a regulated consumer hire agreement as owner* (article 60N(1));
- (tl) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2));
- (tm) *providing credit information services* (article 89A);
- (tn) *providing credit references* (article 89B);

which is carried on by way of business and, except for (ta) and (tb), relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind. or, in the case of (tm) and (tn), is carried on in relation to information about a *person's* financial standing;

- (u) *agreeing to carry on a regulated activity* (article 64);

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (ma), (n), (na), (nb), (nc), (nd), (ne) and (o), is carried on in relation to property of any kind. or, in the case of (tm) and (tn), is carried on in relation to information about a *person's* financial standing.

regulated activity debt

FCA **PRA**

an obligation to pay a sum due and payable under an agreement, the making or performance of which constitutes or is part of a *regulated activity* carried on by an individual who:

- (a) is, or has been, an *authorised person*; or
- (b) is carrying on, or has carried on, a *regulated activity* in contravention of the *general prohibition*.

regulated activity group

FCA **PRA**

A set of one or more *regulated activities* (with associated *investment* types and *customer* types) referred to in ■ SUP 16 to determine a *firm's* or other regulated person's *data item submission* requirements.

regulated agreement

FCA

any *credit agreement* which is not an exempt agreement (see articles 60C to 60H of the *Regulated Activities Order*) or any *consumer hire agreement* which is not an exempt agreement (see articles 60O to 60Q of the *Regulated Activities Order*).

regulated clearing arrangement

FCA

as the context requires, either:

- (a) an arrangement under which a *firm* directly places *client money* in a *client transaction account* that is an *individual client account* or an *omnibus client account* at an *authorised central counterparty*; or
- (b) an arrangement under which a *firm*, acting for a *client* who is also an *indirect client*, directly places *client money* of that *indirect client* in a *client transaction account* that is an *individual client account* or an *omnibus client account* at a *clearing member* for the purposes of having that *clearing member* clear the positions of that *indirect client* through an *authorised central counterparty*.

- (a) an ICVC; or
- (b) an AUT; or
- (ba) an ACS; or
- (c) a *recognised scheme*;

regulated collective investment scheme

FCA **PRA**

regulated consumer credit agreement

PRA

whether or not the *units* are held within an *ISA* or *personal pension scheme*.

in accordance with section 8 of the Consumer Credit Act 1974 (as amended) an agreement between an individual "the debtor" and any other person "the creditor" by which the creditor provides the debtor with credit of any amount and which is not an exempt agreement for the purposes of that Act;

and expressions used in that Act have the same meaning in this definition.

regulated consumer hire agreement

FCA

in accordance with article 60N of the *Regulated Activities Order*, a *consumer hire agreement* which is not an exempt agreement under articles 60O to 60Q of the *Regulated Activities Order*.

regulated covered bond

FCA PRA

(in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a *covered bond* or *programme of covered bonds*, as the case may be, which is admitted to the register of *regulated covered bonds* maintained under Regulation 7(1)(b) of the *RCB Regulations*.

regulated credit agreement

FCA

in accordance with article 60B of the *Regulated Activities Order*, a *credit agreement* which is not an exempt agreement under articles 60C to 60H of the *Regulated Activities Order*.

regulated entity

FCA PRA

one of the following:

- (a) a *credit institution*; or
- (b) a regulated insurance entity; or
- (c) an *investment firm*;

whether or not it is incorporated in, or has its head office in, an *EEA State*.

An *asset management company* is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: *asset management companies*).

An *alternative investment fund manager* is treated as a regulated entity for the purposes described in ■ GENPRU 3.1.39 R (The financial sectors: alternative investment fund managers).

regulated information

FCA PRA

all information which an *issuer*, or any other *person* who has applied for the admission of *financial instruments* to trading on a *regulated market* without the *issuer's* consent, is required to disclose under:

- (a) the *Transparency Directive*;
- (b) article 6 of the *Market Abuse Directive*; or
- (c) *LR*, and *DTR*.

Regulated Information Service

PRA

a Regulated Information Service that is approved by the *FCA* as meeting the Criteria for Regulated Information Services and that is on the list of Regulated Information Services maintained by the *FCA* .

regulated institution

FCA PRA

any of the following:

- (a) an *EEA insurer* or *UK insurer*; or
- (b) an *approved credit institution*; or

regulated
insurance
entity

FCA PRA

(c) a *friendly society* (not within (a)) which is authorised to carry on *insurance business*; or

(d) a *firm* whose *permission* includes dealing in investments as *principal* with respect to *derivatives* which are not *listed*; or

(e) a *MiFID investment firm* whose authorisation (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (d).

an insurance undertaking within the meaning of Article 4 of the *Consolidated Life Directive*, Article 6 of the *First Non-Life Directive* or Article 1(b) of the *Insurance Groups Directive*.

regulated
lifetime
mortgage
contract

FCA PRA

a *regulated mortgage contract* which is a *lifetime mortgage*.

regulated
market

FCA PRA

(1) a multilateral system operated and/or managed by a *market operator*, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in *financial instruments* - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the *financial instruments* admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of *MiFID*.

[Note: article 4(1)(14) of *MiFID*]

(2) (in addition, in *INSPRU* and *IPRU(INS)* only) a market situated outside the *EEA States* which is characterised by the fact that:

(a) it meets comparable requirements to those set out in (1); and

(b) the *financial instruments* dealt in are of a quality comparable to those in a regulated market in the United Kingdom.

regulated
market
transaction

FCA PRA

a transaction concluded by a *firm* on a *regulated market* with another member or participant of that *regulated market*.

regulated
mortgage
activity

FCA PRA

any of the following activities specified in Part II of the *Regulated Activities Order* (Specified Activities):

(a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));

(b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));

(c) *advising on regulated mortgage contracts* (article 53A);

(d) *entering into a regulated mortgage contract* (article 61(1));

(e) administering a regulated mortgage contract (article 61(2));

(f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

regulated mortgage contract

FCA PRA

- (a) (in relation to a contract) a contract which:
- (i) (in accordance with article 61(3) of the *Regulated Activities Order*) at the time it is entered into, meets the following conditions:
- (A) a lender provides credit to an individual or to trustees (the 'borrower'); and
- (B) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the *United Kingdom*, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a *person* who is in relation to the borrower or (in the case of credit provided to trustees) a beneficiary of the trust:
- (I) that *person's* spouse or civil partner; or
- (II) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or
- (III) that *person's* parent, brother, sister, child, grandparent or grandchild ; and
- (ii) is not a *home purchase plan*.
- (b) (in relation to a *specified investment*) the *investment*, specified in article 88 of the *Regulated Activities Order*, which is rights under a *regulated mortgage contract* within (a).

regulated related undertaking

FCA PRA

- a *related undertaking* that is any of the following:
- (a) a *regulated entity*; or
- (b) an *insurance undertaking* which is not a *regulated insurance entity*; or
- (c) an *asset management company*; or
- (d) a *financial institution* which is neither a *credit institution* nor an *investment firm*; or
- (e) a *financial holding company*; or
- (f) an *insurance holding company* ; or
- (g) a *mixed financial holding company*.

regulated sale and rent back activity

FCA PRA

- any of the following *regulated activities*:
- (a) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (b) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (c) *advising on a regulated sale and rent back agreement* (article 53D);
- (d) *entering into a regulated sale and rent back agreement* (article 63J(1));
- (e) *administering a regulated sale and rent back agreement* (article 63J(2)); or

regulated sale and rent back agreement

FCA PRA

(f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements, in relation to which the following conditions are met at the time it is entered into:

(a) the arrangement is one under which a *person* (an agreement provider), buys all or part of the *qualifying interest in land* in the *United Kingdom* from an individual or trustees (the "agreement seller"); and

(b) the agreement seller (if he is an individual) or an individual who is the beneficiary of the trust (if the agreement seller is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling, and intends to do so;

but excluding any arrangement that is a regulated *home reversion plan*.

regulated sale and rent back firm

FCA PRA

a *firm* that carries on any *regulated sale and rent back activity*.

regulated sale and rent back mediation activity

FCA PRA

any of the following *regulated activities*:

(a) *arranging (bringing about) regulated sale and rent back agreements* (article 25E(1));

(b) *making arrangements with a view to regulated sale and rent back agreements* (article 25E(2));

(c) *advising on regulated sale and rent back agreements* (article 53D);

(d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

regulated sale and rent back transaction

FCA PRA

a transaction involving a *regulated sale and rent back agreement* under which a *SRB agreement seller*, in return for the sale of a *qualifying interest in land* in whole or in part to a *SRB agreement provider*, is granted, or any member of his family is granted, a right to occupy the land in question as, or in connection with, a dwelling, and intends so to occupy it.

regulatory basis only life firm

FCA PRA

a *firm* carrying on *long-term insurance business* which is not a *realistic basis life firm*.

regulatory body

FCA PRA

(A) In the PRA Handbook:

any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether in the *United Kingdom* or overseas.

(B) In the FCA Handbook:

(1) (except in *DTR*) any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether in the *United Kingdom* or overseas.

(2) (in *DTR*) an organisation listed in ■ *DTR 8 Annex 1*.

regulatory costs

the periodic fees payable to the *appropriate regulator* by a *participant firm* in accordance with ■ *FEES 4 (Periodic fees)* .

FCA PRA

regulatory
current
liabilities

(in relation to a *with-profits fund*) the regulatory current liabilities of the *with-profits fund* calculated in accordance with INSPRU 1.1.30R.

FCA PRA

Regulatory
Decisions
Committee

a committee of the Board of the FCA, described in ■ DEPP 3.1 (The nature and procedure of the RDC).

FCA PRA

regulatory
excess capital

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.32R .

FCA PRA

regulatory
function

(as defined in section 291 of the *Act* (Liability in relation to *recognised body's* regulatory functions)) any function of a *recognised body* so far as relating to, or to matters arising out of, the obligations to which the body is subject under or by virtue of the *Act* and (for an *RAP*) under the *RAP recognition requirements* .

FCA PRA

regulatory high
risk category

(for the purposes of the *standardised approach* to credit risk) an item that falls into ■ BIPRU 3.4.104 R (Items belonging to regulatory high risk categories under the standardised approach to credit risk).

FCA PRA

regulatory
information
service or RIS

(A) In the PRA Handbook:

either:

(a) a *Regulated Information Service*; or

(b) an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* and that disseminates *regulated information* in accordance with the minimum standards set out in [article 12 of the *TD implementing Directive*].

FCA

(B) In the FCA Handbook:

(a) a *primary information provider*; or

(b) an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* and that disseminates *regulated information* in accordance with the minimum standards set out in article 12 of the ; or

(c) a *person* to whom ■ DTR TP 1.22 applies, for as long as ■ DTR TP 1.22 remains in force.

regulatory
objectives

[deleted]

regulatory
provisions

any rules, guidance, arrangements or policy issued by the investment exchange in connection with its business as an investment exchange or in connection with the provision by it of *clearing facilitation services*.

FCA PRA

regulatory surplus

FCA PRA

(in relation to a long-term business fund, or sub-fund) the excess, if any, of the *regulatory value of assets* for the *with-profits fund* over the *regulatory value of liabilities* for that fund.

regulatory surplus value

FCA PRA

has the meaning set out in GENPRU 1.3.48R.

regulatory system

FCA PRA

(A) In the PRA Handbook:

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the *Principles* and other *rules*, the *Statements of Principle*, codes and *guidance* and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive*, the *MiFID Regulation* and the *EU CRR*.

(B) In the FCA Handbook:

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the *Principles* and other *rules*, the *Statements of Principle*, codes and *guidance*, or in or under the *CCA*, and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive*, the *MiFID Regulation* and the *EU CRR*.

regulatory value of assets

FCA PRA

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.24R.

regulatory value of liabilities

FCA PRA

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.29R.

rehabilitation exceptions orders

FCA PRA

the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975, the Rehabilitation of Offenders Act 1974 (Exclusions and Exceptions) (Scotland) Order 2003 and the Rehabilitation of Offenders (Exceptions) Order (Northern Ireland) 1979.

reinsurance

FCA PRA

includes retrocession.

reinsurance contract

FCA PRA

(in ■ COBS 21, ICOBS, ■ CASS 5 and COMP) a *contract of insurance* covering all or part of a risk to which a *person* is exposed under a *contract of insurance*.

Reinsurance Directive

FCA PRA

the Directive of 16 November 2005 of the European Parliament and of the Council (No 2005/68/EC) on reinsurance and amending the *First Non-Life Directive* and the *Third Non-Life Directive* as well as the *Insurance Groups Directive* and the *Consolidated Life Directive*.

reinsurance mediation

FCA PRA

(as defined in article 2.4 of the *Insurance Mediation Directive*) the activities of introducing, proposing or carrying out other work preparatory to the conclusion of contracts of reinsurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by a *IMD reinsurance undertaking* or an employee of a *IMD reinsurance undertaking* who is acting under the responsibility of the *IMD reinsurance undertaking* shall not be considered as *reinsurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing a reinsurance contract, the management of claims of a *IMD reinsurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *reinsurance mediation*.

reinsurance to close

FCA PRA

(a) an agreement under which members of a *syndicate* in one *syndicate year* ("the reinsured members") agree with the members of that *syndicate* in a later *syndicate year* or the members of another *syndicate* ("the reinsuring members") that the reinsuring members will discharge, or procure the discharge of, or indemnify the reinsured members against, all known and unknown *insurance business* liabilities of the reinsured members arising out of the *insurance business* carried on by the reinsured members in that *syndicate year*; or

(b) a similar reinsurance agreement or arrangement that has been approved by the *Council* as a reinsurance to close.

reinsurance undertaking

FCA PRA

an *insurance undertaking* whose *insurance business* is restricted to *reinsurance*.

reinsurer

FCA PRA

an *insurance undertaking* whose business includes *effecting or carrying out* contracts of *reinsurance*; includes a retrocessionaire.

related designated investment

FCA PRA

(in relation to a *designated investment* (the "first investment")) a *designated investment* whose value might reasonably be expected to be directly affected by:

(a) any fluctuation in the value of the first investment; or

(b) any *published recommendation* that concerns the first investment.

related financial instrument

FCA PRA

means a *financial instrument*, the price of which is closely affected by price movements in another *financial instrument* which is the subject of *investment research*, and includes a derivative on that other *financial instrument*.

[Note: article 25(2) of the *MiFID implementing Directive*]

related investment

FCA PRA

(as defined in section 130A(3) of the *Act*) in relation to a *qualifying investment*, means an investment whose price or value depends on the price or value of the *qualifying investment*.

related party

FCA PRA

(1) (in *LR*) as defined in ■ LR 11.1.4 R;

(2) (in relation to an agreement seller under a *regulated sale and rent back agreement* or, where the agreement seller is a trustee, a beneficiary of the trust):

(a) that *person's* spouse or civil partner; or

<p><i>related party circular</i></p> <p>FCA PRA</p>	<p>(b) a <i>person</i> (whether or not of the opposite sex) whose relationship with that <i>person</i> has the characteristic of the relationship between husband and wife; or</p> <p>(c) that <i>person's</i> parent, brother, sister, child, grandparent or grandchild.</p> <p>(in LR) a <i>circular</i> relating to a <i>related party transaction</i>.</p>
<p><i>related party transaction</i></p> <p>FCA PRA</p>	<p>(in LR) as defined in ■ LR 11.1.5 R.</p>
<p><i>related undertaking</i></p> <p>FCA PRA</p>	<p>in relation to an <i>undertaking</i> ("U"):</p> <p>(a) any <i>subsidiary undertaking</i> of U; or</p> <p>(b) any <i>undertaking</i> in which U or any of U's <i>subsidiary undertakings</i> holds a participation; or</p> <p>(c) any <i>undertaking</i> linked to U by a <i>consolidation Article 12(1) relationship</i>; or</p> <p>(d) any <i>undertaking</i> linked by a <i>consolidation Article 12(1) relationship</i> to an <i>undertaking</i> in (a), (b) or (c).</p>
<p><i>relative</i></p> <p>FCA</p>	<p>brother, sister, uncle, aunt, nephew, niece, lineal ancestor or lineal descendent.</p>
<p><i>relevant articles</i></p> <p>FCA PRA</p>	<p>(in REC):</p> <p>(1) Article 6.1 to 6.4 of the <i>Market Abuse Directive</i>;</p> <p>(2) Articles 3, 5, 7, 8, 10, 14 and 16 of the <i>Prospectus Directive</i>;</p> <p>(3) Articles 4 to 6, 14, 16 to 19 and 30 of the <i>Transparency Directive</i>; and</p> <p>(4) <i>EU</i> legislation made under the provisions mentioned in (1) to (3).</p>
<p><i>relevant asset pool</i></p> <p>FCA PRA</p>	<p>(in RCB) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) in relation to a <i>regulated covered bond</i> the <i>asset pool</i> from which the claims attaching to that bond are guaranteed to be paid by the <i>owner</i> of that pool in the event of the failure of the <i>issuer</i>.</p>
<p><i>relevant business</i></p> <p>FCA PRA</p>	<p>(A) (In the PRA Handbook)</p> <p>(1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman Service</i> as provided for in ■ <i>DISP</i> 2.3 (To which activities does the Compulsory Jurisdiction apply) and ■ <i>DISP</i> 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each <i>industry block</i>.</p> <p>(2) (in relation to information communicated to a client other than a <i>financial promotion</i>) <i>designated investment business</i>.</p> <p>(3) (in relation to a <i>financial promotion</i>) a <i>controlled activity</i>.</p> <p>(B) (In the FCA Handbook)</p> <p>(1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman</i></p>

relevant capital
sum

FCA PRA

Service as provided for in ■ DISP 2.3 (To which activities does the Compulsory Jurisdiction apply?) and ■ DISP 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each *industry block*.

(2) (in relation to information communicated to a client other than a *financial promotion*) *designated investment business*.

(3) (in relation to a *financial promotion*) a *controlled activity*.

for the purposes of INSPRU 1.3.34R, the sum under a *contract of insurance* which is:

(a) unless (b) applies:

(i) for whole life assurances, the sum assured;

(ii) for *contracts of insurance* where a sum is payable on maturity (including contracts where a sum is also payable on earlier death), the sum payable on maturity;

(iii) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater);

(iv) for *capital redemption* contracts, the sum payable at the end of the contract period; and

(v) for linked long-term contracts of insurance, notwithstanding (i) to (iv), the lesser of:

(A) the amount for the time being payable on death; and

(B) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the *premiums* remaining to be paid during such of the term of the contract as is appropriate for *zillmerising* or, if such *premiums* are payable beyond the age of seventy-five, until that age;

but excluding in all cases any vested reversionary bonus; and

(b) for temporary assurances, the sum assured on the *actuarial valuation date*.

an *authorised fund* which is:

(a) a registered charity; or

(b) a charitable unit trust scheme under regulation 7(2)(d) of the Income Tax (Definition of Unit Trust Scheme) Regulations 1988.

relevant charitable
scheme

FCA PRA

relevant collateral

FCA PRA

in relation to a transaction:

(a) cash;

(b) letters of credit and guarantees to the extent of their face value, issued by an *approved bank* which is neither a counterparty nor an *associate* of a counterparty;

(c) gold and silver bullion and coinage;

(d) marketable investments;

(e) the performance guarantees issued in support of the securities lending and borrowing programmes of Euroclear and Cedel, in respect only of *exposure* arising from participation in such programmes;

subject in each case to:

(i) the *firm* having an unconditional right to apply or realise the relevant collateral for the purpose of repaying a counterparty's obligations;

(ii) marketable investments:

(A) being marked to market daily using the valuation principles in ■ IPRU(INV) 3.41(9)R;

(B) not being issued by a counterparty nor by an *associate* of a counterparty.

relevant commencement date

FCA PRA

(as defined in article 1 of the *Mortgage and General Insurance Complaints Transitional Order*):

(a) in relation to a complaint which relates to an activity to which, immediately before 14 January 2005, the *GISC facility* applied, the beginning of 14 January 2005;

(b) in relation to a complaint which relates to an activity to which, immediately before 31 October 2004, the *MCAS scheme* applied, the beginning of 31 October 2004.

relevant competent authorities

FCA PRA

(in relation to a *financial conglomerate*) those *competent* authorities which are, or which have been appointed as, relevant *competent* authorities in relation to that *financial conglomerate* under Article 2(17) of the *Financial Groups Directive* (Definitions).

relevant competent authority

FCA PRA

(in relation to a *financial instrument*) means the *competent authority* of the most relevant market in terms of liquidity for that *financial instrument*.

[Note: article 2(7) of *MiFID Regulation*]

relevant complaint

FCA PRA

(1) (in *DISP*) a *relevant existing complaint*, a *relevant new complaint* or a *relevant transitional complaint*.

(2) (in *REC*) (as defined in section 299(2) of the *Act* (Complaints about *recognised bodies*)) a complaint which the *FCA* considers is relevant to the question of whether a *recognised body* should remain a *recognised body*.

relevant credit activity

FCA

an activity of a kind specified as a *relevant credit activity* in paragraph 2G of Schedule 6 to the *Act*.

relevant credit agreement

FCA

a *credit agreement* (within the meaning given by article 60B of the *Regulated Activities Order*) other than a *regulated mortgage contract* or a *regulated home purchase plan* (within the meaning of that Order) (see paragraph 28 of Schedule 1 to the *Financial Promotion Order*).

relevant credit agreement relating to the purchase of land

in accordance with article 60E (7) of the *Regulated Activities Order*:

(a) a *borrower-lender-supplier agreement financing*:

(i) the purchase of *land*; or

FCA

- (ii) the provision of dwellings on *land*;
and secured by a *legal or equitable mortgage* on that *land*;
 - (b) a *borrower-lender agreement* secured by a *legal or equitable mortgage* on *land*; or
 - (c) a *borrower-lender-supplier agreement financing* a transaction which is a *linked transaction* in relation to:
 - (i) an agreement falling within (a), or
 - (ii) an agreement falling within (b) *financing*:
 - (aa) the purchase of *land*; or
 - (bb) the provision of dwellings on *land*,
- and secured by a *legal or equitable mortgage* on the *land* referred to in (a) or the *land* referred to in (c)(ii).

relevant credit-related complaint

a *relevant existing credit-related complaint* or a *relevant new credit-related complaint*.

FCA

relevant date

FCA PRA

- (A) In the PRA Handbook
 - (in ■ MCOB 10 (Annual percentage rate)):
 - (a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to require provision of anything which is the subject of the agreement) the earliest such date;
 - (b) (in any other case) the date of making the agreement.
- (B) In the FCA Handbook
 - (1) (in ■ MCOB 10 (Annual percentage rate)):
 - (a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to require provision of anything which is the subject of the agreement) the earliest such date;
 - (b) (in any other case) the date of making the agreement.
 - (2) (in ■ CONC App 1.1):
 - (a) where a date is specified in or determinable under a *credit agreement* at the date of its making as the date on which the *borrower* is entitled to require provision of anything which is the subject of the *credit agreement*) the earliest such date;
 - (b) in any other case, the date of making the *credit agreement*.

relevant debts under management

in relation to a *firm*, a debt due under a *credit agreement* or a *consumer hire agreement* in relation to which the *firm* is carrying on *debt adjusting* or an activity connected to that activity.

FCA

relevant EEA details

FCA **PRA**

the details listed in regulation 14 of the *EEA Passport Rights Regulations* and set out in ■ SUP 13 Annex 1 R (Requisite details or relevant details: branches).

relevant existing complaint

FCA **PRA**

(in accordance with the Ombudsman Transitional Order) a complaint which:

- (a) was referred to a *former scheme* at any time before *commencement*, by a person who was at that time entitled, under the terms of the *former scheme*, to refer such a complaint (whether described in that scheme as the making of a complaint, the referral of a dispute, the submission of a claim, or otherwise); and
- (b) has not, before *commencement*, been rejected, withdrawn, settled or determined by the former Ombudsman (whether by a substantive decision, or by closure of the case without a substantive decision).

relevant existing credit-related complaint

FCA

a complaint made under the ombudsman scheme before 1 April 2014 which was being dealt with under the *Consumer Credit Jurisdiction*.

relevant financial system

FCA **PRA**

(in accordance with section 169A(5) of the *Act* (Support of overseas regulator with respect to financial stability)) a financial system including:

- (a) financial markets and exchanges;
- (b) activities that would be *regulated activities* if carried on in the *United Kingdom*; and
- (c) other activities connected with financial markets and exchanges.

relevant former scheme

FCA **PRA**

(as defined in article 2(2) of the *compensation transitionals order*):

- (a) in relation to a *pending application*, the *investment business compensation scheme* under which the application was made;
- (b) in relation to an *article 9 default*, one of the following that applied to the default before *commencement*:
 - (i) the Policyholders Protection Scheme established by the Policyholders Protection Act 1975;
 - (ii) the Deposit Protection Scheme established by Part II of the Banking Act 1987;
 - (iii) the Building Societies Investor Protection Scheme established by Part IV of the Building Societies Act 1986;
 - (iv) the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.

relevant function

FCA **PRA**

(in relation to a *UK recognised body*) an *exempt activity* or a *regulatory function*.

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relevant general insurance contract

FCA **PRA**

(in *COMP*) any *general insurance contract* other than:

- (a) [deleted]
- (b) [deleted]
- (c) a contract falling within any of the following classes:

relevant information

FCA PRA

- (i) *aircraft*;
- (ii) *ships*;
- (iii) *goods in transit*;
- (iv) *aircraft liability*;
- (v) *liability of ships*;
- (vi) *credit*.

(1) (except in *REC*) (in relation to an *investment*) information which would be likely to be regarded by a *regular user* of the market or auction platform in question as relevant when deciding the terms on which transactions in that *investment* should be effected.

(2) (in *REC*) (in relation to an *investment*) information which is relevant to determining the current value of that *investment* or (in relation to *RAPs*) information on the terms of *emissions auction products* and the terms on which they will be auctioned on an *RAP*.

relevant insurer

FCA PRA

in relation to a *community co-insurance operation*, an *insurer* which is concerned in the operation but is not the *leading insurer*.

relevant investment

FCA PRA

(1) (in ■ COBS 12.4, in relation to a *research recommendation* or a public appearance), a *designated investment* that is the subject of that *research recommendation* or public appearance,

(2) (other than in ■ COBS 4 or ■ COBS 12.4) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *contractually based investment*;
- (b) a *pure protection contract*;
- (c) a *general insurance contract*;
- (d) rights to or interests in an *investment* falling within (a).

(3) (in ■ COBS 4) a *specified investment* or a *controlled investment*.

relevant issuer

FCA PRA

(1) (in relation to a *designated investment* that is the subject of a *research recommendation* or a public appearance) the *issuer* of that *designated investment*; or

(2) (in relation to a *related designated investment* that is the subject of a public appearance) either the *issuer* of the *related designated investment* or the *issuer* of a *designated investment* that might reasonably be expected directly to affect the value of the *related designated investment*.

relevant liquid market

FCA PRA

a market for a share determined in accordance with paragraph 2 and 8 of Article 9 of the *MiFID Regulation*, in many cases this will be the Member State where the share or the unit was first admitted to trading on a regulated market.

[Note: article 9 of the *MiFID Regulation*]

relevant net premium income

FCA PRA

(1) (in relation to business which is not *occupational pension fund management business*) the premium income in respect of *protected contracts of insurance* of a *firm*; or

(2) (in relation to *occupational pension fund management business*) the *remuneration* retained by a *firm* in relation to its carrying on *occupational pension fund management business*

relevant new complaint

FCA PRA

in the year preceding that in which the date for submission of the information under ■ FEES 6.5.13 R falls, net of any relevant rebates or refunds.

(in accordance with the *Ombudsman Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after *commencement* which relates to an act or omission occurring before *commencement* if:

- (a) the act or omission is that of a person who was, immediately before *commencement*, subject to a *former scheme*;
- (b) the act or omission occurred in the carrying on by that person of an activity to which that *former scheme* applied; and
- (c) the complainant is eligible and wishes to have the complaint dealt with under the new scheme;

for the purposes of (c), where the complainant is not eligible in accordance with ■ DISP 2 (Jurisdiction of the Financial Ombudsman Service), an *Ombudsman* may, nonetheless, if he considers it appropriate, treat the complainant as eligible if he would have been entitled to refer an equivalent complaint to the *former scheme* in question immediately before *commencement*.

relevant new credit-related complaint

FCA

(in accordance with the *Regulated Activities Amendment Order*) a complaint made under the ombudsman scheme on or after 1 April 2014:

- (a) which relates to an act or omission which took place before 1 April 2014;
- (b) which could have been dealt with under the *Consumer Credit Jurisdiction* (disregarding the effect of section 226A(2)(a) and (b) of the *Act*) but for the repeal of section 226A of the *Act*; and
- (c) in relation to which the complainant is eligible and wishes for the complaint to be dealt with under the *Financial Ombudsman Service*.

relevant office-holder

FCA PRA

a relevant office-holder as defined in section 189 of the Companies Act 1989, which is in summary:

- (a) the official receiver;
- (b) (in relation to a company) any *person* acting as its liquidator, provisional liquidator, administrator or administrative receiver;
- (c) (in relation to an individual or a debtor within the Bankruptcy (Scotland) Act 1985) a trustee in bankruptcy, interim receiver of property, or permanent or interim trustee in the sequestration of an estate;
- (d) any *person* acting as administrator of an insolvent estate of a deceased *person*.

relevant pension scheme

FCA PRA

a *pension scheme* or an *additional voluntary contribution*.

relevant person

FCA PRA

(1) (in COMP) a *person* for *claims* against whom the *compensation scheme* provides cover, as defined in ■ COMP 6.2.1 R.

(2) any of the following:

- (a) a *director*, *partner* or equivalent, manager or *appointed representative* (or where applicable, *tied agent*) of the *firm*;
- (b) a *director*, *partner* or equivalent, or manager of any *appointed representative* (or where applicable, *tied agent*) of the *firm*;
- (c) an *employee* of the *firm* or of an *appointed representative* (or where applicable, *tied agent*) of the *firm*; as well as any other natural person whose services are placed at the disposal and under the control

relevant provisions

FCA

of the *firm* or an *appointed representative* or a *tied agent* of the *firm* and who is involved in the provision by the *firm* of *regulated activities*;

(d) a natural person who is directly involved in the provision of services to the *firm* or its *appointed representative* (or where applicable, *tied agent*) under an *outsourcing* arrangement or (in the case of a *management company*) a delegation arrangement to third parties, for the purpose of the provision by the *firm* of *regulated activities* or (in the case of a *management company*) *collective portfolio management*.

[Note: article 2(3) of the *MiFID implementing Directive* and article 3(3) of the *UCITS implementing Directive*]

in accordance with article 36A of the *Regulated Activities Order*, articles 60C (exempt agreements: exemptions relating to the nature of the agreement), 60D (exempt agreements: exemption relating to the purchase of land for non-residential purposes), 60E (exempt agreements: exemptions relating to the nature of the lender), 60G (exempt agreements: exemptions relating to the total charge for credit) and 60H (exempt agreements: exemptions relating to the nature of the borrower) of that Order.

relevant scheme

FCA PRA

(1) (except in ■ FEES 6) a *collective investment scheme* managed by an *EEA UCITS management company*.

(2) (in ■ FEES 6) a scheme or arrangement (other than the *compensation scheme*) for the payment of compensation (in certain cases) to customers (including customers outside the *United Kingdom*) of *persons* (including *persons* outside the *United Kingdom*) who provide financial services (including financial services provided outside the *United Kingdom*) or carry on a business connected with the provision of such services.

relevant security

FCA PRA

(1) (in ■ MAR 2, when used with reference to the *Buy-back and Stabilisation Regulation*) (in accordance with Article 2(6) of the *Buy-back and Stabilisation Regulation*) *transferable securities* which are admitted to trading on a *regulated market* or for which a request for admission to trading on a *regulated market* has been made, and which are the subject of a *significant distribution*.

(2) (otherwise in ■ MAR 2) *transferable securities*

(3) [deleted]

relevant transitional complaint

FCA PRA

(A) In the PRA Handbook:

(in accordance with the *Mortgage and General Insurance Complaints Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after the *relevant commencement date* which relates to an act or omission occurring before that date if:

(a) the act or omission is that of a *person* ("R") who, at the time of that act or omission, was subject to a *former scheme*;

(b) R was an *authorised person* on or after the *relevant commencement date*;

(c) the act or omission occurred in the carrying on by R of an activity to which that *former scheme* applied; and

(d) the complainant is eligible and wishes to have the complaint dealt with under the new *scheme*.

(B) In the FCA Handbook:

(in accordance with the *Mortgage and General Insurance Complaints Transitional Order*) a complaint referred to the *Financial Ombudsman Service*

after the *relevant commencement date* which relates to an act or omission occurring before that date if:

- (a) the act or omission is that of a *person* ("R") who, at the time of that act or omission, was subject to a *former scheme*;
- (b) R was an *authorised person* on or after the *relevant commencement date*;
- (c) the act or omission occurred in the carrying on by R of an activity to which that *former scheme* applied; and
- (d) the complainant is eligible and wishes to have the complaint dealt with under the new scheme.

relevant UK details

FCA **PRA**

the details required in regulation 15 of the *EEA Passport Rights Regulations* and set out in ■ SUP 13 Annex 2 R (Relevant UK details: branches of insurance undertakings).

remedial direction

[deleted]

remuneration

FCA **PRA**

- (A) In the PRA Handbook:
any form of remuneration, including salaries, *discretionary pension benefits* and benefits of any kind.
[Note: article 92(2) of the *CRD*]
- (B) In the FCA Handbook:
any form of remuneration, including salaries, *discretionary pension benefits* and benefits of any kind.
[Note: article 92(2) of the *CRD*]

Remuneration Code

FCA **PRA**

■ SYSC 19A (Remuneration Code).

Remuneration Code general requirement

FCA **PRA**

■ SYSC 19A.2.1 R.

Remuneration Code staff

FCA **PRA**

- (A) In the PRA Handbook:
(for a *CRR firm* and an *overseas firm* in SYSC 19A1.1.1R(1)(f)) has the meaning given in ■ SYSC 19A.3.4 R
- (B) In the FCA Handbook:
(for a *CRR firm* and an *overseas firm* in SYSC 19A1.1.1R(1)(f)) has the meaning given in ■ SYSC 19A.3.4 R

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remuneration principles proportionality rule

FCA **PRA**

(in ■ SYSC 19A) has the meaning given in ■ SYSC 19A.3.3 R.

<p><i>renewal</i> FCA PRA</p>	<p>carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.</p>
<p><i>repayment</i> FCA</p>	<p>includes repayment of <i>credit</i> with or without any other amount.</p>
<p><i>repayment claim</i> FCA PRA</p>	<p>(in relation to a <i>dormant account</i>) a claim for repayment made by virtue of sections 1(2)(b) or 2(2)(b) of the Dormant Bank and Building Society Accounts Act 2008, that is, in summary, that the customer has against the <i>dormant account fund operator</i> whatever right to payment of the <i>balance</i> the customer would have against the <i>bank</i> or <i>building society</i> if the transfer (or in the case of section 2(2)(b), transfers) had not happened. In this definition, 'customer' is the <i>person</i> who held with a <i>bank</i> or <i>building society</i> the <i>balance</i> of a <i>dormant account</i> transferred to a <i>dormant account fund operator</i>.</p>
<p><i>repayment mortgage</i> FCA PRA</p>	<p>a <i>regulated mortgage contract</i> under which the <i>customer</i> is obliged to make payments of interest and capital which are designed to repay the mortgage over the stated term.</p>
<p><i>repayment vehicle</i></p>	<p>the means by which the <i>customer</i> will repay the capital due under the <i>regulated mortgage contract</i>, where all or part of that contract is an <i>interest-only mortgage</i>.</p>
<p><i>repo</i> FCA PRA</p>	<p>(a) an agreement between a seller and buyer for the sale of <i>securities</i>, under which the seller agrees to repurchase the <i>securities</i>, or equivalent <i>securities</i>, at an agreed date and, usually, at a stated price;</p> <p>(b) an agreement between a buyer and seller for the purchase of <i>securities</i>, under which the buyer agrees to resell the <i>securities</i>, or equivalent <i>securities</i>, at an agreed date and, usually, at a stated price.</p>
<p><i>reporting accountant</i> FCA PRA</p>	<p>an accountant appointed:</p> <p>(a) by the <i>appropriate regulator</i> ; or</p> <p>(b) by a <i>firm</i> , having been nominated or approved by the <i>appropriate regulator</i> under section 166 of the <i>Act</i> (Reports by skilled persons); or</p> <p>(c) by an applicant for <i>Part 4A permission</i> ;</p> <p>to report on one or more aspects of the business of a <i>firm</i> or applicant, such as its financial position, including <i>internal controls</i> and reporting returns.</p>
<p><i>reporting level</i> FCA PRA</p>	<p>(in ■ SUP 16 (Reporting requirements) and in relation to a <i>data item</i>) refers to whether that <i>data item</i> is prepared on a solo basis or on the basis of a group such as a <i>UK DLG by modification</i> and, if it is prepared on the basis of a group, refers to the type of group (such as a <i>UK DLG by modification</i> or a <i>non-UK DLG by modification (firm level)</i>).</p>
<p><i>repossess</i> FCA PRA</p>	<p>(in MCOB) take possession of the property that is the subject of a <i>regulated mortgage contract</i> or <i>home purchase plan</i> .</p>
<p><i>representative</i> FCA PRA</p>	<p>(1) an individual who:</p> <p>(a) is appointed by a <i>firm</i>, or by an <i>appointed representative</i> of a <i>firm</i>, to carry on any of the following activities:</p> <p>(i) <i>advising on investments</i>;</p> <p>(ii) providing <i>basic advice</i> on <i>stakeholder products</i>;</p>

(iii) *arranging (bringing about) deals in investments*;

(iv) dealing in investments; or

(b) although not appointed to do so, carries on any of the activities in (i) to (iii) on behalf of a *firm* or its *appointed representative* .

(2) (in IPRU(INV) 13 in relation to *designated investment business*) an individual appointed by a provider firm or by an *appointed representative* or *tied agent* of that *firm* to carry out either or both of the following activities:

(a) giving *advice on investments* to *customers* on the merits of *packaged products* offered by that *firm* (or any other provider firm within the same *marketing group*); or

(b) *arranging (bringing about) deals in investments* in relation to those products.

(3) In (2), a provider firm is a *firm* that is:

(a) a *product provider*; or

(b) a *marketing group associate*.

*representative
APR*

FCA

an APR at or below which the *firm communicating* or *approving the financial promotion* reasonably expects, at the date on which the promotion is *communicated* or *approved*, that *credit* would be provided under at least 51% of the *credit agreements* which will be entered into as a result of the promotion.

*repurchase
agreement*

FCA PRA

see *repurchase transaction*.

*repurchase
transaction*

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 3(1)(m) of the *Capital Adequacy Directive* and Article 4(33) of the *Banking Consolidation Directive* (Definitions) and for the purposes of BIPRU) any agreement in which an *undertaking* or its counterparty transfers securities or *commodities* or guaranteed rights relating to title to securities or *commodities* where that guarantee is issued by a *designated investment exchange* or *recognised investment exchange* which holds the rights to the securities or *commodities* and the agreement does not allow an *undertaking* to transfer or pledge a particular security or *commodity* to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or *commodities* of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a *repurchase agreement* for the *undertaking* selling the securities or *commodities* and a *reverse repurchase agreement* for the *undertaking* buying them.

(B) In the FCA Handbook:

(in accordance with Article 3(1)(m) of the *Capital Adequacy Directive* and Article 4(33) of the *Banking Consolidation Directive* (Definitions) and for the purposes of BIPRU) any agreement in which an *undertaking* or its counterparty transfers securities or *commodities* or guaranteed rights relating to title to securities or *commodities* where that guarantee is issued by a *designated investment exchange* or *recognised investment exchange* which holds the rights to the securities or *commodities* and the agreement does not allow an *undertaking* to transfer or pledge a particular security or *commodity* to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or *commodities* of the same description at a specified price on a future date specified, or to

required
percentage

FCA PRA

be specified, by the transferor, being a *repurchase agreement* for the *undertaking* selling the securities or *commodities* and a *reverse repurchase agreement* for the *undertaking* buying them.

the *required percentage* referred to in ■ COBS 20.2.17 R is, for each *with-profits fund*:

- (a) the percentage (if any) required in respect of that fund by:
 - (i) the *firm's* articles of association, registered rules or other equivalent instrument; or
 - (ii) a relevant order made by a court of competent jurisdiction;
- (b) if (a) does not apply, the percentage that reflects the *firm's* established practice, if it has one;
- (c) if (a) and (b) do not apply, not less than 90 per cent.

requirement

FCA PRA

a requirement included in a firm's *Part 4A permission* under section 55L(3) of the *Act* (Imposition of requirements by the FCA), section 55M(3) of the *Act* (Imposition of Requirements by the PRA) or section 55O of the *Act* (Imposition of requirements on acquisition of control) .

requiring or
encouraging

FCA PRA

taking or refraining from taking any action which requires or encourages another *person* to engage in *behaviour* which, if engaged in by the *person* requiring or encouraging, would amount to *market abuse*.

requisite details

FCA PRA

the details required in regulation 1 of the *EEA Passport Rights Regulations* and set out in ■ SUP 13 Annex 1 R (Requisite details: branches).

research
recommendation

FCA PRA

research or other information:

- (a) concerning one or several *financial instruments* admitted to trading on *regulated markets* , or in relation to which an application for admission to trading has been made, or *issuers* of such *financial instruments*;
- (b) intended for distribution so that it is, or is likely to become, accessible by a large number of *persons*, or for the public, but not including:
 - (i) an informal short-term investment personal recommendation expressed to *clients*, which originates from inside the sales or trading department, and which is not likely to become publicly available or available to a large number of persons; or
 - (ii) advice given by a *firm* to a *body corporate* in the context of a *takeover bid* and disclosed only as a result of compliance with a legal or regulatory obligation, including rule 3 of the *Takeover Code* or its equivalents outside the *UK*; and
- (c) which:
 - (i) explicitly or implicitly, recommends or suggests an investment strategy; or
 - (ii) directly or indirectly, expresses a particular investment recommendation; or
 - (iii) expresses an opinion as to the present or future value or price of such instruments.

In this definition, "financial instruments" means the following (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

- (a) *transferable securities*;
- (b) units in collective investment undertakings;
- (c) *money-market instruments*;
- (d) financial futures contracts, including equivalent cash-settled instruments;
- (e) forward interest-rate agreements;
- (f) interest-rate, currency and equity swaps;
- (g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;
- (h) derivatives on commodities; and
- (i) any other instrument admitted to trading on a regulated market in an *EEA State* or for which a request for admission to trading on such a market has been made.

resecuritisation

FCA PRA

in ■ BIPRU 7 and ■ 9, a *securitisation* where the risk associated with an underlying pool of *exposures* is *tranché* and at least one of the underlying *exposures* is a *securitisation position*.

[Note: BCD, Article 4(40a)]

resecuritisation position

FCA PRA

in ■ BIPRU 7 and ■ 9, an *exposure* to a *resecuritisation*.

[Note: BCD, Article 4(40b)]

residual CIS operator

FCA

a *firm* with a *Part 4A permission* to carry on the activity specified in article 51ZE (Establishing etc. a collective investment scheme) of the *Regulated Activities Order*.

resilience capital requirement

FCA PRA

the capital component for *long-term insurance business* calculated in accordance with the *rules* in INSPRU 3.1.9G to INSPRU 3.1.26R.

respondent

FCA PRA

(A) In the PRA Handbook:

(1) (in *DISP*, ■ FEES 5 and ■ CREDS 9) a *firm* (except a *UCITS qualifier*), *payment service provider*, *electronic money issuer*, *licensee* or *VJ participant* covered by the *Compulsory Jurisdiction*, *Consumer Credit Jurisdiction* or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

(2) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, as a result of sections 226 and 226A of the *Act*:

(a) an *unauthorised person* who was formerly a *firm* in respect of a *complaint* about an act or omission which occurred at the time when the *firm* was *authorised*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question;

(b) a *person* who was formerly a *licensee* in respect of a *complaint* about an act or omission which occurred at the time when it was a *licensee*, provided the *complaint* falls within a description specified in the consumer credit rules in force at the time of the act or omission

(c) a *person* who was formerly a *payment service provider* in respect of a *complaint* about an act or omission which occurred at the time

when it was a *payment service provider*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question; and

(d) a *person* who was formerly an *electronic money issuer* in respect of a *complaint* about an act or omission which occurred at the time when it was an *electronic money issuer*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question.

(3) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Ombudsman Transitional Order*, an *unauthorised person* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(4) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, a former *firm* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(B) In the FCA Handbook:

(1) (in *DISP*, ■ FEES 5 and ■ CREDS 9) a *firm* (except an *AIFM qualifier* or a *UCITS qualifier*), *payment service provider*, *electronic money issuer*, or *VJ participant* covered by the *Compulsory Jurisdiction*, *Consumer Credit Jurisdiction* or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

(2) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, as a result of section 226 of the *Act*:

(a) an *unauthorised person* who was formerly a *firm* in respect of a *complaint* about an act or omission which occurred at the time when the *firm* was *authorised*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question;

[deleted]

(c) a *person* who was formerly a *payment service provider* in respect of a *complaint* about an act or omission which occurred at the time when it was a *payment service provider*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question; and

(d) a *person* who was formerly an *electronic money issuer* in respect of a *complaint* about an act or omission which occurred at the time when it was an *electronic money issuer*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question.

(3) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Ombudsman Transitional Order*, an *unauthorised person* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(4) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, a former *firm* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(5) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and *relevant new credit-related complaints*.

responsible person

FCA **PRA**

(1) (except in *COMP*) (as defined in section 3(8) of the Child Trust Funds Act 2004) a *person* with *parental responsibility* in relation to a child under 16 who is not:

- (a) a local authority or, in Northern Ireland, an authority within the meaning of the Children (Northern Ireland) Order 1995 (SI 1995/755 (NI 2)); or
- (b) a *person* under 16.

(2) (in *COMP*) (in accordance with section 3 (1) of the Compensation Act 2006) a *person* who has negligently or in breach of statutory duty caused or permitted another *person* to be exposed to asbestos (including an *insurer* of such a *person*).

restricted advice

FCA **PRA**

(a) a *personal recommendation* to a *retail client* in relation to a *retail investment product* which is not *independent advice*; or

(b) *basic advice*.

restricted credit

FCA **PRA**

a loan for which, as a result of an existing arrangement between a supplier and a *firm*, the *customer's* application to the *firm* is submitted through the supplier and the terms of the loan require that it be paid to the supplier for goods or services supplied to the *customer*, not including loans secured by a charge over land or loans or payments by *plastic card* (other than a *store card*).

restricted-use credit agreement

FCA

(1) (except in *CONC*) (in accordance with section 11 of the Consumer Credit Act 1974) an agreement:

- (a) to finance a transaction between the *customer* and the *firm*, whether forming part of that agreement or not;
- (b) to finance a transaction between the *customer* and a person (the 'supplier') other than the *firm*;
- (c) to refinance any existing indebtedness of the *customer's*, whether to the *firm* or another *person*.

(2) (in *CONC*) a *credit agreement*:

- (a) to *finance* a transaction between the *borrower* and the *lender*, whether forming part of that agreement or not;
- (b) to *finance* a transaction between the *borrower* and a ("the supplier") other than the *lender*; or
- (c) to *refinance* any existing indebtedness of the *borrower's*, whether to the *lender* or another *person*,

and

(d) an agreement may fall within (b) even though the identity of the supplier is unknown at the time the agreement is made,

but

(e) a *credit agreement* is not a restricted-use *credit agreement* if the credit is in fact provided in such a way as to leave the *borrower* free to use it as the *borrower* chooses, even though certain uses would contravene that or any other agreement.

restriction notice

FCA **PRA**

a notice served under sections 191B or 301J of the *Act*.

retail (investment) customer

(in relation to a *firm's permission* and the *Financial Services Register*) a *retail client*.

FCA PRA

*retail
(non-investment
insurance)
customer*

(in relation to a *firm's permission* and the *Financial Services Register*) a *consumer* or a *customer* acting in the capacity of both a *consumer* and a *commercial customer* (see ■ ICOBS 2.1.3 G).

FCA PRA

*retail banking
service*

an arrangement with a *banking customer*, under which a *firm* agrees to accept a *deposit* from a *banking customer* on terms to be held in an account for that customer, and to provide services in relation to that *deposit* including but not limited to repayment to the customer.

FCA PRA

retail client

FCA PRA

(A) in the *PRA Handbook*:

(1) (other than in relation to the *provision of basic advice on stakeholder products*) in accordance with ■ COBS 3.4.1 R, a *client* who is neither a *professional client* or an *eligible counterparty*; or

[Note: article 4(1)(12) of MiFID]

(2) (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.

(B) in the *FCA Handbook*:

(1) (other than in relation to the *provision of basic advice on stakeholder products* or to *credit-related regulated activities*) in accordance with ■ COBS 3.4.1 R, a *client* who is neither a *professional client* or an *eligible counterparty*; or

[Note: article 4(1)(12) of MiFID]

(2) (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; or

(3) (in relation to *credit-related regulated activity*) a *customer*.

retail customer

FCA PRA

(in accordance with the meaning of 'consumer' in article 2(d) of the *Distance Marketing Directive* an individual who is acting for purposes which are outside his trade, business or profession.

retail exposure

FCA PRA

(1) (in relation to the *IRB approach* and with respect to an *exposure*) an *exposure* falling into the *IRB exposure class* listed in ■ BIPRU 4.3.2 R (4) (Retail exposures).

(2) (in relation to the *standardised approach* to credit risk and with respect to an *exposure*) an *exposure* falling into the *standardised credit risk exposure class* listed in ■ BIPRU 3.2.9 R (8) (Retail exposures).

*retail
investment*

FCA PRA

(a) a *life policy*; or

(b) a *unit*; or

(c) a *stakeholder pension scheme*; or

retail
investment
activity

FCA PRA

- (ca) a *personal pension scheme*; or
- (d) an interest in an *investment trust savings scheme*; or
- (e) a *structured capital-at-risk product*.

- (a) *advising on investments*;
- (b) *arranging (bringing about) deals in investments*; or
- (c) *making arrangements with a view to transactions in investments*,

in relation to *retail investments*, except when carried on by a *firm* exclusively with or for *professional client* or *eligible counterparties*.

retail
investment
adviser

FCA PRA

an *employee* who carries on activities 2, 3, 4, 6, 12 and 13 in ■ TC Appendix 1.1.1 R (other than in relation to a *Holloway sickness policy* where the *Holloway policy special application conditions* are met).

retail
investment
firm

FCA PRA

a *firm* that has *permission* to carry on an activity which is a *retail investment activity*.

retail
investment
product

FCA PRA

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme* (including a *group stakeholder pension scheme*); or
- (d) a *personal pension scheme* (including a *group personal pension scheme*); or
- (e) an interest in an *investment trust savings scheme*; or
- (f) a *security* in an *investment trust*; or
- (g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or
- (h) a *structured capital-at-risk product*;

whether or not any of (a) to (h) are held within an *ISA* or a *CTF*.

[Note: Section 238 of the *Act* and ■ COBS 4.12.3 R set out restrictions on the promotion of *non-mainstream pooled investments* to *retail clients*. See also ■ COBS 9.3.5 G (Non-mainstream pooled investments).]

retail pool

the pool of *classes* to which the *FSCS* allocates levies as described in ■ FEES 6.5A [to follow].

retail
securitised
derivative

FCA PRA

a *securitised derivative* which is not a specialist securitised derivative; in this definition, a "specialist securitised derivative" is a *securitised derivative* which, in accordance with the *listing rules*, is required to be admitted to listing with a clear statement on any disclosure document that the issue is intended for a purchase by only investors who are particularly knowledgeable in investment matters.

retail SME

FCA PRA

- (1) (in relation to the *IRB approach*) a small or medium sized entity, an *exposure* to which may be treated as a *retail exposure* under ■ BIPRU 4.6.2 R (Definition of retail exposures).

<p><i>retail SME exposure</i> FCA PRA</p>	<p>(2) (in relation to the <i>standardised approach</i> to credit risk) a small or medium sized entity, an <i>exposure</i> to which may be treated as a retail exposure under ■ BIPRU 3.2.10 R (Definition of retail exposures).</p> <p>(in relation to the <i>IRB approach</i> or the <i>standardised approach</i> to credit risk) an <i>exposure</i> to a <i>retail SME</i>.</p>
<p><i>retirement annuity</i> FCA PRA</p>	<p>an individual <i>pension policy</i> effected before 1 July 1988 by a self-employed <i>person</i> or a <i>person</i> in non-pensionable employment which was approved under Chapter III, Part XIV of the Income and Corporation Taxes Act 1988 (when sections 618 to 628 of that Chapter were in force).</p>
<p><i>retirement fund</i> FCA PRA</p>	<p>the amount which will be available, at the date on which the investor retires, for the provision of benefits.</p>
<p><i>return</i> FCA PRA</p>	<p>the documents required (taken together) to be deposited under <i>IPRU(INS) rule 9.6(1)</i>.</p>
<p><i>reverse repurchase agreement</i> FCA PRA</p>	<p>see <i>repurchase transaction</i>.</p>
<p><i>reverse takeover</i> FCA PRA</p>	<p>(in <i>LR</i>) a transaction classified as a <i>reverse takeover</i> under ■ LR 5.6.</p>
<p><i>reversion activity</i> FCA PRA</p>	<p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> (a) <i>arranging (bringing about) a home reversion plan</i> (article 25B(1)); (b) <i>making arrangements with a view to a home reversion plan</i> (article 25B(2)); (c) <i>advising on a home reversion plan</i> (article 53B); (d) <i>entering into a home reversion plan</i> (article 63B(1)); (e) <i>administering a home reversion plan</i> (article 63B(2)); or (f) <i>agreeing to carry on a regulated activity</i> in (a) to (e) (article 64).
<p><i>reversion administrator</i> FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a home reversion plan</i>.</p>
<p><i>reversion adviser</i> FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home reversion plan</i>.</p>
<p><i>reversion arranger</i></p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home reversion plan</i>.</p>

FCA PRA

reversion intermediary

a *firm* with *permission* (or which ought to have *permission*) to carry on a *reversion mediation activity*.

FCA PRA

reversion mediation activity

any of the following *regulated activities*:

- (a) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (b) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (c) *advising on a home reversion plan* (article 53B); or
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

FCA PRA

reversion occupier

the individual (or trustees), specified in article 63B(3) of the *Regulated Activities Order*, who in summary:

- (a) is (or are) the *person* (or *persons*) from whom all or part of an interest in land is bought as part of an arrangement comprising a *home reversion plan*; and
- (b)
 - (i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or
 - (ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).

FCA PRA

reversion provider

a *firm* with *permission* (or which ought to have *permission*) for *entering into a home reversion plan*.

FCA PRA

revolving exposure

(for the purpose of ■ BIPRU 9.13 (Securitisations of revolving exposures with early amortisation provisions) and in accordance with Article 100 of the Banking Consolidation Directive (Securitisations of revolving exposures)) an *exposure* whereby customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.

FCA PRA

RIE

recognised investment exchange.

FCA PRA

right of set-off

(in BCOBS) any right of a *firm*, whether under a contract for a *retail banking service* or the general law, to set off or combine:

- (a) any debt due from a *consumer*; or
- (b) any debit balance on an account held by a *consumer*;

against or with:

- (c) any sum payable by the *firm* to the *consumer*; or
- (d) any credit balance on an account held by the *consumer*;

that has the effect of reducing, discharging or extinguishing the *firm's* liability to the *consumer* or the credit balance on the account held by the *consumer*.

FCA PRA

rights issue

FCA **PRA**

(in LR and ■ DTR 5) an offer to existing *security* holders to subscribe or purchase further *securities* in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as "nil paid" rights) for a period before payment for the *securities* is due.

rights to or interests in investments

FCA **PRA**

the *investment*, specified in article 89 of the *Regulated Activities Order* (Rights to or interests in investments), which is in summary: any right to or interest in any other *specified investment*, but excluding:

- (a) interests under the trusts of an *occupational pension scheme*;
- (b) rights to or interests in a *contract of insurance* of the kind referred to in paragraph (1)(a) of article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements), or interests under a trust of the kind referred to in paragraph 1(b) of article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements);
- (c) any other *specified investment*.

risk capital margin

FCA **PRA**

the risk capital margin for a *with-profits fund* calculated in accordance with the *rules* in INSPRU 1.3.43R to INSPRU 1.3.103G.

risk capital requirement

FCA

(1) (in relation to the *FCA's rules*) one of the following:

- (a) the *credit risk capital requirement*;
- (b) the *fixed overheads requirement*;
- (c) the *market risk capital requirement*; or

(2) (in relation to the rules of another *regulatory body*) whatever corresponds to the items in (1) under the rules of that *regulatory body*.

risk concentration

FCA **PRA**

(in accordance with Article 2(19) of the *Financial Groups Directive* (Definitions)) all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position in general of the *regulated entities* in the *financial conglomerate*, whether such exposures are caused by counterparty risk /credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of these risks.

risk control rules

FCA

■ IFPRU 2.2.58 R to ■ IFPRU 2.2.60 R.

risk factors

FCA **PRA**

(in PR) (as defined in the *PD Regulation*) a list of risks which are specific to the situation of the issuer and/or the securities and which are material for taking investment decisions.

risk limit system

FCA **PRA**

(in COLL and in accordance with article 40(2)(d) of the *UCITS implementing Directive*) a documented system of internal limits concerning the measures used by a *management company* to manage and control the relevant risks for each *UCITS* it manages, taking into account all the risks which may be material to the *UCITS*, as referred to in the second paragraph of article 38(1) of the *UCITS implementing Directive* and ensuring consistency with the *UCITS'* risk profile.

risk of excessive leverage

has the meaning in article 4(1)(94) of the *EU CRR*.

FCA

risk position

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a risk number that is assigned to a transaction under the *CCR standardised method* following a predetermined algorithm.

risk weight

FCA PRA

(A) In the PRA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under ■ ■ BIPRU 9 (Securitisation).

(B) In the FCA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under ■ ■ BIPRU 9 (Securitisation).

risk weighted exposure amount

FCA PRA

(A) In the PRA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) the value of an *exposure* for the purposes of the calculation of the *credit risk capital component* after application of a *risk weight*.

(B) In the FCA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) the value of an *exposure* for the purposes of the calculation of the *credit risk capital component* after application of a *risk weight*.

RMAR

FCA PRA

(in *SUP*) a Retail Mediation Activities Return, containing data specified in ■ SUP 16 Annex 18A R and relevant to the *firm's* type and *regulated activities*.

ROIE

FCA PRA

recognised overseas investment exchange.

rolling spot forex contract

FCA PRA

either of the following:

(a) a *future*, other than a *future* traded or expressed to be as traded on a *recognised investment exchange*, where the property which is to be sold under the contract is foreign exchange or sterling; or

(b) a *contract for differences* where the profit is to be secured or loss avoided by reference to fluctuations in foreign exchange; and

in either case where the contract is entered into for the purpose of speculation.

rollover risk

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the amount by which *expected positive exposure* is understated when future transactions with a counterpart are expected to be conducted on an ongoing basis; the additional *exposure* generated by those future transactions is not included in calculation of *expected positive exposure*.

roll-up of interest mortgage

FCA **PRA**

a *regulated mortgage contract* where no payment of interest on the amount borrowed (other than interest charged when all or part of the amount borrowed is repaid voluntarily by the *customer*), is due or capable of becoming due while the *customer* continues to occupy the mortgaged property as his main residence and fulfil his obligations under the *regulated mortgage contract*.

RPI

FCA

the Retail Prices Index.

RPPD

FCA **PRA**

the Regulatory Guide which contains a statement of the responsibilities of providers and distributors for the fair treatment of *customers*.

RSRB permission

FCA **PRA**

(in *FEES*) an *authorisation* to carry on one or more *regulated sale and rent back activities*.

rule

FCA **PRA**

(in accordance with section 417(1) of the *Act* (Definitions)) a rule made by the *FCA* or the *PRA* under the *Act*, including:

- (a) a *Principle*; and
- (b) an *evidential provision*.

rule on use of dealing commission

FCA **PRA**

■ COBS 11.6.3 R.

running-account credit

FCA

(1) (except in *CONC*) (in accordance with section 10(1)(a) of the Consumer Credit Act 1974) a facility under a contract by which the *customer* is enabled to receive from time to time (whether in his own person, or by another person) from the *firm* or a third party cash, goods and services (or any of them) to an amount or value such that, taking into account payments made by or to the credit of the customer, the credit limit (if any) is not at any time exceeded.

(2) (in *CONC*) a facility under a *credit agreement* under which the *borrower* or another *person* is enabled to receive from time to time from the *lender* or a third party *cash, goods* or services to an amount or value such that, taking into account *payments* made by or to the credit of the *borrower*, the *credit limit* (if any) is not at any time exceeded.

<p><i>scheme particulars</i> FCA PRA</p>	<p>a <i>document</i> containing information about a <i>regulated collective investment scheme</i>.</p>
<p><i>scheme pension</i> FCA PRA</p>	<p>a scheme pension, as defined in paragraph 2 of Schedule 28 to the Finance Act 2004, which is in summary a pension payable until a pension scheme member's death, or until the later of the member's death and the end of a term not exceeding 10 years.</p>
<p><i>scheme property</i> FCA PRA</p>	<p>(a) (in relation to an <i>ICVC</i>) the property subject to the <i>collective investment scheme</i> constituted by it; (b) (in relation to an <i>AUT</i> or <i>ACS</i>) the <i>capital property</i> and the <i>income property</i>.</p>
<p><i>scheme report</i> FCA PRA</p>	<p>(in ■ SUP 18) the report on the terms of an <i>insurance business transfer scheme</i> required by section 109 of the <i>Act</i> (Scheme reports).</p>
<p><i>scientific research based company</i> FCA PRA</p>	<p>(in <i>LR</i>) a <i>company</i> primarily involved in the laboratory research and development of chemical or biological products or processes or any other similar innovative science based company.</p>
<p>SCLG FCA</p>	<p>the Office of Fair Trading's Second Charge Lending Guidance.</p>
<p><i>scope of advice, scope</i> FCA PRA</p>	<p>the basis on which <i>personal recommendations on packaged products</i> is given by a <i>firm</i>, that is, one of the following:</p> <ol style="list-style-type: none"> (1) the whole market (or the whole of a named sector of the market); or (2) a limited number of <i>product providers</i>; or (3) a single <i>company</i> or single group of <i>companies</i>. <p>References to a <i>firm's</i> scope of <i>personal recommendations of packaged products</i> include, where the context requires, a reference to the scope of <i>personal recommendations</i> of the <i>firm's</i> <i>appointed representatives</i> or, where applicable, <i>tier agent</i>.</p>
<p><i>scope of basic advice</i> FCA PRA</p>	<p>the basis on which a <i>firm</i> gives <i>basic advice on stakeholder products</i>, that is, with reference to the <i>stakeholder products</i> of one, or more than one, <i>stakeholder product</i> provider.</p>
<p>SCV implementation report FCA PRA</p>	<p>(in <i>COMP</i>) a report in accordance with ■ COMP 17.3.6 R explaining how the relevant <i>firm</i> has satisfied the <i>PRA's</i> <i>SCV requirements</i> .</p>
<p>SCV report FCA PRA</p>	<p>(in <i>COMP</i>) a report in accordance with ■ COMP 17.3.9 R from the relevant <i>firm's</i> board of directors confirming that the <i>firm's</i> <i>SCV system</i> satisfies the <i>PRA's</i> <i>SCV requirements</i>.</p>
<p>SCV system FCA PRA</p>	<p>(in <i>COMP</i>) a <i>firm's</i> system for satisfying the <i>PRA's</i> <i>SCV requirements</i> .</p>

SDL

FCA PRA

(in BSOCS) the total of share and deposit liabilities, excluding amounts that qualify as *own funds* but including accrued interest not yet payable.

SDRT
provision

FCA PRA

a *charge* of such amount or at such rate as is determined by the *authorised fund manager* to be made as a provision for stamp duty reserve tax for which the ICVC may become liable under the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies)(Amendment No.2) Regulations 2000 or the *trustee* may become liable under Schedule 19 to the Finance Act 1999 in respect of a surrender of *units* to the *authorised fund manager*.

Second Life
Directive

FCA PRA

the Council Directive of 8 November 1990 on the coordination of laws, etc and laying down provisions relating to facilitate the effective exercise of freedom to provide services and amending Directive 79/267/EEC (No 90/619/EEC).

Second
Non-Life
Directive

FCA PRA

the Council Directive of 22 June 1988 on the coordination of laws, etc and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC (No 88/357/EEC).

secondary
material

FCA PRA

(as more fully described in section 394 of the *Act* (Access to FCA or PRA material)) material, other than that which the *appropriate regulator* relied on in reaching its decision, which:

- (a) the *appropriate regulator* considered in reaching its decision; or
- (b) the *appropriate regulator* obtained in connection with, that is, in the investigation of, the matter in question.

secondary
pooling event

FCA PRA

(A) In the PRA Handbook:

- (1) [deleted]
- (2) (in ■ CASS 5) an event that occurs in the circumstances described in ■ CASS 5.6.14 R (Failure of a bank, other broker or settlement agent: secondary pooling events).
- (3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.3.1R (Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events).

(B) In the FCA Handbook:

- (1) [deleted]
- (2) (in ■ CASS 5) an event that occurs in the circumstances described in ■ CASS 5.6.14 R (Failure of a bank, other broker or settlement agent: secondary pooling events).
- (3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.3.1R (Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events).
- (4) (in ■ CASS 11) an event that occurs in the circumstances described in ■ CASS 11.13.10 R.

section 178
notice

FCA PRA

(in accordance with section 178(3) of the *Act*) a notice given to the *appropriate regulator* under section 178 of the *Act*.

section 43
capital
requirements

FCA PRA

sectoral rules

FCA PRA

the financial supervision requirements of the FSA for the purposes of the listing arrangements made under section 43 of the Financial Services Act 1986.

(A) In the PRA Handbook:

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

(a) (for the purposes of ■ GENPRU 3.1.12 R (Definition of financial conglomerate: Solvency requirement)) *EEA prudential sectoral legislation* for that *financial sector* together with as appropriate the rules and requirements in (c); or

(b) (for the purpose of calculating *solo capital resources* a *solo capital resources requirement* and *regulatory surplus value*):

(i) (to the extent provided for in paragraphs 6.4 to 6.6 of ■ GENPRU 3 Annex 1R) rules and requirements that are referred to in those paragraphs; and

(ii) the rules and requirements in (c); or

(c) (for all other purposes) rules and requirements of the *appropriate regulator*

and so that:

(d) (in relation to prudential rules about consolidated supervision for any *financial sector*) those requirements include ones relating to the form and extent of consolidation;

(e) (in relation to any *financial sector*) those requirements include ones relating to the eligibility of different types of capital;

(f) (in relation to any *financial sector*) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis;

(g) (in relation to the *insurance sector*) references in this definition to consolidated supervision are to supplementary supervision, similar expressions being interpreted accordingly; and

(h) references to the *appropriate regulator's sectoral rules* are to *sectoral rules* in the form of *rules*.

(B) In the FCA Handbook:

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

(a) (for the purposes of ■ GENPRU 3.1.12 R (Definition of financial conglomerate: Solvency requirement)) *EEA prudential sectoral legislation* for that *financial sector* together with as appropriate the rules and requirements in (c); or

(b) (for the purpose of calculating *solo capital resources* a *solo capital resources requirement* and *regulatory surplus value*):

(i) (to the extent provided for in paragraphs 6.4 to 6.6 of ■ GENPRU 3 Annex 1R) rules and requirements that are referred to in those paragraphs; and

(ii) the rules and requirements in (c); or

(c) (for all other purposes) rules and requirements of the *appropriate regulator*

and so that:

(d) (in relation to consolidated supervision for any *financial sector*) those requirements include ones relating to the form and extent of consolidation;

(e) (in relation to any *financial sector*) those requirements include ones relating to the eligibility of different types of capital;

(f) (in relation to any *financial sector*) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis;

(g) (in relation to the *insurance sector*) references in this definition to consolidated supervision are to supplementary supervision, similar expressions being interpreted accordingly; and

(h) references to the *appropriate regulator's sectoral rules* are to *sectoral rules* in the form of *rules* and, as applicable, the *EU CRR*.

secured debt

FCA PRA

a debt fully secured on:

(a) assets whose value at least equals the amount of debt; or

(b) a letter of credit or guarantee from an *approved counterparty*.

secured lending

FCA PRA

lending where the *mortgage lender* takes security on land for the loan provided to the *customer*.

secured lending transaction

FCA

(in accordance with point 2 of Part 1 of Annex VIII of the *Banking Consolidation Directive* (Eligibility of credit risk mitigation) and for the purposes of *BIPRU*) any transaction giving rise to an *exposure* secured by collateral which does not include a provision conferring upon the *person* with the *exposure* the right to receive margin frequently.

securities and futures firm

FCA PRA

(A) In the PRA Handbook:

a *firm* whose *permitted activities* include *designated investment business* or *bidding in emissions auctions*, which is not an *authorised professional firm*, *bank*, *BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU investment firm*), *building society*, *collective portfolio management firm*, *credit union*, *friendly society*, *ICVC*, *insurer*, *media firm*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose permission does not include a *requirement* that it comply

with ■ IPRU(INV) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g), (ga) or (h):

(a) a *firm* (other than one falling within (d)):

(i) which was a member of *SFA* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *IMRO* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU(INV) 3 (Securities and futures firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and not a member of *IMRO*, *PIA* or *SFA*; and

(ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* *financial year* preceding its *authorisation* under the *Act*):

(A) an activity carried on as a member of an exchange;

(B) making a market in *securities* or *derivatives*;

(C) *corporate finance business*;

(D) *dealing* (excluding, in the case of a *home finance provider*, *dealing as principal* in *contractually based investments* where this *activity* is carried out for risk management purposes and would have been excluded under article 16 of the *Regulated Activities Order* if the *firm* were an *unauthorised person* or under article 19 of the *Regulated Activities Order*), *arranging (bringing about) deals in investments* or *making arrangements with a view to transactions in investments*, in *securities* or *derivatives*;

(E) the provision of clearing services as a *clearing firm*;

(F) *managing investments*, where those *investments* are primarily *derivatives*;

(G) activities relating to *spread bets*;

(d) a *firm* that is:

(i) an *ex-section 43 firm* which was not authorised under the Financial Services Act 1986 immediately before *commencement*; or

(ii) an *ex-section 43 lead regulated firm*;

(e) an *energy market participant*;

(f) an *oil market participant*;

(g) an *exempt BIPRU commodities firm*;

(ga) an *exempt IFPRU commodities firm*;

(h) a *firm* that is exempt from *MiFID* under article 2(1)(i) whose *permitted activities* include *bidding in emissions auctions*.

(B) In the FCA Handbook:

a *firm* whose *permitted activities* include *designated investment business* or *bidding in emissions auctions*, which is not an *authorised professional firm*, *bank*, *BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU investment firm*), *building society*, *collective portfolio management firm*, *credit union*, *friendly society*, *ICVC*, *insurer*, *media firm*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose permission does not include a *requirement* that it comply with ■ *IPRU(INV) 5* (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g), (ga) or (h):

(a) a *firm* (other than one falling within (d)):

(i) which was a member of *SFA* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *IMRO* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ *IPRU(INV) 3* (Securities and futures firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and not a member of *IMRO*, *PIA* or *SFA*; and

(ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* *financial year* preceding its *authorisation* under the *Act*):

(A) an activity carried on as a member of an exchange;

(B) making a market in *securities* or *derivatives*;

(C) *corporate finance business*;

(D) *dealing* (excluding, in the case of a *home finance provider*, *dealing as principal* in *contractually based investments* where this *activity* is carried out for risk management purposes and would have been excluded under article 16 of the *Regulated Activities Order* if the *firm* were an *unauthorised person* or under article 19 of the *Regulated Activities Order*), *arranging (bringing about) deals in investments* or *making arrangements with a view to transactions in investments*, in *securities* or *derivatives*;

(E) the provision of clearing services as a *clearing firm*;

(F) *managing investments*, where those *investments* are primarily *derivatives*;

(G) activities relating to *spread bets*;

(d) a *firm* that is:

(i) an *ex-section 43 firm* which was not authorised under the Financial Services Act 1986 immediately before *commencement*; or

(ii) an *ex-section 43 lead regulated firm*;

(e) an *energy market participant*;

(f) an *oil market participant*;

(g) an *exempt BIPRU commodities firm*;

(ga) an *exempt IFPRU commodities firm*;

(h) a *firm* that is exempt from *MiFID* under article 2(1)(i) whose *permitted activities* include *bidding in emissions auctions*.

a *derivative* instrument admitted to trading on a *regulated market* or *prescribed market*, the value of which is dependent on an underlying equity or debt instrument or index/basket of equity or debt instruments.

securities financing transaction

FCA **PRA**

(1) (in COBS, in CASS) an instance of stock lending or stock borrowing or the lending or borrowing of other *financial instruments*, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

[Note: article 2(10) of the *MiFID Regulation*]

(2) (in any other case) any of the following:

- (a) a *repurchase transaction*; or
- (b) a *securities or commodities lending or borrowing transaction*; or
- (c) a *margin lending transaction*.

securities issued in a continuous and repeated manner

FCA **PRA**

(in PR) (as defined in Article 2.1(l) of the *prospectus directive*) issues on tap or at least two separate issues of securities of a similar type and/or class over a period of 12 months.

securities note

FCA **PRA**

(in *Part 6 rules*) a securities note referred to in ■ PR 2.2.2 R.

securities or commodities borrowing

FCA **PRA**

see *securities or commodities lending or borrowing transaction*.

securities or commodities lending

FCA **PRA**

see *securities or commodities lending or borrowing transaction*.

securities or commodities lending or borrowing transaction

FCA **PRA**

(A) In the PRA Handbook:

(in accordance with Article 4(34) of the *Banking Consolidation Directive* and Article 3(1)(n) of the *Capital Adequacy Directive* (Definitions) and for the purposes of *BIPRU*) any transaction in which an *undertaking* or its counterparty transfers securities or *commodities* against appropriate collateral subject to a commitment that the borrower will return equivalent securities or *commodities* at some future date or when requested to do so by the transferor, that transaction being *securities or commodities lending* for the *undertaking* transferring the securities or *commodities* and being *securities or commodities borrowing* for the *undertaking* to which they are transferred.

(B) In the FCA Handbook:

(in accordance with Article 4(34) of the *Banking Consolidation Directive* and Article 3(1)(n) of the *Capital Adequacy Directive* (Definitions) and for the purposes of *BIPRU*) any transaction in which an *undertaking* or its counterparty transfers securities or *commodities* against appropriate collateral subject to a commitment that the borrower will return equivalent securities or *commodities* at some future date or when requested to do so by the transferor, that transaction being *securities or commodities lending* for the *undertaking* transferring the securities or

securities PRR

FCA PRA

commodities and being *securities or commodities borrowing* for the *undertaking* to which they are transferred.

the *interest rate PRR*, the *equity PRR*, the *option PRR* (but only in relation to *positions* which under ■ BIPRU 7.6.5 R (Table: Appropriate calculation for an option or warrant) may be subject to one of the other *PRR* charges listed in this definition or which would be subject to such a *PRR* charge if ■ BIPRU 7.6.5 R did not require an *option PRR* to be calculated), the *CIU PRR* and the *PRR* calculated under ■ BIPRU 7.11 (Credit derivatives in the trading book) and so that:

- (a) the *securities PRR* includes any *PRR charge* calculated under a *CAD 1 permission*; and
- (b) the *securities PRR* does not include any *PRR charge* calculated under a *VaR model permission* unless the provision in question provides otherwise.

securitisation

FCA PRA

(1) (subject to (2)) a process by which assets are sold to a bankruptcy-remote *special purpose vehicle* in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions) and in *BIPRU*) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is *tranching* having the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and
- (b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(A) In the PRA Handbook:

(1) (subject to (2)) a process by which assets are sold to a bankruptcy-remote special purpose vehicle in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions) and in *BIPRU*) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is *tranching* having the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and
- (b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(B) In the FCA Handbook:

(1) (subject to (2) and (3)) a process by which assets are sold to a bankruptcy-remote special purpose vehicle in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions) and in *BIPRU*) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is *tranching* having the following characteristics:

securitisation position

FCA PRA

(a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and

(b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(3) (in *IFPRU*) has the meaning in article 4(1)(61) of the *EU CRR*.

(A) In the PRA Handbook:

(in accordance with Article 4(40) (Definitions) and Article 96 (Securitisation) of the *Banking Consolidation Directive* and for the purposes of *BIPRU*) an *exposure* to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation; and so that:

(a) where there is an *exposure* to different *tranches* in a *securitisation*, the *exposure* to each *tranche* must be considered as a separate *securitisation position*;

(b) the providers of credit protection to *securitisation positions* must be considered to hold positions in the *securitisation*; and

(c) *securitisation positions* include *exposures* to a *securitisation* arising from interest rate or currency derivative contracts.

(B) In the FCA Handbook:

(1) (in *GENPRU* and *BIPRU*) (in accordance with Article 4(40) (Definitions) and Article 96 (Securitisation) of the *Banking Consolidation Directive*) an *exposure* to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation; and so that:

(a) where there is an *exposure* to different *tranches* in a *securitisation*, the *exposure* to each *tranche* must be considered as a separate *securitisation position*;

(b) the providers of credit protection to *securitisation positions* must be considered to hold positions in the *securitisation*; and

(c) *securitisation positions* include *exposures* to a *securitisation* arising from interest rate or currency derivative contracts.

(2) (in *IFPRU*) has the meaning in article 4(1)(62) of the *EU CRR*.

(A) In the PRA Handbook:

(in accordance with Article 4(44) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of securitisation), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

(B) In the FCA Handbook:

securitisation special purpose entity

FCA PRA

securitised derivative

FCA **PRA**

(in accordance with Article 4(44) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of *securitisation*), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

an *option* or *contract for differences* which, in either case, is listed under ■ LR 19 of the listing rules (including such an *option* or *contract for differences* which is also a *debenture*).

securitised exposure

FCA **PRA**

(A) In the PRA Handbook:

(for the purposes of *BIPRU*) an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.

(B) In the FCA Handbook:

(for the purposes of *BIPRU*) an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.

security

FCA **PRA**

(A) In the PRA Handbook:

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any of the following *investments* specified in that Order:

- (a) *share* (article 76);
- (b) *debenture* (article 77);
- (ba) *alternative debenture* (article 77A);
- (c) *government and public security* (article 78);
- (d) *warrant* (article 79);
- (e) *certificate representing certain securities* (article 80);
- (f) *unit* (article 81);
- (g) *stakeholder pension scheme* (article 82(1));
- (ga) *personal pension scheme* (article 82(2));
- (h) *rights to or interests in investments* in (a) to (g) (article 89).

(B) In the FCA Handbook

(1) (except in *LR* and *CONC*) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any of the following *investments* specified in that Order:

- (a) *share* (article 76);
- (b) *debenture* (article 77);
- (ba) *alternative debenture* (article 77A);
- (c) *government and public security* (article 78);

	<p>(d) <i>warrant</i> (article 79);</p> <p>(e) <i>certificate representing certain securities</i> (article 80);</p> <p>(f) <i>unit</i> (article 81);</p> <p>(g) <i>stakeholder pension scheme</i> (article 82(1));</p> <p>(ga) <i>personal pension scheme</i> (article 82(2));</p> <p>(h) <i>rights to or interests in investments</i> in (a) to (g) (article 89).</p> <p>(2) (in <i>LR</i>) (in accordance with section 102A of the <i>Act</i>) anything which has been, or may be admitted to the <i>official list</i>.</p> <p>(3) (in <i>CONC</i>) in accordance with article 60L of the <i>Regulated Activities Order</i>, in relation to a <i>credit agreement</i> or a <i>consumer hire agreement</i>, a mortgage, charge, pledge, bond, debenture, indemnity, guarantee, bill, note or other right provided by the <i>borrower</i> or <i>hirer</i> or at the implied or express request of the <i>borrower</i> or <i>hirer</i> to secure the carrying out of the obligations of the <i>borrower</i> or <i>hirer</i> under the agreement.</p>
<p><i>security-based CTF</i></p> <p>FCA PRA</p>	<p>a <i>CTF</i>, other than a <i>stakeholder CTF</i>, which is not limited to <i>deposit</i> based investment.</p>
<p><i>segregated client</i></p> <p>FCA PRA</p>	<p>a <i>client</i> whose <i>money</i> must be segregated by the <i>firm</i> under ■ CASS 4.3.3 R (Segregation).</p>
<p><i>self-certified sophisticated investor</i></p> <p>FCA</p>	<p>a <i>person</i> who meets the requirements set out in article 23A of the <i>Promotion of Collective Investment Schemes Order</i>, in article 50A of the <i>Financial Promotions Order</i> or in ■ COBS 4.12.8 R.</p>
<p><i>self-invested personal pension scheme</i></p> <p>FCA PRA</p>	<p>an arrangement which forms all or part of a <i>personal pension scheme</i>, which gives the member the power to direct how some or all of the member's contributions are invested.</p>
<p><i>sell</i></p> <p>FCA PRA</p>	<p>(in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) (in relation to any <i>investment</i>) sell in any way, including disposing of the <i>investment</i> for valuable consideration; in this definition, "disposing" includes:</p> <p>(a) (in relation to an <i>investment</i> consisting of rights under a contract):</p> <p>(i) surrendering, assigning or converting those rights; or</p> <p>(ii) assuming the corresponding liabilities under the contract;</p> <p>(b) (in relation to an <i>investment</i> consisting of rights under other arrangements) assuming the corresponding liabilities under the arrangements; and</p> <p>(c) (except in <i>COLL</i>) (in relation to any other <i>investment</i>) issuing or creating the <i>investment</i> or granting the rights or interests of which it consists.</p>

sending dematerialised instructions

FCA **PRA**

the *regulated activity*, specified in article 45(1) of the *Regulated Activities Order*, of sending, on behalf of another *person*, dematerialised instructions relating to a *security*, where those instructions are sent by means of a relevant system in respect of which an operator is approved under the 2001 Regulations; in this definition:

- (a) "the 2001 Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001/3755);
- (b) "dematerialised instruction" and "operator" have the meaning given by regulation 3 of the 2001 Regulations.

senior management

FCA **PRA**

(A) In the PRA Handbook:

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *firm*) the *firm's governing body* and those of the *firm's senior managers* and other senior management who have responsibilities relating to the measurement and control of the risks which the *firm's VaR model* is designed to measure or whose responsibilities require them to take into account those risks.

(B) In the FCA Handbook:

(1) (in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *firm*) the *firm's governing body* and those of the *firm's senior managers* and other senior management who have responsibilities relating to the measurement and control of the risks which the *firm's VaR model* is designed to measure or whose responsibilities require them to take into account those risks.

(2) (in SYSC and IFPRU and in accordance with article 3(9) of CRD) those *persons* who are a natural person and who exercise executive functions in an *institution* and who are responsible and accountable to the *management body* for the day-to-day management of the *institution*.

senior manager

FCA **PRA**

an individual other than a *director*:

- (a) who is employed by:
 - (i) a *firm*; or
 - (ii) a *body corporate* within a *group* of which the *firm* is a member;
- (b) to whom the *governing body* of the *firm*, or a member of the *governing body* of the *firm*, has given responsibility, either alone or jointly with others, for management and supervision;
- (c) who, if the individual is employed by the *firm*, reports directly to:
 - (i) the *governing body*; or
 - (ii) a member of the *governing body*; or
 - (iii) the *chief executive*; or
 - (iv) the head of a significant business unit; and
- (d) who, if the individual is employed by a *body corporate* within the *group*, reports directly to a *person* who is the equivalent of a *body* or *person* referred to in (c).

(1) those *persons* who effectively direct the business of the *firm*, which could include a *firm's governing body* and other *persons* who effectively direct the business of the *firm*.

(2) (in relation to a *management company* and in accordance with article 3(4) of the *UCITS implementing Directive*) the *person* or *persons* who effectively conduct the business of the *management company*.

senior personnel

FCA **PRA**

senior staff committee

FCA PRA

(in DEPP and EG) a committee consisting of senior FCA staff members that is empowered to make *statutory notice decisions* and *statutory notice associated decisions* by executive procedures.

series of transactions

FCA PRA

a series of transactions *executed* with a view to achieving one investment decision or objective.

SERV

FCA PRA

the Handbook Guide for service companies.

service company

FCA PRA

a firm whose only *permitted activities* are *making arrangements with a view to transactions in investments*, and *agreeing to carry on that regulated activity*, and whose *Part 4A permission* :

(a) incorporates a *limitation* substantially to the effect that the firm carry on *regulated activities* only with *market counterparties* or *intermediate customers*; and

(b) includes *requirements* substantially to the effect that the firm must not:

(i) guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the firm in carrying on *regulated activities*, of obligations undertaken by that participant in connection with those arrangements; or

(ii) *approve* any *financial promotion* on behalf of any other person or any specified class of persons; or

(iii) in carrying on its *regulated activities*, provide services otherwise than in accordance with *documents* (of a kind specified in the *requirement*) provided by the firm to the FCA.

service conditions

FCA PRA

(in accordance with paragraph 14 of Schedule 3 to the Act (EEA Passport Rights)) the conditions that:

(a) the firm has given its *Home State regulator* notice of its intent to provide services in the *United Kingdom*;

(b) if the firm falls within paragraph (a), (d), (e) or (f) in the definition of "*EEA firm*", the FCA or the PRA (as the case may be) has received notice from the firm's *Home State regulator* containing such information as may be prescribed;

(c) if the firm falls within paragraph (d) of that definition, its *Home State regulator* has informed it that the regulator's notice has been sent to the FCA or the PRA (as the case may be) ; and

(d) if the firm falls within paragraph (e) of that definition, one *month* has elapsed beginning with the date on which the firm's *Home State regulator* informed the firm that it had sent the regulator's notice to the FCA or the PRA (as the case may be).

services and costs disclosure document

FCA PRA

information about the breadth of advice or *scope of basic advice* and the nature and costs of the services offered by a firm as described in ■ COBS 6.3.7 G, which contains the keyfacts logo, headings and text described in ■ COBS 6 Annex 1 G.

SETS

the Stock Exchange Electronic Trading Service.

FCA PRA

settlement agent

a *person* with or through whom the *firm* effects settlement of UK -settled or foreign-settled transactions.

FCA PRA

settlement decision makers

(in *DEPP* and *EG*) two members of the *FCA*'s senior management, one of whom will be of at least director of division level (which may include an acting director) and the other of whom will be of at least head of department level, with responsibility for deciding whether to give *statutory notices* in the circumstances described in ■ *DEPP* 5. At least one of the decision makers will not be from the Enforcement and Financial Crime Division.

FCA PRA

settlement decision procedure

(in *DEPP*) the procedure for the making of *statutory notice decisions* in the circumstances described in ■ *DEPP* 5 .

FCA PRA

settlement discount scheme

(in *DEPP* and *EG*) the scheme described in ■ *DEPP* 6.7 by which the financial penalty that might otherwise be payable, or the length of the period of suspension or restriction that might otherwise be imposed, in respect of a *person*'s misconduct or contravention may be reduced to reflect the timing of any settlement agreement.

FCA PRA

Settlement Finality Directive

Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

FCA

settlement price

(in *LR*) (in relation to *securitised derivatives*), the reference price or prices of the *underlying instrument* or instruments stipulated by the *issuer* for the purposes of calculating its obligations to the holder.

FCA PRA

Seventh Company Law Directive

the Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC).

FCA PRA

SFA

the Securities and Futures Authority Limited.

FCA PRA

SFA Complaints Bureau

the first stage of the *SFA scheme*, which aimed to resolve complaints by conciliation.

FCA PRA

SFA Consumer Arbitration Scheme

the second stage of the *SFA scheme*, which determined complaints by means of arbitration.

FCA PRA

SFA scheme

FCA PRA

the *former scheme* (including the *SFA Complaints Bureau* and the *SFA Consumer Arbitration Scheme*) set up by the *SFA* to handle complaints against members of the *SFA* under the *Financial Services Act 1986*.

SFT

FCA PRA

securities financing transaction.

shadow director

FCA PRA

(in *LR*) as in sub-paragraph (b) of the definition of director in section 417(1) of the *Act*.

share

FCA PRA

(1) (except in *COLL*, *LR*, *DTR*, *REC*, *SUP 11* (Controllers and close links) and *SUP 16* (Reporting requirements)) the *investment*, specified in article 76 of the *Regulated Activities Order* (Shares etc), which is in summary: a share or stock in the share capital of:

- (a) any *body corporate* (wherever incorporated);
- (b) any unincorporated body constituted under the law of a country or territory outside the *United Kingdom*.

(2) (in *COLL*):

- (a) (in relation to an *ICVC*) a *share* in the *ICVC* (including both *smaller denomination shares* and *larger denomination shares*);
- (b) (otherwise) an *investment* within (1).

(3) (in *DTR* and *LR*, and in *FEES* where relevant to *DTR* or *LR*) (in accordance with section 540(1) of the *Companies Act 2006*) a share in the share capital of a *company*, and includes:

- (a) stock (except where a distinction between shares and stock is express or implied);
- (b) *preference shares*; and
- (c) in chapters 4, 5, 6 and 7 of *DTR* a convertible share.

(4) (in *REC*) shares admitted to trading on a *regulated market*.

(5) (in *SUP 11* (Controllers and close links) and *SUP 16* (Reporting requirements)) (in accordance with section 422 of the *Act*):

- (a) in relation to an *undertaking* with share capital, allotted shares;
- (b) in relation to an *undertaking* with capital but no share capital, rights to share in the capital of the *undertaking*;
- (c) in relation to an *undertaking* without capital, interests:
 - (i) conferring any right to share in the profits, or liability to contribute to the losses, of the *undertaking*; or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the *undertaking* in the event of a winding up.

shared appreciation mortgage

FCA PRA

a *regulated mortgage contract*, a condition of which is that the *mortgage lender* will receive a share in any increase in value in the mortgaged property when the *customer* either sells the property or terminates the contract including a contract where, if there is a reduction in value, the *customer* is required to pay the *mortgage lender* all or part of the shortfall.

shareholder

FCA PRA

- (1) (in relation to an *ICVC*):
- (a) (in relation to a *share* that is represented by a *bearer certificate*) the *person* who holds the certificate;
- (b) (in relation to a *share* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *share*.
- (2) (in relation to chapters 5 [] of *DTR*) any natural person or legal entity governed by private or public law, who holds directly or indirectly:
- (a) *shares* of the *issuer* in its own name and on its own account;
- (b) *shares* of the *issuer* in its own name, but on behalf of another natural person or legal entity;
- (c) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying *shares* represented by the depository receipts.

ships

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 6 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), upon vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels.

short selling regulation

regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps.

shortfall

FCA PRA

- (1) (in relation to cancellation of an *investment agreement*) the amount a *firm* is entitled to charge a *customer* for the market loss in accordance with ■ COBS 15.4.3 R.
- (2) (in relation to *client money*) the amount by which the *client money* in a *client bank account* is insufficient to satisfy the claims of *clients* in respect of that *money*, or not immediately available to satisfy such claims.

short-term annuity

FCA PRA

- (as defined in paragraph 6 of Schedule 28 to the Finance Act 2004) in relation to a member of a pension scheme, an annuity payable to the member if:
- (a) it is purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement;
- (b) it is payable by an insurance company;
- (c) the member had an opportunity to select an insurance company;
- (d) it is payable for a term which does not exceed five years; and
- (e) it is either a level annuity, an increasing annuity or a relevant linked annuity.

short-term money market fund

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in ■ COLL 5.9.3 R (Investment conditions: short-term money market funds) and is not a *qualifying money market fund*.

sickness

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 2 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of loss to the *persons* insured attributable to sickness or infirmity, but excluding contracts within paragraph IV of Part II of Schedule 1 to the *Regulated Activities Order* (Permanent health).

sickness or distressed circumstances contract

FCA **PRA**

any contract in accordance with which benefits are provided for the relief or maintenance of any *person* during sickness or when in distressed circumstances.

SIFA

[deleted]

significant distribution

FCA **PRA**

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) an initial or secondary *offer* of *relevant securities*, publicly announced and distinct from ordinary trading both in terms of the amount in value of the *securities* offered and the selling methods employed.

significant IFPRU firm

FCA

has the meaning in **■ IFPRU 1.2** (Significant IFPRU firm).

significant management function

FCA **PRA**

(in the *FCA Handbook*) *FCA controlled functions* CF29 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in **■ SUP 10A.9.9 R**.

significant-influence function

FCA **PRA**

(in accordance with section 59(7B) of the *Act* and in relation to the carrying on of a *regulated activity* by an *authorised person*) a function that is likely to enable the *person* responsible for its performance to exercise a significant influence on the conduct of the *authorised person's* affairs, so far as relating to the activity.

simple capital issuer

FCA

a *BIPRU firm* that meets the following conditions:

- (a) it does not raise capital through a special purpose vehicle;
- (b) it only includes non-convertible and non-exchangeable *capital instruments* in its *capital resources*;
- (c) (if it includes *capital instruments* in its *capital resources* on which *coupons* are payable) such *coupons* are not subject to a *step-up*;
- (d) it only includes *capital instruments* in its *tier one capital resources* consisting of ordinary *shares*, perpetual non-cumulative preference *shares* or partnership or *limited liability partnership* capital accounts;
- (e) it only includes non-redeemable *capital instruments* in its *tier one capital resources*; and
- (f) (if it includes *capital instruments* in its *tier one capital resources* on which *coupons* are payable) such *coupons* are non-cumulative, non-mandatory and in cash.

simplified buffer requirement

FCA **PRA**

BIPRU 12.6.9R.

simplified equity method

FCA **PRA**

the method of calculating the *equity PRR* set out in **■ BIPRU 7.3.29 R** (Simplified equity method).

simplified ILAS

FCA **PRA**

the approach to the calculation of the liquid assets buffer of a *simplified ILAS BIPRU firm* described in BIPRU 12.6.

simplified ILAS BIPRU firm

FCA **PRA**

an *ILAS BIPRU firm* that, in accordance with the procedures in ■ BIPRU 12 (Liquidity), is using the *simplified ILAS*.

simplified ILAS waiver

FCA **PRA**

a waiver permitting an *ILAS BIPRU firm* to operate *simplified ILAS*.

simplified prospectus

FCA **PRA**

a marketing *document* containing information about a *simplified prospectus scheme*, which complies with COLL 4.6.2R (Production and publication of simplified prospectus) and COLL 4.6.8R (Table: Contents of the simplified prospectus).

simplified prospectus scheme

FCA **PRA**

a *key features scheme* in respect of which a *simplified prospectus* has been, or will be, produced instead of a *key features document* (see ■ COBS 13.1.3 R (2)).

single customer view

FCA **PRA**

(in *COMP*) a single, consistent view of an *eligible claimant's* aggregate *protected deposits* with the relevant *firm* which contains the information required by ■ COMP 17.2.4 R, but excluding from that view those accounts where the *eligible claimant* is a beneficiary rather than the account holder or if the account is not active as defined in ■ COMP 17.2.3 R (2).

Single Market Directives

FCA **PRA**

(A) In the PRA Handbook:

(a) the *Banking Consolidation Directive* (to the extent it applies to *CAD investment firms*);

(aa) the *CRD*;

(b) the Insurance Directives (within the meaning of paragraph 1 of Schedule 3 to the *Act*);

(ba) the *Reinsurance Directive*;

(c) *MiFID*;

(d) the *Insurance Mediation Directive*;

(e) the *UCITS Directive*; and

(f) *AIFMD*.

(B) In the FCA Handbook:

(a) the *Banking Consolidation Directive* (to the extent it applies to *CAD investment firms*);

(aa) the *CRD*;

(b) the Insurance Directives (within the meaning of paragraph 1 of Schedule 3 to the *Act*);

(ba) the *Reinsurance Directive*;

	(c) <i>MiFID</i> ;
	(d) the <i>Insurance Mediation Directive</i> ;
	(e) the <i>UCITS Directive</i> ; and
	(f) <i>AIFMD</i> .
<i>single-priced AUT</i>	
FCA PRA	
<i>single-priced authorised fund</i>	an <i>authorised fund</i> or, in the case of an <i>umbrella</i> , a <i>sub-fund</i> (if it were a separate <i>fund</i>), for the <i>units</i> of which there is only one <i>price</i> applicable by reference to a <i>valuation point</i> .
FCA PRA	
<i>SIPP</i>	a <i>self-invested personal pension scheme</i> .
FCA PRA	
<i>skilled person</i>	a <i>person</i> appointed to make a report required by section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the Act for provision to the <i>appropriate regulator</i> and who must be a person:
FCA PRA	
	(a) nominated, approved or appointed by the <i>appropriate regulator</i> ; and
	(b) appearing to the <i>appropriate regulator</i> to have the skills necessary to make a report on the matter concerned.
<i>SLRP</i>	the <i>Supervisory Liquidity Review Process</i> .
FCA PRA	
<i>small AIFM</i>	an <i>AIFM</i> which meets the conditions in regulation 9 (meaning of "small AIFM") of the <i>AIFMD UK regulation</i> .
FCA PRA	
<i>small and medium-sized enterprise</i>	(in <i>PR</i>) (as defined in Article 2.1(f) of the <i>prospectus directive</i>) companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: an average number of employees during the financial year of less than 250, a total balance sheet not exceeding €43,000,000 and an annual net turnover not exceeding €50,000,000.
FCA PRA	
<i>small authorised UK AIFM</i>	a <i>UK AIFM</i> which:
FCA PRA	
	(a) is a <i>small AIFM</i> ; and
	(b) has not opted in to <i>AIFMD</i> in accordance with article 3(4) of <i>AIFMD</i> to become a <i>full-scope UK AIFM</i> .
<i>small borrower-lender-supplier agreement</i>	a <i>borrower-lender-supplier agreement</i> which is a small agreement within the meaning of section 17 of the <i>CCA</i> .
FCA	

<p><i>small business</i></p> <p>FCA PRA</p>	<p>(in <i>COMP</i>) a <i>partnership, body corporate</i>, unincorporated association or mutual association with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).</p>
<p><i>small electronic money institution</i></p> <p>FCA PRA</p>	<p>(in accordance with regulation 2(1) of the <i>Electronic Money Regulations</i>) a person included by the <i>FCA</i> in the <i>Financial Services Register</i> pursuant to regulation 4(1)(b) of the <i>Electronic Money Regulations</i>.</p>
<p><i>small friendly society function</i></p> <p>FCA PRA</p>	<p>(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF6 in Part 1 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.6.31 R to ■ SUP 10A.6.32 R.</p> <p>(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF6 in the <i>table of PRA controlled functions</i>, described more fully in ■ SUP 10B.6.16 R to ■ SUP 10B.6.17 R.</p>
<p><i>small non-EEA AIFM</i></p> <p>FCA</p>	<p>a <i>non-EEA AIFM</i> that is a <i>small AIFM</i>.</p>
<p><i>small payment institution</i></p> <p>FCA PRA</p>	<p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a <i>person</i> included by the <i>FCA</i> in the <i>Financial Services Register</i> pursuant to regulation 4(1)(b) of the <i>Payment Services Regulations</i>.</p>
<p><i>small personal investment firm</i></p> <p>FCA PRA</p>	<p>a <i>personal investment firm</i>:</p> <ul style="list-style-type: none"> (a) which is not a <i>MiFID investment firm</i> ; (b) whose <i>permission</i> does not include <i>establishing, operating or winding up a personal pension scheme</i>; (c) which is not a <i>network</i>; and (d) which has fewer than 26 <i>representatives</i>.
<p><i>small registered UK AIFM</i></p> <p>FCA</p>	<p>a <i>small AIFM</i> that is registered by the <i>FCA</i> in accordance with regulation 10 of the <i>AIFMD UK regulation</i>.</p>
<p><i>small self-administered scheme</i></p> <p>FCA PRA</p>	<p>an <i>occupational pension scheme</i> of a kind described in article 4(4) and 4(5) of the <i>Financial Services and Markets Act 2000</i> (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177).</p>
<p><i>smaller denomination share</i></p> <p>FCA PRA</p>	<p>a <i>share</i> to which are attached rights in a smaller denomination as provided by regulation 45 of the <i>OEIC regulations</i>.</p>
<p><i>smallest financial sector</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>financial sector</i> in a <i>consolidation group</i> or a <i>financial conglomerate</i> and in accordance with ■ GENPRU 3.1 (Cross sector groups)) the <i>financial sector</i> with the smallest average referred to in the box titled Threshold Test 2 in the <i>financial conglomerate definition decision tree</i> (10% ratio of balance</p>

<p><i>smoothed linked long term stakeholder product</i></p> <p>FCA PRA</p>	<p>sheet size and solvency requirements), the <i>banking sector</i> and <i>investment services sector</i> being treated as one <i>financial sector</i> in the circumstances set out in ■ GENPRU 3.1 .</p> <p>the <i>stakeholder product</i> specified by regulations 6, 7 and 8 (smoothed linked long term contracts) of the <i>Stakeholder Regulations</i>;</p>
<p><i>social housing firm</i></p> <p>FCA PRA</p>	<p>(in ■ MIPRU 4 (Capital resources)) a wholly-owned <i>subsidiary</i> of:</p> <p>(a) a local authority; or</p> <p>(b) a registered social landlord;</p> <p>which carries on non-profit <i>regulated activities</i> in connection with housing.</p>
<p><i>social insurance</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph IX of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance), of a kind referred to in article 2(3) of the <i>Consolidated Life Directive</i> ("operations relating to the length of human life which are prescribed by or provided for in <i>social insurance</i> legislation, when they are effected or managed at their own risk by assurance undertakings in accordance with the laws of an <i>EEA State</i>").</p>
<p><i>Society</i></p> <p>FCA PRA</p>	<p>(1) (except in <i>BSOCS</i>) the society incorporated by Lloyd's Act 1871 by the name of Lloyd's.</p> <p>(2) (in <i>BSOCS</i>) a <i>building society</i>.</p>
<p><i>society</i></p> <p>FCA PRA</p>	<p>(in <i>BSOCS</i>) a <i>building society</i>.</p>
<p><i>Society GICR</i></p> <p>FCA PRA</p>	<p>the <i>general insurance capital requirement</i> calculated by the <i>Society</i> as if it were an <i>insurer</i> under GENPRU 2.3.13R .</p>
<p><i>Society's regulatory functions</i></p> <p>FCA PRA</p>	<p>the <i>Society's</i> powers, duties or functions in relation to <i>members</i> or <i>underwriting agents</i> which are or may be exercised for the purposes of supervising or regulating the market at Lloyd's.</p>
<p><i>sole trader</i></p> <p>FCA PRA</p>	<p>an individual who is a <i>firm</i>.</p>
<p><i>solicited real time financial promotion</i></p> <p>FCA PRA</p>	<p>(in accordance with article 8 of the <i>Financial Promotion Order</i>) a <i>real time financial promotion</i> which is solicited, that is, it is made in the course of a personal visit, telephone call or other interactive dialogue if that call, visit or dialogue:</p> <p>(a) was initiated by the recipient of the <i>financial promotion</i>; or</p> <p>(b) takes place in response to an express request from the recipient of the <i>financial promotion</i>.</p>

solo capital resources

FCA **PRA**

(A) In the PRA Handbook:

(1) (for the purposes of GENPRU 3 and INSPRU 6) capital resources that are or would be eligible as capital under the *sectoral rules* that apply for the purpose of calculating its *solo capital resources requirement*. Paragraph 6.8 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) applies for the purpose of this definition in the same way as it does for the definition of *solo capital resources requirement*.

(2) for the purpose of **■ BIPRU 10** (Large exposures requirements) the definition in (1) is adjusted in accordance with **■ BIPRU 10.8A.10 R** (Calculation of capital resources for a core UK group) so that it means *capital resources* calculated in accordance with the *rules* applicable to the category of *BIPRU firm* identified by applying the procedure in **■ BIPRU 8.6.6 R** to **■ BIPRU 8.6.9 R** (Consolidated capital resources).

(B) In the FCA Handbook:

(1) (for the purposes of GENPRU 3 and INSPRU 6) capital resources that are or would be eligible as capital under the *sectoral rules* that apply for the purpose of calculating its *solo capital resources requirement*. Paragraph 6.8 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) applies for the purpose of this definition in the same way as it does for the definition of *solo capital resources requirement*.

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solo capital resources requirement

FCA **PRA**

(1) (for the purpose of GENPRU 3) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R.

(2) (for the purposes of INSPRU 6) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as it would apply if references to *financial conglomerate* in those paragraphs were replaced with references to *insurance group*.

(3) (for the purposes of GENPRU 2.2.214R (Deductions from tiers one and two: Material holdings)) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as those paragraphs apply to the *insurance sector*.

a waiver of the type described in **■ BIPRU 2.1** (Solo consolidation).

solo consolidation waiver

FCA **PRA**

Solvency 1 Directive

FCA **PRA**

the Directive of the European Parliament and of the Council of 5 March 2002 amending Council Directive 79/267/EEC as regards the solvency margin requirements for life assurance undertakings (No. 2002/12/EC).

Solvency 2 Directive

FCA **PRA**

the Directive of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (No. 2009/138/EC).

solvency deficit

FCA **PRA**

(in GENPRU 3 Ann 1R (Capital adequacy calculations with respect to financial conglomerates) and in respect of a member of the *overall financial sector*) the amount (if any) by which its *solo capital resources* fall short of its *solo capital resources requirement*.

<p><i>sovereign issuer</i></p>	<p>(as defined in article 2(1)(d) of the <i>short selling regulation</i>) any of the following that issues debt instruments:</p> <ul style="list-style-type: none"> (a) the <i>EU</i>; or (b) a Member State including a government department, an agency, or a special purpose vehicle of the Member State; or (c) in the case of a federal Member State, a member of the federation; or (d) a special purpose vehicle for several Member States; or (e) an international financial institution established by two or more Member States which has the purpose of mobilising funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems; or (f) the European Investment Bank.
<p><i>sovereign large exposure waiver</i></p> <p>PRA</p>	<p>a <i>waiver</i> that has the result of requiring the <i>firm</i> to apply ■ BIPRU 10.6.35 R, which in summary exempts partially or fully any of the <i>exposures</i> listed in ■ BIPRU 10.6.36 R constituting claims on <i>central banks</i> or central governments from the limits in ■ BIPRU 10.5 (Limits on exposures).</p>
<p><i>sovereign, institution and corporate IRB exposure class</i></p> <p>FCA PRA</p>	<p>(in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into the <i>IRB exposure classes</i> referred to in ■ BIPRU 4.3.2 R (1)-■ (3) (Sovereigns, institutions and corporates).</p>
<p><i>special adjustment</i></p> <p>FCA PRA</p>	<p>(in <i>IPRU(INV)</i> 13) a <i>position</i> risk adjustment, counterparty risk adjustment and foreign exchange adjustment.</p>
<p><i>special purpose vehicle</i></p> <p>FCA PRA</p>	<p>(1) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) an <i>issuer</i> whose objects and purposes are primarily the issue of <i>securities</i>.</p> <p>(2) (except in <i>PR</i>) a <i>body corporate</i>, explicitly established for the purpose of securitising assets, whose sole purpose (either generally or when acting in a particular capacity) is to carry out one or more of the following functions:</p> <ul style="list-style-type: none"> (a) issuing <i>designated investments</i>, other than <i>life policies</i>; (b) redeeming or terminating or repurchasing (whether with a view to re-issue or to cancellation) an issue (in whole or part) of <i>designated investments</i>, other than <i>life policies</i>; (c) entering into transactions or terminating transactions involving <i>designated investments</i> in connection with the <i>issue</i>, redemption, termination or re-purchase of <i>designated investments</i>, other than <i>life policies</i>;
<p><i>specialised lending exposure</i></p> <p>FCA PRA</p>	<p>(in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into ■ BIPRU 4.5.3 R (Definition of specialised lending).</p>
<p><i>specialist investor</i></p>	<p>(in <i>LR</i>) an investor who is particularly knowledgeable in investment matters.</p>

FCA PRA

specialist securities

(in LR and FEES) *securities* which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

FCA PRA

specialist securitised derivative

(in LR) a *securitised derivative* which because of its nature is normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

FCA PRA

specific costs

management expenses other than *base costs* and *establishment costs*.

FCA PRA

specific costs levy

a levy, forming part of the *management expenses levy*, to meet the *specific costs* in the financial year of the *compensation scheme* to which the levy relates, each *participant firm's* share being calculated in accordance with ■ FEES 6.4.7 R .

FCA PRA

specific non-real time financial promotion

a *non-real time financial promotion* which identifies and promotes a particular *investment* or service.

FCA PRA

specific risk

(1) (in SYSC) unique risk that is due to the individual nature of an asset and can potentially be diversified.

FCA PRA

(2) (in GENPRU and BIPRU and in accordance with paragraph 12 of Annex I of the *Capital Adequacy Directive*) the risk of a price change in an *investment* due to factors related to its issuer or, in the case of a *derivative*, the issuer of the underlying *investment*.

specific risk backtesting exception

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *firm*) an exception arising out of backtesting a *VaR model* with respect to *specific risk* as more fully defined in that *firm's VaR model permission*.

FCA PRA

specific risk position risk adjustment

(in BIPRU) a *position risk adjustment* for specific risk including any such *position risk adjustment* as applied under ■ BIPRU 7.6.8 R (Table: Appropriate position risk adjustment).

FCA

specific wrong-way risk

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the exposure to a particular counterparty is positively correlated with the *probability of default* of the counterparty due to the nature of the transactions with the counterparty; a *firm* is exposed to *specific wrong-way risk* if the future exposure to a specific counterparty is expected to be high when the counterparty's *probability of default* is also high.

FCA PRA

*specified
benchmark*

FCA

a benchmark as defined in section 22(1A)(b) of the *Act* and specified in Schedule 5 to the *Regulated Activities Order* pursuant to article 63R of the *Regulated Activities Order*

*specified
investment*

FCA PRA

(A) In the PRA Handbook:
any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

- (a) *deposit* (article 74);
- (aa) *electronic money* (article 74A);
- (b) *contract of insurance* (article 75); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *general insurance contract*;
 - (ii) *long-term insurance contract*;
 and then further sub-divided into *classes of contract of insurance*;
- (c) *share* (article 76);
- (d) *debenture* (article 77);
- (da) *alternative debenture* (article 77A);
- (e) *government and public security* (article 78);
- (f) *warrant* (article 79);
- (g) *certificate representing certain securities* (article 80);
- (h) *unit* (article 81);
- (i) *stakeholder pension scheme* (article 82(1));
- (ia) *personal pension scheme* (article 82(2));
- (j) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and an *option* on a *commodity future*;
- (k) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (l) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;
- (m) *underwriting capacity of a Lloyd's syndicate* (article 86(1));
- (n) *membership of a Lloyd's syndicate* (article 86(2));

- (o) *funeral plan contract* (article 87);
- (oa) *regulated mortgage contract* (article 61(3));
- (ob) *home reversion plan* (article 63B(3));
- (oc) *home purchase plan* (article 63F(3));
- (od) *regulated sale and rent back agreement* (article 63J(3));
- (oe) *emissions auction products* (article 82A);
- (p) *rights to or interests in investments* (article 89).

(B) In the FCA Handbook:

any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

- (a) *deposit* (article 74);
- (aa) *electronic money* (article 74A);
- (b) *contract of insurance* (article 75); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *general insurance contract*;
 - (ii) *long-term insurance contract*;

and then further sub-divided into *classes* of *contract of insurance*;

- (c) *share* (article 76);
- (d) *debenture* (article 77);
- (e) *government and public security* (article 78);
- (f) *warrant* (article 79);
- (g) *certificate representing certain securities* (article 80);
- (h) *unit* (article 81);
- (i) *stakeholder pension scheme* (article 82(1));
- (ia) *personal pension scheme* (article 82(2));
- (j) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and an *option* on a *commodity future*;
- (k) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (l) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;

- (m) *underwriting capacity of a Lloyd's syndicate* (article 86(1));
 - (n) *membership of a Lloyd's syndicate* (article 86(2));
 - (o) *funeral plan contract* (article 87);
 - (oa) *regulated mortgage contract* (article 61(3));
 - (ob) *home reversion plan* (article 63B(3));
 - (oc) *home purchase plan* (article 63F(3));
 - (od) *regulated sale and rent back agreement* (article 63J(3));
 - (oe) *emissions auction products* (article 82A);
 - (of) *credit agreement* (article 88D) for the purposes of the *permission* regime with respect to the *regulated activities* of *entering into a regulated credit agreement as lender* and *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement*, this is sub-divided into:
 - (i) a *credit agreement* (excluding *high-cost short-term credit*, a *home credit loan agreement* and a *bill of sale loan agreement*);
 - (ii) *high-cost short-term credit*;
 - (iii) a *home credit loan agreement*;
 - (iv) *bill of sale loan agreement*;
- and this has effect as if the reference to a *credit agreement* includes a reference to an article 36H agreement within the meaning of article 36H (4) of the *Regulated Activities Order*;
- (og) *consumer hire agreement* (article 88E);
 - (p) *rights to or interests in investments* (article 89).

sponsor

FCA **PRA**

- (A) In the *PRA Handbook*:

(in *BIPRU*), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.
- (B) In the *FCA Handbook*:
 - (1) (in *LR*) approved, under section 88 of the *Act* by the *FCA*, as a sponsor.
 - (2) (in *BIPRU*), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.
 - (3) in *IFPRU* and *FUND*) has the meaning in article 4(1)(14) of the *EU CRR*.

sponsor service

FCA

a service relating to a matter referred to in ■ LR 8.2 that a *sponsor* provides or is requested or appointed to provide, including preparatory work that a *sponsor* may undertake before a decision is taken as to whether or not it will act as *sponsor* for a *listed company* or *applicant* or in relation to a particular transaction, and including all the *sponsor's* communications with the *FSA* in connection with the service. But nothing in this definition is to be taken as

	requiring a <i>sponsor</i> when requested to agree to act as a <i>sponsor</i> for a <i>company</i> or in relation to a transaction.
<i>spread bet</i> FCA PRA	a <i>contract for differences</i> that is a gaming contract, whether or not section 412 of the <i>Act</i> (Gaming contracts) applies to the contract; in this definition, "gaming" has the meaning given in the Gaming Act 1968, which is in summary: the playing of a game of chance for winnings in money or money's worth, whether any <i>person</i> playing the game is at risk of losing any money or money's worth or not.
<i>spread risk</i> FCA PRA	the risk that a spread (that is, the difference in price or yield) between two variables will change.
SPV FCA PRA	(1) (in GENPRU 2.2 (Capital resources)) has the meaning in GENPRU 2.2.126R (Other tier one capital: innovative tier one capital: indirectly issued tier one capital). (2) (in ■ BIPRU 8 (Group risk - consolidation)) has the meaning in ■ BIPRU 8.6.15 R (Indirectly issued capital and group capital resources).
SRB administrator FCA PRA	a <i>firm</i> which carries on the <i>regulated activity</i> of <i>administering a regulated sale and rent back agreement</i> .
SRB adviser FCA PRA	a <i>firm</i> which carries on the <i>regulated activity</i> of <i>advising on a regulated sale and rent back agreement</i> .
SRB agreement provider FCA PRA	(in accordance with article 63J(3)(a) of the <i>Regulated Activities Order</i>) a <i>firm</i> which buys all or part of the <i>qualifying interest in land</i> in the <i>United Kingdom</i> from a <i>SRB agreement seller</i> under a <i>regulated sale and rent back agreement</i> , including a <i>firm</i> which acquires obligations or rights under a <i>regulated sale and rent back agreement</i> .
SRB agreement seller FCA PRA	(in accordance with article 63J(3)(a) of the <i>Regulated Activities Order</i>) an individual or trustees, who sells all or part of the <i>qualifying interest in land</i> in the <i>United Kingdom</i> to an agreement provider under a <i>regulated sale and rent back agreement</i> .
SRB arranger FCA PRA	a <i>firm</i> which carries on the <i>regulated activity</i> of <i>arranging (bringing about) a regulated sale and rent back agreement</i> or <i>making arrangements with a view to a regulated sale and rent back agreement</i> .
SRB intermediary FCA PRA	a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>regulated sale and rent back mediation activity</i> .
SREP FCA PRA	the <i>supervisory review and evaluation process</i> .
SSAS FCA PRA	<i>small self-administered scheme</i> .
SSPE FCA PRA	a <i>securitisation special purpose entity</i> .

<p><i>stabilisation</i> FCA PRA</p>	<p>(in ■ MAR 2) (as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) any purchase or offer to purchase <i>relevant securities</i>, or any transaction in <i>associated instruments</i> equivalent thereto, by <i>investment firms</i> or <i>credit institutions</i>, which is undertaken in the context of a <i>significant distribution</i> of such <i>relevant securities</i> exclusively for supporting the market price of these <i>relevant securities</i> for a predetermined period of time, due to a selling pressure in such securities.</p>
<p><i>staff mortgage</i> FCA PRA</p>	<p>a <i>regulated mortgage contract</i> between an employer, or an <i>undertaking</i> in the same <i>group</i> as the employer, as lender and the employee (alone or with another <i>person</i>) as borrower to defray money applied for any of the following purposes:</p> <ul style="list-style-type: none"> (a) acquiring any residential land which was intended, at the time of the acquisition, for occupation by the employee as their home; (b) carrying out repairs or improvements to any residential land which was intended, at the time of taking out the loan, for occupation by the employee as their home; or (c) payments in respect of a loan (whether of interest or capital).
<p><i>stakeholder CTF</i> FCA PRA</p>	<p>a <i>CTF</i> that has the characteristics, and complies with the conditions, set out in paragraph 2 of the Schedule to the <i>CTF Regulations</i>.</p>
<p><i>stakeholder pension scheme</i> FCA PRA</p>	<p>a scheme that meets the conditions in section 1 of the Welfare Reform and Pensions Act 1999 or article 3 of the Welfare Reform and Pensions (Northern Ireland) Order 1999.</p>
<p><i>stakeholder product</i> FCA PRA</p>	<p>(as defined in article 52B(3) of the <i>Regulated Activities Order</i>):</p> <ul style="list-style-type: none"> (a) a <i>stakeholder CTF</i>; or (b) a <i>stakeholder pension scheme</i>; or (c) an investment of a kind specified in the <i>Stakeholder Regulations</i>.
<p><i>Stakeholder Regulations</i> FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 (SI 2004/2738).</p>
<p><i>standard CIU look through method</i> FCA PRA</p>	<p>the method for calculating the <i>PRR</i> for a <i>position</i> in a <i>CIU</i> set out in ■ BIPRU 7.7.4 R and ■ BIPRU 7.7.7 R to ■ BIPRU 7.7.10 R.</p>
<p><i>standard equity method</i> FCA PRA</p>	<p>the method of calculating the <i>equity PRR</i> set out in BIPRU 7.3.32R (Standard equity method).</p>
<p><i>standard frequency liquidity reporting firm</i> FCA PRA</p>	<p>a <i>standard ILAS BIPRU firm</i> that is not a <i>low frequency liquidity reporting firm</i>.</p>

<p><i>standard ILAS BIPRU firm</i></p> <p>FCA PRA</p>	<p>an <i>ILAS BIPRU firm</i> that is not a <i>simplified ILAS BIPRU firm</i>.</p>
<p><i>standard listing</i></p> <p>FCA PRA</p>	<p>in relation to <i>securities</i>, means a <i>listing</i> that is not a <i>premium listing</i>.</p>
<p><i>standard listing (shares)</i></p> <p>FCA PRA</p>	<p>a <i>standard listing</i> of <i>shares</i> other than <i>preference shares</i> that are <i>specialist securities</i>.</p>
<p><i>standard market risk PRR rules</i></p> <p>FCA</p>	<p>(in <i>BIPRU</i>) the rules relating to the calculation of the <i>market risk capital requirement</i> excluding the <i>VaR model approach</i> and any <i>rules</i> modified so as to provide for the <i>CAD 1 model approach</i>.</p>
<p><i>standard method of internal client money reconciliation</i></p> <p>FCA PRA</p>	<p>■ CASS 7 Annex 1 G.</p>
<p><i>standard terms</i></p> <p>FCA PRA</p>	<p>(in <i>DISP</i>) the contractual terms made under paragraph 18 of Schedule 17 to the <i>Act</i> (The Ombudsman Scheme), under which <i>VJ participants</i> participate in the <i>Voluntary Jurisdiction</i>.</p>
<p><i>standardised approach</i></p> <p>FCA PRA</p>	<p>(A) In the <i>PRA Handbook</i>:</p> <p>(for the purposes of <i>BIPRU</i>) one of the following:</p> <p>(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in ■ <i>BIPRU 3</i> (Credit risk) and <i>BIPRU 9.2.1R(1)</i> and <i>BIPRU 9.11</i> (Standardised approach);</p> <p>(b) (where expressed to relate to <i>operational risk</i>) the method for calculating capital requirements for <i>operational risk</i> in <i>BIPRU 6.3</i> (Standardised approach);</p> <p>(c) (where not expressed to relate to any risk and used in ■ <i>BIPRU 3</i>, ■ <i>BIPRU 4</i> (IRB approach), ■ <i>BIPRU 5</i> (Credit risk mitigation), ■ <i>BIPRU 9</i> (Securitisation) or ■ <i>BIPRU 10</i> (Large exposures requirements)) it has the meaning in (a);</p> <p>(d) (where not expressed to relate to any risk and used in <i>BIPRU 6</i> (Operational risk)) it has the meaning in (b);</p> <p>(e) (where the one of the approaches in (a) to (d) is being applied on a consolidated basis) that approach as applied on a consolidated basis in accordance with <i>BIPRU 8</i> (Group risk - consolidation); or</p> <p>(f) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) to (e), as the case may be, under those rules.</p>

(B) In the FCA Handbook:

(for the purposes of *BIPRU*) one of the following:

(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in ■ BIPRU 3 (Credit risk) and BIPRU 9.2.1R(1) and BIPRU 9.11 (Standardised approach);

(b) (where expressed to relate to *operational risk*) the method for calculating capital requirements for *operational risk* in BIPRU 6.3 (Standardised approach);

(c) (where not expressed to relate to any risk and used in ■ BIPRU 3, ■ BIPRU 4 (IRB approach), ■ BIPRU 5 (Credit risk mitigation), ■ BIPRU 9 (Securitisation) or ■ BIPRU 10 (Large exposures requirements)) it has the meaning in (a);

(d) (where not expressed to relate to any risk and used in BIPRU 6 (Operational risk)) it has the meaning in (b);

(e) (where the one of the approaches in (a) to (d) is being applied on a consolidated basis) that approach as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(f) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) to (e), as the case may be, under those rules.

standardised credit risk exposure class

FCA PRA

(in relation to the *standardised approach* to credit risk) one of the classes of exposure set out in BIPRU 3.2.9R (Exposure classes).

standardised deterministic projection

FCA PRA

a *projection* which is either a *generic projection* or a *personal projection* produced in accordance with the assumptions contained in ■ COBS 13 Annex 2.

standing data

FCA PRA

the information relating to a *firm* held by the *appropriate regulator* on the matters set out in ■ SUP 16 Annex 16A R.

standing independent valuer

FCA PRA

the person appointed as such under ■ COLL 5.6.20 R (Standing independent valuer and valuation) and ■ COLL 8.4.13 R (1) (Standing independent valuer and valuation) .

state finance organisation

FCA PRA

a legal person other than a *company*:

(a) which is a national of an *EEA state*;

(b) which is set up by or pursuant to a special law;

(c) whose activities are governed by that law and consist solely of raising funds under state control through the issue of *debt securities*;

<p>(d) which is financed by means of the resources they have raised and resources provided by the <i>EEA state</i>; and</p> <p>(e) the <i>debt securities</i> issued by it are considered by the law of the relevant <i>EEA state</i> as securities issued or guaranteed by that state.</p>	
<p><i>state monopoly</i></p> <p>FCA PRA</p>	<p>a <i>company</i> or other legal person which is a national of an <i>EEA state</i> and which:</p> <p>(a) in carrying on its business benefits from a monopoly right granted by an <i>EEA state</i>; and</p> <p>(b) is set up by or pursuant to a special law or whose borrowings are unconditionally and irrevocably guaranteed by an <i>EEA state</i> or one of the federated states of an <i>EEA state</i>.</p>
<p><i>State of the commitment</i></p> <p>FCA PRA</p>	<p>(in accordance with paragraph 6(1) of Schedule 12 to the <i>Act</i> (Transfer schemes: certificates)) (in relation to a commitment entered into at any date):</p> <p>(a) if the <i>policyholder</i> is an individual, the State in which he had his habitual residence at that date;</p> <p>(b) if the <i>policyholder</i> is not an individual, the State in which the establishment of the <i>policyholder</i> to which the commitment relates was established at that date;</p> <p>in this definition, "commitment" means (in accordance with article 2 of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001 (SI 2001/3625)) any contract of insurance of a kind referred to in article 2 of the <i>Consolidated Life Directive</i>.</p>
<p><i>State of the risk</i></p> <p>FCA PRA</p>	<p>(in accordance with paragraph 6(3) of Schedule 12 to the <i>Act</i> (Transfer schemes: certificates)) (in relation to the <i>EEA State</i> in which a risk is situated):</p> <p>(a) if the insurance relates to a building or to a building and its contents (so far as the contents are covered by the same policy), the <i>EEA State</i> in which the building is situated;</p> <p>(b) if the insurance relates to a vehicle of any type, the <i>EEA State</i> of registration;</p> <p>(ba) if the insurance relates to a <i>vehicle</i> dispatched from one <i>EEA State</i> to another, in respect of the period of 30 days beginning with the day on which the purchaser accepts delivery, the <i>EEA State</i> of destination (and not, as provided by sub-paragraph (b), the <i>EEA State</i> of registration);</p> <p>[Note: article 15(1) of the <i>Consolidated Motor Insurance Directive</i>]</p> <p>(c) in the case of <i>policies</i> of a duration of four months or less covering travel or holiday risks (whatever the class concerned), the <i>EEA State</i> in which the <i>policyholder</i> took out the <i>policy</i>;</p> <p>(d) in a case not covered by (a) to (c):</p> <p>(i) if the <i>policyholder</i> is an individual, the <i>EEA State</i> in which he has his habitual residence at the date when the contract is entered into; and</p> <p>(ii) otherwise, the <i>EEA State</i> in which the establishment of the <i>policyholder</i> to which the <i>policy</i> relates is situated at that date.</p>
<p><i>Statement of Principle</i></p> <p>FCA PRA</p>	<p>(1) (in the <i>FCA Handbook</i>) one of the Statements of Principle issued by the FCA under section 64(1) of the <i>Act</i> (Conduct: Statements and codes) with respect to the conduct of <i>approved persons</i> and set out in APER 2.1A.</p> <p>The provisions of APER 1.1A marked with a "P" in the margin also form part of the <i>Statements of Principle</i>.</p>

statutory
auditor

FCA PRA

(2) (in the *PRA Handbook*) one of the Statements of Principle issued by the *PRA* under section 64(1A) of the *Act* (Conduct: Statements and codes) with respect to the conduct of *approved persons* and set out in ■ APER 2.1B.

The provisions of ■ APER 1.1B marked with a "P" in the margin also form part of the *Statements of Principle*.

a statutory auditor as that term is defined in section 1210 of the Companies Act 2006.

statutory
money
purchase
illustration

FCA PRA

an annual illustration of the contributions made for the benefit of, and the potential benefits due to, a member of a *personal pension scheme*, which is prepared in accordance with the Personal Pension Schemes (Disclosure of Information) Regulations 1987 (SI 1987/1110).

statutory
notice

FCA PRA

a *warning notice*, *decision notice* or *supervisory notice*.

statutory
notice
associated
decision

FCA PRA

a decision which is made by the *appropriate regulator* and which is associated with a decision to give a *statutory notice*, including a decision:

- (a) to determine or extend the period for making representations;
- (b) to determine whether a copy of the *statutory notice* needs to be given to any third party and the period for him to make representations;
- (c) to refuse access to *appropriate regulator* material .
- (d) [deleted]

statutory
notice decision

FCA PRA

a decision by the *appropriate regulator* on whether or not to give a *statutory notice*.

statutory
objectives

FCA PRA

(1) for the *FCA* (as described in sections 1B, 1C, 1D and 1E of the *Act*):

- (a) its strategic objective of ensuring that the relevant markets function well; and
- (b) its operational objectives:
 - (i) the *consumer* protection objective (as defined in section 1C of the *Act*);
 - (ii) the integrity objective (as defined in section 1D of the *Act*); and
 - (iii) the competition objective (as defined in section 1E of the *Act*);

(2) for the *PRA* (as described in sections 2B, 2C and 314A of the *Act*):

- (a) its general objective of promoting the safety and soundness of *PRA-authorised persons*; and
- (b) its insurance objective of contributing to the securing of an appropriate degree of protection for those who are or may become *policyholders*.

step-up

FCA PRA

(in relation to any item of capital) any change in the *coupon* rate on that item that results in an increase in the amount payable at any time, including a change already provided in the original terms governing those payments. A step-up:

- (a) includes (in the case of a fixed rate) an increase in that *coupon* rate;
- (b) includes (in the case of a floating rate calculated by adding a fixed amount to a fluctuating amount) an increase in that fixed amount;
- (c) includes (in the case of a floating rate) a change in the benchmark by reference to which the fluctuating element of the *coupon* is calculated that results in an increase in the absolute amount of the *coupon*; and
- (d) does not include (in the case of a floating rate) an increase in the absolute amount of the *coupon* caused by fluctuations in the fluctuating figure by reference to which the absolute amount of the *coupon* floats.

stochastic projection

FCA PRA

a *projection* showing a summary of results from repeated simulations using an investment model, where the model uses key financial parameters which are subject to random variations and are projected into the future.

stock financing

FCA PRA

a transaction where a *physical commodity* is sold forward and the cost of funding is locked in until the date of the forward sale.

stock lending

FCA PRA

the disposal of a *designated investment* subject to an obligation or right to reacquire the same or a similar *designated investment* from the same counterparty.

stock lending activity

FCA PRA

the activity of undertaking a *stock lending* transaction.

stocks and shares component

FCA PRA

a *qualifying investment* as prescribed in paragraph 7 of the *ISA Regulations*.

store card

FCA PRA

a card restricted to paying for goods or services from a particular supplier or group of suppliers and where the price of the goods or services is paid directly to the supplier or group of suppliers by the customer or the *firm*, but excluding a *plastic card* used to pay for goods or services through a network such as Visa or MasterCard.

strategic investment

FCA PRA

an investment which:

- (a) is made for a strategic purpose;
- (b) is made for an expected duration consistent with that purpose and is, or has the potential to be, illiquid or hard to value; and
- (c) is significant in value in proportion to the size of the *with-profits fund*.

stressed VaR

FCA

(in *BIPRU*) the stressed VaR measure in respect of *positions* coming within the scope of the *VaR model permission*, calculated in accordance with the *VaR model*, ■ *BIPRU* 7.10 (Use of a Value at Risk Model) and any methodology set out in the *VaR model permission* based on a stressed historical period.

structured capital-at-risk product

FCA PRA

a product, other than a *derivative*, which provides an agreed level of income or growth over a specified investment period and displays the following characteristics:

- (a) the *customer* is exposed to a range of outcomes in respect of the return of initial capital invested;
- (b) the return of initial capital invested at the end of the investment period is linked by a pre-set formula to the performance of an index, a combination of indices, a 'basket' of selected stocks (typically from an index or indices), or other factor or combination of factors; and
- (c) if the performance in (b) is within specified limits, repayment of initial capital invested occurs but if not, the *customer* could lose some or all of the initial capital invested.

structured deposit

FCA PRA

a *deposit* paid on terms under which any interest or premium will be paid, or is at risk, according to a formula which involves the performance of:

- (a) an index (or combination of indices) (other than money market indices);
- (b) a stock (or combination of stocks); or
- (c) a commodity (or combination of commodities).

sub-consolidated basis

FCA

has the meaning in article 4(1)(49) of the *EU CRR*.

sub-fund

FCA PRA

(a) (in relation to an *authorised fund* that is an *umbrella*) a separate part of the *scheme property* of that *scheme* that is pooled separately;

(aa) (in relation to an *EEA UCITS scheme*) any part of that *scheme* that constitutes an investment compartment for the purposes of the *UCITS Directive*;

(b) (in relation to a *fund* that is not an *authorised fund* or an *EEA UCITS scheme*) any part of that *scheme* that is equivalent to (a) .

sub-group

FCA PRA

(in relation to a *person*):

- (a) that *person*; and
- (b) any *person* that is either:
 - (i) a *subsidiary undertaking* of that *person*; or
 - (ii) an *undertaking* in which that *person* or a *subsidiary undertaking* of that *person* holds a *participation*.

subsidiary

FCA PRA

(A) In the PRA Handbook:

(1) (except in relation to *MiFID business*) (as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary", etc)) (in relation to another *body corporate* ("H")) a *body corporate* of which H is a *holding company*.

(2) (in relation to *MiFID business*) a subsidiary undertaking as defined in Articles 1 and 2 of Seventh Council Directive on consolidated accounts (No. 83/349/EEC), including any subsidiary of a subsidiary undertaking of an ultimate *parent undertaking*.

[Note: article 4 (1)(29) of *MiFID*]

(B) In the FCA Handbook:

(1) (except in relation to *MiFID business*) (as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary",

etc)) (in relation to another *body corporate* ("H")) a *body corporate* of which H is a *holding company*.

(2) (in relation to *MiFID business*) a subsidiary undertaking as defined in Articles 1 and 2 of Seventh Council Directive on consolidated accounts (No. 83/349/EEC), including any subsidiary of a subsidiary undertaking of an ultimate *parent undertaking*.

(3) (for the purpose of *IFPRU*) has the meaning in article 4(1)(16) of the *EU CRR*.

[Note: article 4 (1)(29) of *MiFID*]

(1) (except for the purposes of determining whether a *person* has *close links* with another *person*) an *undertaking* of which another *undertaking* is its *parent undertaking*.

(2) (for the purposes of determining whether a *person* has *close links* with another *person*) (in accordance with section 343(8) of the *Act* (Information given by auditor or actuary to a regulator) and paragraph 3(3) of Schedule 6 to the *Act* (Threshold conditions)):

(a) an *undertaking* in (1);

(b) an *undertaking* ("S") if:

(i) another *undertaking* (its parent) is a member of S;

(ii) a majority of S's board of directors who have held office during the financial year and during the preceding financial year have been appointed solely as a result of the exercise of the parent's voting rights; and

(iii) no one else is the parent undertaking of S under any of (a) (i) to (iii) or b(i) or (ii) in the definition of *parent undertaking*.

(3) (in *LR* and *BSOCS*) as defined in section 1162 of the Companies Act 2006.

(in *BCOBS*) any sum of money payable by a *firm* to a *consumer* or standing to the credit of the *consumer* in an account with the *firm* where that sum is needed by the *consumer* to meet essential living expenses or *priority debts* (whether owed to the *firm* or a third party).

as defined in ■ LR 11.1.4A R.

a report which a *firm* must provide to its *client* under ■ COBS 9.4 (Suitability reports) which, among other things, explains why the *firm* has concluded that a recommended transaction is suitable for the *client*.

(in relation to a *prospectus*) the summary included in the *prospectus*.

the Supervision manual.

subsidiary
undertaking

FCA PRA

subsistence
balance

FCA PRA

substantial
shareholder

FCA PRA

suitability
report

FCA PRA

summary

FCA PRA

SUP

FCA PRA

supervisory authority

FCA

(1) (in accordance with article 4(1)(al) of *AIFMD*) (for a *non-EEA AIF*) the national authority or authorities of the *non-EEA State* empowered by law or regulation to supervise *AIFs* in that *non-EEA State*.

(2) (in accordance with article 4(1)(am) of *AIFMD*) (for a *non-EEA AIFM*) the national authority or authorities of the *non-EEA State* empowered by law or regulation to supervise *AIFMs* in that *non-EEA State*.

supervisory formula method

FCA PRA

(for the purposes of BIPRU 9 (Securitisation), in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) the method of calculating *risk weighted exposure amounts* for *securitisation positions* set out in BIPRU 9.12.21R-BIPRU 9.12.23R and BIPRU 9.14.3R.

supervisory function

FCA PRA

(1) any function within a *common platform firm* that is responsible for the supervision of its *senior personnel*.

(2) (in relation to a *management company* and in accordance with article 3(6) of the *UCITS implementing Directive*) the *relevant persons* or body or bodies responsible for the supervision of its *senior personnel* and for the assessment and periodic review of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with its obligations under the *UCITS Directive*.

Supervisory Liquidity Review Process

FCA PRA

the *appropriate regulator's* assessment of the adequacy of certain *firms'* liquidity resources as described in BIPRU 12.2 and BIPRU 12.5.

supervisory notice

FCA PRA

(as defined in section 395(13) of the *Act* (The *FCA's* and *PRA's* procedures)) a notice given by the *appropriate regulator* in accordance with section 55Y(4), (7) or (8)(b); 78(2) or (5); 197(3), (6) or (7)(b); 259(3), (8) or (9)(b); 268(3), (7)(a) or (9)(a) (as a result of subsection (8)(b)); 282(3), (6) or (7)(b); or 321(2) or (5).

supervisory review and evaluation process

FCA PRA

(A) In the *PRA Handbook*:

the *appropriate regulator's* assessment of the adequacy of certain *firms'* capital, as more fully described in ■ BIPRU 2.2.9 G and ■ INSPRU 7.1.91 G to ■ INSPRU 7.1.99 G.

(B) In the *FCA Handbook*:

(1) the *appropriate regulator's* assessment of the adequacy of certain *firms'* capital, as more fully described in ■ BIPRU 2.2.9 G (*BIPRU firms*) and ■ INSPRU 7.1.91 G to ■ INSPRU 7.1.99 G (*insurers*).

(2) the *FCA's* assessment of the adequacy of an *IFPRU investment firm's* capital, as more fully described in IFPRU 2.3 (Supervisory review and evaluation process).

supervisory volatility adjustments approach

FCA PRA

the approach to calculating volatility adjustments under the *financial collateral comprehensive method* under which the *firm* uses the adjustments specified in ■ BIPRU 5.4 (Financial collateral) rather than in its own estimates, as more fully described in ■ BIPRU 5.4 and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

supplementary listing particulars

FCA **PRA**

(in LR) (in accordance with section 81(1) of the *Act*), supplementary listing particulars containing details of the change or new matter.

supplementary prospectus

FCA **PRA**

(in *Part 6 rules*) a supplementary prospectus containing details of a new factor, mistake or inaccuracy.

supplier

FCA

(a) the *person* referred to as the supplier in the definitions of *borrower-lender agreement*, *borrower-lender-supplier agreement* and *restricted-use credit agreement*; and

(b) in relation to a *credit agreement* falling within (2) (a) of the definition of *restricted-use credit agreement*, is the *lender*; and

(c) includes a *person* to whom the rights and duties of a *person* falling within (a) or (b) have passed by *assignment* or operation of law.

suretyship

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 15 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), namely:

(a) a *contract of insurance* against the risks of loss to the *person* insured arising from their having to perform contracts of guarantee entered into by them;

(b) fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee where these are:

(i) effected or carried out by a *person* not carrying on a banking business;

(ii) not effected merely incidentally to some other business carried on by the *person* effecting them; and

(iii) effected in return for the payment of one or more premiums.

surrender value

FCA **PRA**

(a) where the contract is a contract of life assurance or a contract for an annuity, the amount (including a nil amount) payable by the *firm* or other body issuing the contract on surrender of the *policy*;

(b) where the contract is a *personal pension scheme* or *stakeholder pension scheme*, the amount payable on the transfer of the investor's accrued rights under that contract to another *personal pension scheme* or *stakeholder pension scheme*;

(c) where the contract is a *Holloway sickness policy*, the amount payable by the *firm* on surrender on or before the *projection date* for the *policy*;

(d) where the contract is for any other matter, the amount payable by the *firm* on the surrender of the *policy*.

sustainable

FCA

(in CONC) has the meaning given in ■ CONC 5.3.1 G.

swap

FCA **PRA**

a transaction in which two counterparties agree to exchange streams of payments over time according to a predetermined basis or a *contract for differences*.

Swiss general insurance company

FCA **PRA**

(in accordance with article 1(2) of the Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 201/2507)) a *person*:

- (a) whose head office is in Switzerland;
- (b) who is authorised by the supervisory authority in Switzerland as mentioned in article 7.1 of the *Swiss Treaty Agreement*; and
- (c) who is seeking to carry on, or is carrying on, from a branch in the *United Kingdom*, a *regulated activity* consisting of the *effecting* or *carrying out* of *contracts of insurance* of a kind which is subject to that agreement.

Swiss general insurer

FCA **PRA**

a *Swiss general insurance company* which has *permission* to effect or carry out *contracts of insurance* of a kind which is subject to the *Swiss Treaty Agreement*.

Swiss Treaty Agreement

FCA **PRA**

the agreement of 10 October 1989 between the European Economic Community and the Swiss Confederation on direct insurance other than life insurance, approved on behalf of the European Economic Community by the Council Decision of 20 June 1999 (No 91/370/EEC).

syndicate

FCA **PRA**

one or more *persons*, to whom a particular *syndicate* number has been assigned by or under the authority of the *Council*, *carrying out* or *effecting contracts of insurance* written at Lloyd's.

syndicate actuary

FCA **PRA**

an *actuary* appointed to a *syndicate* as required by ■ SUP 4.6.9 R (1).

syndicate assets

FCA **PRA**

assets managed by or at the direction of a *managing agent* in respect of *insurance business* carried on through a *syndicate* and overseas business regulatory deposits funded from those assets.

syndicate ICA

FCA **PRA**

the capital assessment performed by a *managing agent* under the *overall Pillar 2 rule*, GENPRU 1.5.1R(1), INSPRU 7.1 and INSPRU 1.1.57R(1) in respect of each *syndicate* managed by it.

syndicate year

FCA **PRA**

a year of account of a *syndicate*.

synthetic cash

FCA **PRA**

a position in a *derivative* that offsets an exposure in property to the point where that exposure has effectively been neutralised, and the effect of the combined holding of both property and the position in the *derivative* is the same as if the *authorised fund* had received or stood to receive the value of the property in cash.

synthetic future

FCA **PRA**

- (a) a synthetic bought future, that is, a bought call *option* coupled with a written put *option*; or
- (b) a synthetic sold future, that is, a bought put *option* coupled with a written call *option*;

provided that in either case the two *options*:

- (i) are bought and written, whether simultaneously or not, on a single *eligible derivatives* market;
- (ii) relate to the same underlying *security* or other asset;

<p>(iii) give the purchasers of the <i>options</i> the same rights of exercise (whether at the same price or not); and</p> <p>(iv) will expire together, if not exercised.</p>	
<p><i>synthetic risk and reward indicator</i></p> <p>FCA PRA</p>	<p>(in <i>COLL</i> and in accordance with article 2(2) of the <i>UCITS implementing Directive No 2</i>) a synthetic indicator within the meaning of article 8 of the <i>KII Regulation</i>.</p>
<p><i>synthetic securitisation</i></p> <p>FCA</p>	<p>(in accordance with Article 4(38) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of <i>BIPRU</i>) a <i>securitisation</i> (within the meaning of paragraph (2) of the definition of securitisation) where the <i>tranching</i> is achieved by the use of credit derivatives or guarantees, and the pool of <i>exposures</i> is not removed from the balance sheet of the <i>originator</i>.</p>
<p><i>SYSC</i></p> <p>FCA PRA</p>	<p>the part of the <i>Handbook</i> in High Level Standards which has the title Senior Management Arrangements, Systems and Controls.</p>
<p><i>systematic internaliser</i></p> <p>FCA PRA</p>	<p><i>investment firm</i> which, on an organised, frequent and systematic basis, <i>deals on own account</i> by executing <i>client</i> orders outside a <i>regulated market</i> or an <i>MTF</i>.</p> <p>[Note: article 4(1)(7) of <i>MiFID</i>]</p>
<p><i>systemic risk</i></p> <p>FCA</p>	<p>a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy.</p>
<p><i>systemically important institution</i></p> <p>FCA</p>	<p>(in accordance with article 3(30) of <i>CRD</i>) an <i>EEA parent institution</i>, an <i>EEA parent financial holding company</i>, an <i>EEA parent mixed financial holding company</i> or an <i>institution</i> the failure or malfunction of which could lead to systemic risk.</p>
<p><i>systems and controls function</i></p> <p>FCA PRA</p>	<p>(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF28 in Part 1 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.8.1 R.</p> <p>(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF28 in the <i>table of PRA controlled functions</i>, described more fully in ■ SUP 10B.9.1 R.</p>

<p><i>tier two capital resources</i></p> <p>FCA PRA</p>	<p>the sum calculated at stage I (Total tier two capital) of the calculation in the <i>capital resources table</i>.</p>
<p><i>tier two instrument</i></p> <p>FCA PRA</p>	<p>a <i>capital instrument</i> that meets the conditions in GENPRU 2.2.159R (General conditions for eligibility as tier two capital instruments) or GENPRU 2.2.177R (Upper tier two capital: General) and is eligible to form part of a <i>firm's tier two capital resources</i>.</p>
<p><i>time-scheduled buy-back programme</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) a <i>buy-back programme</i> where the dates and quantities of <i>securities</i> to be traded during the time period of the programme are set out at the time of the public disclosure of the <i>buy-back programme</i>.</p>
<p><i>tontines</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) tontines as specified in paragraph V of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance).</p>
<p><i>top-up cover</i></p> <p>FCA PRA</p>	<p>cover provided by the <i>compensation scheme</i> for <i>claims</i> against an <i>incoming EEA firm</i> (which is a <i>credit institution</i>, an <i>IMD insurance intermediary</i>, an <i>IMD reinsurance intermediary</i>, a <i>MiFID investment firm</i>, a <i>UCITS management company</i> or an <i>AIFM</i>) in relation to the <i>firm's passported activities</i> and in addition to, or due to the absence of, the cover provided by the <i>firm's Home State</i> compensation scheme (see COMP 14 (Participation by EEA firms)).</p>
<p><i>top-up permission</i></p> <p>FCA PRA</p>	<p>a <i>Part 4A permission</i> given to an <i>incoming EEA firm</i>, an <i>incoming Treaty firm</i> or a <i>UCITS qualifier</i>.</p>
<p><i>total amount of credit</i></p> <p>FCA</p>	<p>(in <i>CONC</i>) the <i>credit limit</i> or the total sums made available under a <i>regulated credit agreement</i>.</p>
<p><i>total amount payable</i></p> <p>FCA PRA</p>	<p>(A) In the <i>PRA Handbook</i>: the <i>total charge for credit</i> plus the total amount of credit advanced.</p> <p>(B) In the <i>FCA Handbook</i>:</p> <ol style="list-style-type: none"> (1) (except in <i>CONC</i>) the <i>total charge for credit</i> plus the total amount of credit advanced. (2) (in <i>CONC</i>) the sum of the <i>total charge for credit</i> and the <i>total amount of credit payable</i> under the <i>credit agreement</i>, as well as any <i>advance payment</i>.
<p><i>total charge for credit</i></p> <p>FCA</p>	<ol style="list-style-type: none"> (1) (except in <i>CONC</i>) the total of the charges (determined as at the date of making the contract) specified in MCOB 10.4.2 R as applying in relation to the <i>secured lending</i> but excluding the charges specified in MCOB 10.4.4 R. (2) (in <i>CONC</i>) the true cost to the <i>borrower</i> of the <i>credit</i> provided, or to be provided, under an actual or prospective <i>credit agreement</i> calculated in accordance with CONC App 1. (3) (in <i>CONC</i> in relation to a <i>financial promotion</i> about a <i>credit agreement</i> secured on <i>land</i>) the sum calculated in accordance with the rules in CONC App 1.1 and, in relation to <i>financial promotions</i>, the rules in CONC 3.6.9 R.

	(in <i>CONC</i> in relation to a <i>financial promotion</i> about all other <i>credit agreements</i>) the sum calculated in accordance with the <i>rules</i> in ■ <i>CONC App 1.2</i> and, in relation to <i>financial promotions</i> , the <i>rules</i> in ■ <i>CONC 3.5.13 R</i> .
<i>total cost of credit to the borrower</i> FCA	(in ■ <i>CONC App 1.2</i>) all costs, including interest, commissions, taxes and any other kind of fees which are required to be paid by, or on behalf of, the <i>borrower</i> or a <i>relative</i> of the <i>borrower</i> in connection with the <i>regulated credit agreement</i> , whether payable to the <i>lender</i> or to any other <i>person</i> , and which are known to the <i>lender</i> , except for notarial costs.
<i>total exposure</i>	[deleted]
<i>total group tier one capital</i> FCA PRA	the sum calculated at stage A of the calculation in <i>INSPRU 6.1.43R</i> .
<i>total group tier two capital</i> FCA PRA	the sum calculated at stage B of the calculation in <i>INSPRU 6.1.43R</i> .
<i>total non-deferred shares</i> FCA PRA	(in <i>CREDS</i>) means the total of members' share balances in a <i>credit union</i> shown in the most recent annual return to have been sent to the <i>appropriate regulator</i> under ■ <i>SUP 16.7.62 R</i> or ■ <i>SUP 16.12.5 R</i> (see ■ <i>CREDS 8.2.3 G</i>), excluding any <i>deferred shares</i> in the <i>credit union</i> .
<i>total relevant liabilities</i> FCA PRA	(in <i>CREDS</i>) means the sum of: (a) <i>unattached shares</i> in the <i>credit union</i> , and <i>deposits</i> by persons too young to be members of the <i>credit union</i> ; and (b) liabilities (other than liabilities for shares) with an original or remaining maturity of less than three <i>months</i> (including overdrafts and instalments of loans).
<i>TPF rules</i> FCA PRA	the rules and guidance in ■ <i>COBS 20.2.1 G</i> to ■ <i>COBS 20.2.39 R</i> and ■ <i>COBS 20.2.51 R</i> to ■ <i>COBS 20.2.57 G</i> .
<i>tradable renewable energy credit</i> FCA PRA	an allowance, licence, permit, right, note, unit, credit, asset, certificate or instrument (the "credit") where: (a) the credit confers or may result in a benefit or advantage to its holder or someone else; and (b) the credit, or the benefit or advantage in (a), is linked to the supply, distribution or consumption of energy derived from renewable sources by the holder of the credit or someone else.
<i>trade confirmation information</i> FCA PRA	the information identified in column 1 of the table in ■ <i>COBS 16 Annex 1R R</i> .
<i>traded life policy</i>	a <i>life policy</i> which is to be or has been assigned for value by the <i>policyholder</i> to another <i>person</i> .

FCA PRA

traded life
policy
investment

FCA

an *investment* in relation to which one of the following conditions applies:

- (a) it is a *traded life policy* other than an *endowment assurance policy*;
- (b) its underlying assets are wholly or predominately *traded life policies* other than *endowment assurance policies*;
- (c) its investment returns, or the issuer's payment obligations, are linked to, contingent on, or highly sensitive to, the performance of *traded life policies* other than *endowment assurance policies*.

trading book

FCA PRA

(A) In the PRA Handbook:

(1) (in *UPRU*) in relation to a *firm's* business or *exposures*, means:

(a) its proprietary positions in financial instruments:

- (i) which are held for resale and/or are taken on by the firm with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;
- (ii) arising from matched principal broking;
- (iii) taken in order to hedge other elements of the trading book;

(b) *exposures* due to unsettled securities transactions, free deliveries, *OTC derivative* instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and

(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.

(2) (in *BIPRU* and *GENPRU* in relation to a *BIPRU firm*) has the meaning in ■ *BIPRU 1.2* (Definition of the trading book) which is in summary, all that *firm's positions* in *CRD financial instruments* and *commodities* held either with trading intent or in order to hedge other elements of the *trading book*, and which are either free of any restrictive covenants on their tradability or able to be hedged.

(3) (in *BIPRU* and *GENPRU* and in relation to a *person* other than a *BIPRU firm*) has the meaning in (2) with references to a *firm* replaced by ones to a *person*.

(4) (in *IFPRU* and in relation to an *IFPRU investment firm*) has the meaning in article 4(1)(86) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in *UPRU*) in relation to a *firm's* business or *exposures*, means:

(a) its proprietary positions in financial instruments:

- (i) which are held for resale and/or are taken on by the firm with the intention of benefiting in the short term from actual and/or expected differences between their

	<p>buying and selling prices or from other price or interest-rate variations;</p> <p>(ii) arising from matched principal broking;</p> <p>(iii) taken in order to hedge other elements of the trading book;</p> <p>(b) <i>exposures</i> due to unsettled securities transactions, free deliveries, <i>OTC derivative</i> instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and</p> <p>(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.</p> <p>(2) (in <i>BIPRU</i> and <i>GENPRU</i> in relation to a <i>BIPRU firm</i>) has the meaning in ■ BIPRU 1.2 (Definition of the trading book) which is in summary, all that <i>firm's positions</i> in <i>CRD financial instruments</i> and <i>commodities</i> held either with trading intent or in order to hedge other elements of the <i>trading book</i>, and which are either free of any restrictive covenants on their tradability or able to be hedged.</p> <p>(3) (in <i>BIPRU</i> and <i>GENPRU</i> and in relation to a <i>person</i> other than a <i>BIPRU firm</i>) has the meaning in (2) with references to a <i>firm</i> replaced by ones to a <i>person</i>.</p> <p>(4) (in <i>IFPRU</i> and in relation to an <i>IFPRU investment firm</i>) has the meaning in article 4(1)(86) of the <i>EU CRR</i>.</p>
<p><i>trading book concentration risk excess</i></p>	<p>[deleted]</p>
<p><i>trading book policy statement</i></p> <p>FCA PRA</p>	<p>(A) In the PRA Handbook:</p> <p>has the meaning in BIPRU 1.2.29R (Trading book policy statements) which is in summary a single document of a <i>person</i> recording the policies and procedures referred to in BIPRU 1.2.26R and BIPRU 1.2.27R.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (in <i>BIPRU</i>) has the meaning in BIPRU 1.2.29R (Trading book policy statements) which is in summary a single document of a <i>person</i> recording the policies and procedures referred to in BIPRU 1.2.26R and BIPRU 1.2.27R.</p> <p>(2) (in <i>IFPRU</i>) the statement of policies and procedures relating to the <i>trading book</i>.</p>
<p><i>trading book systems and controls rules</i></p> <p>FCA PRA</p>	<p>GENPRU 1.3.13R(2) to (3) (General requirements: Methods of valuation and systems and controls), GENPRU 1.3.14R to GENPRU 1.3.16R (Marking to market), GENPRU 1.3.17R to GENPRU 1.3.25R (Marking to model), GENPRU 1.3.26R to GENPRU 1.3.28R (Independent price verification), GENPRU 1.3.30R to GENPRU 1.3.33R (Valuation adjustments or reserves), GENPRU 2.2.86R (Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments) and GENPRU 2.2.248R to GENPRU 2.2.249R (Tier three capital: lower tier three capital resources).</p>

trading day

FCA

(1) (in ■ MAR 7 (Disclosure of information on certain trades undertaken outside a regulated market or MTF) and ■ SUP 17 (Transaction reporting)) in relation to post-trade information to be made public about a share under ■ MAR 7.2.10 EU, any day of normal trading in a share on a *trading venue* in the *relevant liquid market* for this share.

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

(2) other than in (1) or (3), a day included in the calendar of trading days published by the *appropriate regulator* at [web address tbc]

(3) (in *FINMAR*) as defined in article 2(1)(p) of the *short selling regulation*, a trading day as referred to in article 4 of Regulation (EC) No 1287/2006.

trading information

FCA PRA

information of the following kinds:

(1) that *investments* of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation; or

(2) that *investments* of a particular kind have not been or are not to be acquired or disposed of; or

(3) the quantity of *investments* acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation; or

(4) the price (or range of prices) at which *investments* have been or are to be acquired or disposed of or the price (or range of prices) at which *investments* whose acquisition or disposal is under consideration or the subject of negotiation may be acquired or disposed of; or

(5) the identity of the *persons* involved or likely to be involved in any capacity in an acquisition or disposal.

trading plan

FCA PRA

(in *LR*) a written plan between a restricted person and an independent third party which sets out a strategy for the acquisition and/or disposal of *securities* by a specified person and:

(a) specifies the amount of *securities* to be dealt in and the price at which and the date on which the *securities* are to be dealt in; or

(b) gives discretion to that independent third party to make trading decisions about the amount of *securities* to be dealt in and the price at which and the date on which the *securities* are to be dealt in; or

(c) includes a written formula or algorithm, or computer program, for determining the amount of *securities* to be dealt in and the price at which and the date on which the *securities* are to be dealt in.

trading venue

FCA PRA

(1) (except in *FINMAR*) a *regulated market*, *MTF* or *systematic internaliser* acting in its capacity as such, and, where appropriate, a system outside the *EU* with similar functions to a *regulated market* or *MTF*.

[Note: article 2(8) of the *MIFID Regulation*]

(2) (in *FINMAR*) (as defined in article 2(1)(l) of the *short selling regulation*) a *regulated market* or an *MTF*.

traditional securitisation

FCA

(in accordance with Article 4(37) of the *Banking Consolidation Directive* (Definitions) and for the purpose of *BIPRU*) a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) involving the economic transfer of the *exposures* being *securitised* to a *securitisation special purpose entity* which issues securities; and so that:

(a) this must be accomplished by the transfer of ownership of the *securitised exposures* from the *originator* or through sub-participation; and

tranche

FCA

(b) the securities issued do not represent payment obligations of the *originator*.

(in accordance with Article 4(39) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation* and for the purposes of *BIPRU*) a contractually established segment of the credit risk associated with an *exposure* or number of *exposures*, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

transaction

FCA PRA

(A) In the PRA Handbook

only the purchase and sale of a *financial instrument*. For the purposes of the *MiFID Regulation*, excluding Chapter II, this does not include:

- (a) *securities financing transactions*; or
- (b) the exercise of options or covered warrants; or
- (c) primary market transactions (such as issuance allotment or subscription) in *financial instruments* falling within Article 4(1)(18)(a) and (b) of *MiFID*.

[Note: article 5 of the *MiFID Regulation*]

(B) In the FCA Handbook

(1) (except in ■ CONC App 1.1) only the purchase and sale of a *financial instrument*. For the purposes of the *MiFID Regulation*, excluding Chapter II, this does not include:

- (a) *securities financing transactions*; or
- (b) the exercise of options or covered warrants; or
- (c) primary market transactions (such as issuance allotment or subscription) in *financial instruments* falling within Article 4(1)(18)(a) and (b) of *MiFID*.

(2) (in ■ CONC App 1.3, except in ■ CONC App 1.1.6R (1)(c)) a *credit agreement*, any transaction which is a *linked transaction*, any contract for the provision of *security* relating to the *credit agreement*, any *credit broking* contract relating to the *credit agreement* and any other contract to which the *borrower* or a *relative* of his is a party and which the *lender* requires to be made or maintained as a condition of the making of the *credit agreement*.

[Note: article 5 of the *MiFID Regulation*]

transaction report

FCA PRA

a report of a transaction which meets the requirements of ■ SUP 17.4.1 EU.1 R and ■ SUP 17.4.2 R (Information to appear in transaction reports).

transaction-specific advice

FCA PRA

advice on investments:

- (a) given in connection with :
 - (i) *dealing in investments as principal*; or
 - (ii) *dealing in investments as agent*; or
 - (iii) acting as an *arranger*; or

<p><i>transferable security</i></p> <p>FCA PRA</p>	<p>(b) with a view to carrying on any such activities;</p> <p>with or for the <i>eligible counterparty</i> to whom the advice is given.</p> <p>(1) (in <i>PR</i> and <i>LR</i>) (as defined in section 102A of the <i>Act</i>) anything which is a transferable security for the purposes of <i>MiFID</i>, other than money-market instruments for the purposes of that directive which have a maturity of less than 12 months.</p> <p>(2) (in <i>COLL</i>) an <i>investment</i> within ■ COLL 5.2.7 R (Transferable securities) in relation to <i>schemes</i> falling under ■ COLL 5.</p> <p>(3) those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:</p> <p style="padding-left: 20px;">(a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;</p> <p style="padding-left: 20px;">(b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities; and</p> <p style="padding-left: 20px;">(c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, <i>commodities</i> or other indices or measures.</p> <p>[Note: article 4(1)(18) of <i>MiFID</i>]</p>
<p><i>Transparency Directive</i></p> <p>FCA PRA</p>	<p>the European Parliament and Council Directive on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market or through a comparable mechanism for the disclosure of information under national requirements of a Member State concerning the dissemination of information (No. 2004/109/EC).</p>
<p><i>transparency rules</i></p> <p>FCA PRA</p>	<p>(in accordance with sections 73A(1) and 89A of the <i>Act</i>) <i>rules</i> relating to the notification and dissemination of information in respect of <i>issuers of transferable securities</i> and relating to major shareholdings.</p>
<p><i>treasury shares</i></p> <p>FCA PRA</p>	<p>shares which meet the conditions set out in paragraphs (a) and (b) of subsection 724(5) of the Companies Act 2006.</p>
<p><i>Treaty</i></p> <p>FCA PRA</p>	<p>the Treaty on the Functioning of the European Union.</p>
<p><i>Treaty activity</i></p> <p>FCA PRA</p>	<p>(as defined in section 417(1) of the <i>Act</i> (Definitions)) an activity carried on under a <i>permission</i> obtained in accordance with Schedule 4 to the <i>Act</i> (Treaty Rights).</p>
<p><i>Treaty firm</i></p> <p>FCA PRA</p>	<p>(as defined in paragraph 1 of Schedule 4 to the <i>Act</i> (Treaty Rights)) a <i>person</i>:</p> <p style="padding-left: 20px;">(a) whose head office is situated in an <i>EEA State</i> (its "<i>Home State</i>") other than the <i>United Kingdom</i>; and</p> <p style="padding-left: 20px;">(b) which is recognised under the law of that State as its national.</p>
<p><i>Treaty right</i></p> <p>FCA PRA</p>	<p>the entitlement of a <i>Treaty firm</i> to qualify for <i>authorisation</i> under Schedule 4 to the <i>Act</i> (Treaty Rights).2001/7</p>

Tribunal

FCA PRA

the Upper Tribunal, namely the Tribunal established under section 3 of the Tribunals, Courts and Enforcement Act 2007, and to which the functions of the Financial Services and Markets Tribunal were transferred on 6 April 2010 by the Transfer of Tribunal Functions Order 2010.

trust deed

FCA PRA

(A) In the PRA Handbook:

(1) (in *LR*) a trust deed or equivalent document securing or constituting *debt securities*.

(2) (in *COLL*) the deed referred to in ■ COLL 3.2.3 R (The trust deed for AUTs), together with any deed expressed to be supplemental to it, made between the *manager* and the *trustee* (or, in the case of a *recognised scheme* that is a *unit trust scheme*, the *instrument constituting the scheme* as amended from time to time).

(B) In the FCA Handbook:

(1) (in *LR*) a trust deed or equivalent document securing or constituting *debt securities*.

(2) (in *COLL*) the deed referred to in ■ COLL 3.2.3 R (The trust deed for AUTs), together with any deed expressed to be supplemental to it, made between the *manager* and the *trustee* (or, in the case of a *recognised scheme* that is a *unit trust scheme*, the *instrument constituting the fund* as amended from time to time).

trust scheme rules

FCA PRA

rules in *COLL* made by the *FCA* under section 247(1) of the *Act* (Trust scheme rules) in relation to:

- (a) the constitution, management and operation of *AUTs*;
- (b) the powers, duties, rights and liabilities of the *manager* and *trustee* of any such *scheme*;
- (c) the rights and duties of the *participants* in any such *scheme*; and
- (d) the winding up of any such *scheme*.

trustee

FCA PRA

(in accordance with section 237(2) of the *Act* (Other definitions)) (in relation to a *unit trust scheme*) the *person* holding the property in question on trust for the *participants*.

trustee firm

FCA PRA

a *firm* which is not an *OPS firm* and which is acting as a:

- (a) trustee; or
- (b) personal representative.

turnover

FCA PRA

(in relation to a *financial instrument*) means the sum of the results of multiplying the number of units of that instrument exchanged between buyers and sellers in a defined period of time, pursuant to *transactions* taking place on a *trading venue* or otherwise, by the unit price applicable to each such *transaction*.

[Note: article 2(9) of the *MiFID Regulation*]

two-day emissions spot

FCA PRA

an *emissions allowance* where delivery is to be made at an agreed date no later than the second trading day from the day of an auction on an *auction platform* (within the meaning of article 3(3) of the *auction regulation*).

Type P projection

FCA PRA

(in relation to a *pension scheme* or a *stakeholder pension scheme*) a *projection* in real value terms based on prices where the period to the *projection date* is one year or more.

Type Q
projection

FCA PRA

(in relation to *pension scheme* or a *stakeholder pension scheme*) a *projection* in real value terms based on earnings where the period to the *projection date* is one year or more.

typical APR

FCA

an *APR* at or below which the *firm communicating* or *approving* the *financial promotion* reasonably expects, at the date on which the *financial promotion* is *communicated* or *approved*, that *credit* would be provided under at least 66% of the agreements which will be entered into as a result of the *financial promotion*.

FCA PRA

unearned premium

the amount set aside by a *firm* at the end of its *financial year* out of *premiums* in respect of risks to be borne by the *firm* after the end of the *financial year* under *contracts of insurance* entered into before the end of that year.

FCA PRA

Unfair Terms Regulations

the Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended by SI 2001/1186 and SI 2001/3649.

FCA PRA

UNFCOG

the Unfair Contract Terms Regulatory Guide.

FCA PRA

unfunded credit protection

(1) (in *BIPRU* and in accordance with Article 4(32) of the *Banking Consolidation Directive* (Definitions)) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the *undertaking* of a third party to pay an amount in the event of the default of the borrower or on the occurrence of other specified events.

FCA

(2) (in *IFPRU*) has the meaning in article 4(1)(59) of the *EU CRR*.

unit

(1) (in relation to a *collective investment scheme*) the investment, specified in article 81 of the *Regulated Activities Order* (Units in a collective investment scheme) and defined in section 237(2) of the *Act* (Other definitions)), which is the right or interest (however described) of the *participants* in a *collective investment scheme*; this includes:

FCA PRA

(a) (in relation to an *AUT*) a unit representing the rights or interests of the *unitholders* in the *AUT*;

(aa) (in relation to an *ACS*) a unit representing the rights or interests of the *unitholders* in the *ACS*; and

(b) (in relation to an *ICVC*) a *share* in the *ICVC*.; and

(2) (in relation to an *alternative investment fund*) the right or interest (however described) of an investor in an *alternative investment fund*.

unit trust scheme

(as defined in section 237(1) of the *Act* (Other definitions)) a *collective investment scheme* under which the property in question is held on trust for the *participants*, except that it does not include an *authorised contractual scheme*.

FCA PRA

United Kingdom

England and Wales, Scotland and Northern Ireland (but not the Channel Islands or the Isle of Man).

FCA PRA

unitholder

(a) (in relation to an *ICVC*, *ACS* or an *AUT* as appropriate, and subject to ■ COLL 4.4.4 R (Special meaning of unitholder in ■ COLL 4.4)):

FCA PRA

(i) (in relation a *unit* which is represented by a *bearer certificate*) the *person* who holds that certificate; or(ii) (in relation to a *unit* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *unit*; or

(b) (in relation to a *unit* in *collective investment scheme* not within (a)):

(i) the holder of the *bearer certificate* representing that *unit*; or

<p><i>unitisation</i></p> <p>FCA</p>	<p>(ii) the <i>person</i> who entered on the <i>register</i> of the <i>scheme</i> as the holder of that <i>unit</i>.</p> <p>arrangements for a newly formed <i>AUT</i> or <i>ACS</i> under which:</p> <p>(a) the whole or part of the property of a <i>body corporate</i> (or a <i>collective investment scheme</i>) becomes the first <i>scheme property</i> of the <i>AUT</i> or <i>ACS</i>; and</p> <p>(b) the <i>holders</i> of:</p> <p style="padding-left: 20px;">(i) <i>shares</i> in the <i>body corporate</i> being wound up; or</p> <p style="padding-left: 20px;">(ii) <i>units</i> in the <i>collective investment scheme</i>, the property of which is being transferred;</p> <p>become the first <i>participants</i> in the <i>AUT</i> or <i>ACS</i>.</p>
<p><i>units of a collective investment scheme</i></p> <p>FCA PRA</p>	<p>(in <i>PR</i>) (as defined in Article 2.1(p) of the <i>prospectus directive</i>) securities issued by a collective investment undertaking as representing the rights of the participants in such an undertaking over its assets.</p>
<p><i>unpaid initial fund</i></p> <p>FCA PRA</p>	<p>part of the <i>initial fund</i> of a <i>mutual</i> which the <i>mutual</i> is prevented from including in its <i>tier one capital resources</i> as <i>permanent share capital</i> by reason of GENPRU 2.2.64R because it is not fully paid.</p>
<p><i>unrated position</i></p> <p>FCA PRA</p>	<p>(for the purposes of BIPRU 9 (Securitisation), in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions) and in relation to a <i>securitisation position</i>) describes a <i>securitisation position</i> which does not have an eligible credit assessment by an <i>eligible ECAI</i>.</p>
<p><i>unrecognised scheme</i></p> <p>FCA</p>	<p>(in <i>LR</i>) a <i>collective investment scheme</i> which is neither a <i>recognised scheme</i> nor a scheme that is constituted as an <i>authorised unit trust scheme</i> or <i>authorised contractual scheme</i>.</p>
<p><i>unregulated activity</i></p> <p>FCA PRA</p>	<p>an activity which is not a <i>regulated activity</i>.</p>
<p><i>unregulated collective investment scheme</i></p> <p>FCA PRA</p>	<p>a <i>collective investment scheme</i> which is not a <i>regulated collective investment scheme</i>.</p>
<p><i>unrestricted-use credit agreement</i></p> <p>FCA</p>	<p>a <i>credit agreement</i> which is not a <i>restricted-use credit agreement</i>.</p>
<p><i>unsecured debt</i></p> <p>FCA PRA</p>	<p>debt that does not fall within the definition of <i>secured debt</i>.</p>

<p><i>unsecured lending</i> FCA PRA</p>	<p>lending where the <i>mortgage lender</i> does not take a mortgage or other form of security in respect of the credit provided to the <i>customer</i>.</p>
<p><i>unsolicited real time financial promotion</i> FCA PRA</p>	<p>(in accordance with article 8 of the <i>Financial Promotion Order</i>) a <i>real time financial promotion</i> which is not a <i>solicited real time financial promotion</i>.</p>
<p><i>unsustainable</i> FCA</p>	<p>(in CONC) has the meaning given in ■ CONC 5.3.1 G.</p>
<p><i>upper tier three capital</i> FCA PRA</p>	<p>an item of capital that is specified in stage O of the <i>capital resources table</i> (Upper tier three).</p>
<p><i>upper tier three capital resources</i> FCA PRA</p>	<p>the sum calculated at stage O of the <i>capital resources table</i> (Upper tier three).</p>
<p><i>upper tier three instrument</i> FCA PRA</p>	<p>an item of capital that meets the conditions in GENPRU 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a <i>firm's upper tier three capital resources</i>.</p>
<p><i>upper tier two capital</i> FCA PRA</p>	<p>(1) [deleted] (2) (in <i>BIPRU</i>, <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stage G of the <i>capital resources table</i> (Upper tier two capital) .</p>
<p><i>upper tier two capital resources</i> FCA PRA</p>	<p>the sum calculated at stage G of the calculation in the <i>capital resources table</i> (Upper tier two capital) .</p>
<p><i>upper tier two instrument</i> FCA PRA</p>	<p>a <i>capital instrument</i> that meets the conditions in ■ GENPRU 2.2.177 R (Upper tier two capital: General) and is eligible to form part of a <i>firm's upper tier two capital resources</i>.</p>
<p><i>UPRU</i> FCA PRA</p>	<p>the Prudential sourcebook for UCITS Firms.</p>

Definitions

Principles for Businesses

negative effect on confidence in the *UK financial system*. In considering whether to take regulatory action under these *Principles* in relation to activities carried on outside the *United Kingdom*, the *appropriate regulator* will take into account the standards expected in the market in which the *firm* is operating. *Principle 11* (Relations with regulators) applies to world-wide activities; in considering whether to take regulatory action under *Principle 11* in relation to cooperation with an overseas regulator, the *appropriate regulator* will have regard to the extent of, and limits to, the duties owed by the *firm* to that regulator. (*Principle 4* (Financial prudence) also applies to world-wide activities.)

1.1.6A

FCA PRA

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■ PRIN 4 (Principles : MiFID Business) provides *guidance* on the application of the *Principles* to *MiFID business*.

Consequences of breaching the Principles

1.1.7

FCA PRA

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Breaching a *Principle* makes a *firm* liable to disciplinary sanctions. In determining whether a *Principle* has been breached it is necessary to look to the standard of conduct required by the *Principle* in question. Under each of the *Principles* the onus will be on the *appropriate regulator* to show that a *firm* has been at fault in some way. What constitutes "fault" varies between different *Principles*. Under *Principle 1* (Integrity), for example, the *appropriate regulator* would need to demonstrate a lack of integrity in the conduct of a *firm's* business. Under *Principle 2* (Skill, care and diligence) a *firm* would be in breach if it was shown to have failed to act with due skill, care and diligence in the conduct of its business. Similarly, under *Principle 3* (Management and control) a *firm* would not be in breach simply because it failed to control or prevent unforeseeable risks; but a breach would occur if the *firm* had failed to take reasonable care to organise and control its affairs responsibly or effectively.

1.1.8

FCA

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The *Principles* are also relevant to the *FCA's* powers of information-gathering, to vary a *firm's Part 4A permission*, and of investigation and intervention, and provide a basis on which the *FCA* may apply to a court for an *injunction* or restitution order or require a *firm* to make restitution. However, the *Principles* do not give rise to actions for damages by a *private person* (see ■ PRIN 3.4.4 R).

1.1.8A

PRA

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The *Principles* are also relevant to the *PRA's* powers of information-gathering, to vary a *firm's Part 4A permission*, and of investigation and intervention, and provide a basis on which the *PRA* may apply to a court for an *injunction* or restitution order or require a *firm* to make restitution.

1.1.9

FCA PRA

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Some of the other *rules* and *guidance* in the *Handbook* deal with the bearing of the *Principles* upon particular circumstances. However, since the *Principles* are also designed as a general statement of regulatory requirements applicable in new or unforeseen situations, and in situations in which there is no need for *guidance*, the *appropriate regulator's* other *rules* and *guidance* should not be viewed as exhausting the implications of the *Principles* themselves.

Responsibilities of providers and distributors under the Principles

1.1.10

FCA

G

RPPD contains *guidance* on the responsibilities of providers and distributors for the fair treatment of *customers* under the *Principles*.

1.2 Clients and the Principles

Characteristics of the client

1.2.1

FCA PRA

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Principles 6 (Customers' interests), *7* (Communications with clients), *8* (Conflicts of interest), *9* (Customers: relationships of trust) and *10* (Clients' assets) impose requirements on *firms* expressly in relation to their *clients* or *customers*. These requirements depend, in part, on the characteristics of the *client* or *customer* concerned. This is because what is "due regard" (in *Principles 6* and *7*), "fairly" (in *Principles 6* and *8*), "clear, fair and not misleading" (in *Principle 7*), "reasonable care" (in *Principle 9*) or "adequate" (in *Principle 10*) will, of course, depend on those characteristics. For example, the information needs of a general insurance broker will be different from those of a retail general insurance *policyholder*.

Approach to client categorisation

1.2.2

FCA

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Principles 6, *8* and *9* and parts of *Principle 7*, as qualified by ■ PRIN 3.4.1 R, apply only in relation to *customers* (that is, *clients* which are not *eligible counterparties*). The approach that a *firm* (other than for *credit-related regulated activities* in relation to which *client* categorisation does not apply) needs to take regarding categorisation of *clients* into *customers* and *eligible counterparties* will depend on whether the *firm* is carrying on *designated investment business* or other activities, as described in

■ PRIN 1.2.3 G .

1.2.3

FCA

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- (1) In relation to the carrying on of *designated investment business*, a *firm's* categorisation of a *client* under the COBS *client* categorisation chapter (■ COBS 3) will be applicable for the purposes of *Principles 6*, *7*, *8* and *9*.
- (1A) *Client* categorisation under ■ COBS 3 or ■ PRIN 1 Annex 1 R is not relevant to *credit-related regulated activities* and therefore the guidance on *client* categorisation does not apply in relation to a *credit-related regulated activity*. The definitions of *client* and *customer* in relation to those *regulated activities* reflect the modified meaning of "consumer" in articles 36J, 39M, 60LA, 60S and 89E of the *Regulated Activities Order*, as well as the definitions of "individual" and of "relevant recipient of credit" in that Order.
- (2) The *person* to whom a *firm* gives *basic advice* on a *stakeholder product* will be a *retail client* for all purposes, including the purposes of *Principles 6*, *7*, *8* and *9*.
- (3) In relation to carrying on activities other than *designated investment business* (for example, *general insurance business* or *accepting deposits*) the *firm* may choose to comply with *Principles 6*, *7*, *8* and *9* as if all its *clients* were

customers. Alternatively, it may choose to distinguish between *eligible counterparties* and *customers* in complying with those *Principles*. If it chooses to make such a distinction, it must comply with ■ PRIN 1 Annex 1 R in determining whether that *client* is an *eligible counterparty* (see ■ PRIN 3.4.2 R). In doing so, the requirements in SYSC will apply, including the requirement to make and retain adequate records.

- (4) In relation to carrying on activities that fall within both (1) and (3) (for example, mixed *designated investment business* and *accepting deposits*), a *firm's* categorisation of a *client* under the COBS *client* categorisation chapter (■ COBS 3) will be applicable for the purposes of *Principles* 6, 7, 8 and 9.

1.2.4 [G] [deleted]

1.2.5 [G] [deleted]

1.2.6 [G] If the *person* with or for whom the *firm* is carrying on an activity is acting through an agent, the ability of the *firm* to treat the agent as its *client* under ■ COBS 2.4.3 R (Agent as client) will not be available. For example, if a *general insurer* is effecting a *general insurance contract* through a general insurance broker who is acting as agent for a disclosed *policyholder*, the *policyholder* will be a *client* of the *firm* and the *firm* must comply with the *Principles* accordingly.

[FCA]

3.1.4

FCA PRA

G

■ PRIN 3.1.1 R (3) puts *incoming EEA firms* on an equal footing with *unauthorised overseas persons* who utilise the overseas persons exclusions in article 72 of the *Regulated Activities Order*.

3.1.5

FCA

G

■ PRIN 3.1.1 R (4) reflects section 266 of the *Act* (Disapplication of rules).

3.1.6

FCA PRA

R

A firm will not be subject to a *Principle* to the extent that it would be contrary to the UK's obligations under an EU instrument.

3.1.7

FCA PRA

G

■ PRIN 4 provides specific guidance on the application of the *Principles* for *MiFID business*.

3.1.8

FCA

G

The *Principles* will not apply to the extent that they purport to impose an obligation which is inconsistent with the *Payment Services Directive*, the *Consumer Credit Directive* or the *Electronic Money Directive*. For example, there may be circumstances in which *Principle 6* may be limited by the harmonised conduct of business obligations applied by the *Payment Services Directive* and *Electronic Money Directive* to *credit institutions* (see Parts 5 and 6 of the *Payment Services Regulations* and Part 5 of the *Electronic Money Regulations*) or applied by the *Consumer Credit Directive* (see, for example, the information requirements in the *Consumer Credit (Disclosure of Information) Regulations 2010* (SI 2010/1013)).

3.2 What?

3.2.1

PRA

R *PRIN* applies with respect to the carrying on of:

- (1) *regulated activities*;
- (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc); and
- (3) *ancillary activities* in relation to *designated investment business*, *home finance activity*, *insurance mediation activity* and *accepting deposits*.

3.2.1A

FCA

R *PRIN* applies with respect to the carrying on of:

- (1) *regulated activities*;
- (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc); and
- (3) *ancillary activities* in relation to *designated investment business*, *home finance activity*, *credit-related regulated activity*, *insurance mediation activity* and *accepting deposits*.

3.2.2

FCA

R *PRIN* also applies with respect to the *communication* and *approval* of *financial promotions* which:

- (1) if *communicated* by an *unauthorised person* without *approval* would contravene section 21(1) of the *Act* (Restrictions on financial promotion); and
- (2) may be *communicated* by a *firm* without contravening section 238(1) of the *Act* (Restrictions on promotion of collective investment schemes).

3.2.2A

FCA

R ■ PRIN 1 Annex 1 R, ■ PRIN 3.4.1 R and ■ PRIN 3.4.2 R do not apply with respect to the carrying on of *credit-related regulated activities*.

3.2.3

FCA PRA

R

Principles 3, 4 and (in so far as it relates to disclosing to the appropriate regulator) 11 (and this chapter) also:

- (1) apply with respect to the carrying on of *unregulated activities* (for *Principle 3* this is only in a *prudential context*); and
- (2) take into account any activity of other members of a *group* of which the *firm* is a member.

3



3.3 Where?

3.3.1

FCA PRA

R

Table Territorial application of the Principles

Principle	Territorial application
Principles 1, 2 and 3	in a prudential context, apply with respect to activities wherever they are carried on; otherwise, apply with respect to activities carried on from an establishment maintained by the <i>firm</i> (or its <i>appointed representative</i>) in the <i>United Kingdom</i> unless another applicable rule which is relevant to the activity has a wider territorial scope, in which case the <i>Principle</i> applies with that wider scope in relation to the activity described in that rule.
Principle 4	applies with respect to activities wherever they are carried on.
Principle 5	if the activities have, or might reasonably be regarded as likely to have, a negative effect on confidence in the <i>UK financial system</i> , applies with respect to activities wherever they are carried on; otherwise, applies with respect to activities carried on from an establishment maintained by the <i>firm</i> (or its <i>appointed representative</i>) in the <i>United Kingdom</i>.
Principles 6, 7, 8, 9 and 10	Principle 8, in a prudential context, applies with respect to activities wherever they are carried on; otherwise apply with respect to activities carried on from an establishment maintained by the <i>firm</i> (or its <i>appointed representative</i>) in the <i>United Kingdom</i> unless another applicable rule which is relevant to the activity has a wider territorial scope, in which case the <i>Principle</i> applies with that wider scope in relation to the activity described in that rule.
Principle 11	applies with respect to activities wherever they are carried on.

3.3.2

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[deleted]

3

3.4 General

Clients and the Principles

3.4.1
FCA

R Although *Principle 7* refers to *clients*, the only requirement of *Principle 7* relating to *eligible counterparties* is that a *firm* must communicate information to *eligible counterparties* in a way that is not misleading.

3.4.2
FCA

R For the purposes of *PRIN*, a *firm* intending to carry on, or carrying on, activities that do not involve *designated investment business*, may treat a *client* as an *eligible counterparty* in accordance with ■ *PRIN 1 Annex 1 R*.

3.4.3
FCA

- G**
- (1) ■ *COBS 3* (Client categorisation) applies to a *firm* intending to conduct, or conducting, *designated investment business* (other than giving *basic advice*) and *ancillary activities* relating to *designated investment business*. Any *client* categorisation established in relation to such business will be applicable for the purposes of *Principles 6, 7, 8 and 9*.
 - (2) The *person* to whom a *firm* gives *basic advice* will be a *retail client* for all purposes including the purposes of *Principles 6, 7, 8 and 9*.
 - (3) ■ *PRIN 3.4.1 R* and ■ *PRIN 3.4.2 R* do not apply with respect to the carrying on of *credit-related regulated activities*. Client categorisation does not apply in relation to carrying on a *credit-related regulated activity*. The definitions of *client* and *customer* in relation to those *regulated activities* reflect the modified meaning of "consumer" in articles 36J, 39M and 89E of the *Regulated Activities Order*, as well as the definitions of "individual" and of "relevant recipient of credit" in that Order.

Actions for damages

3.4.4
FCA

R A contravention of the *rules* in *PRIN* does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

Reference to "regulators" in Principle 11

3.4.5
FCA PRA

R Where *Principle 11* refers to regulators, this means, in addition to the *appropriate regulator*, other regulators with recognised jurisdiction in relation to *regulated activities*, whether in the *United Kingdom* or abroad.

Senior Management Arrangements, Systems and Controls

Detailed application of SYSC

Part 1		Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society	
	Who?		
1.1	R	SYSC 2 and SYSC 3 only apply to an <i>insurer, a managing agent and the Society</i> except that:	
[FCA]			
[PRA]			
		(1)	for an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> : <ul style="list-style-type: none"> (a) SYSC 2.1.1 R and SYSC 2.1.2 G do not apply; (b) SYSC 2.1.3 R to SYSC 2.2.3 G apply, but only in relation to allocation of the function in SYSC 2.1.3 R (2) and only in so far as responsibility for the matter in question is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i>; and (c) SYSC 3 applies, but only in so far as responsibility for the matter in question is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i>;
		(2)	for an <i>incoming EEA firm</i> which has <i>permission only for cross border services</i> and which does not carry on <i>regulated activities</i> in the <i>United Kingdom</i> , SYSC 2 and SYSC 3 do not apply;
		(3)	for an <i>incoming Treaty firm</i> which has <i>permission only for cross border services</i> and which does not carry on <i>regulated activities</i> in the <i>United Kingdom</i> , SYSC 3.2.6A R to SYSC 3.2.6J G do not apply;
		(4)	for a <i>sole trader</i> : <ul style="list-style-type: none"> (a) SYSC 2 applies but only if he employs any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements); (b) SYSC 3.2.6I R does not apply if he has no <i>employees</i>; and
		(5)	SYSC 2 and SYSC 3 do not apply to an <i>incoming ECA provider</i> acting as such.
1.2	G	(1)	Question 12 in SYSC 2.1.6 G contains guidance on SYSC 1 Annex 1.1.1R(1)(b) and SYSC 1 Annex 1.1.1R(1)(c).
[FCA]			
[PRA]			

Part 1 Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society

- (2) SYSC 1 Annex 1.1.8R further restricts the territorial application of SYSC 2 and SYSC 3 for an *incoming EEA firm* or an *incoming Treaty firm*.
- (3) SYSC 1 Annex 1.1.1R(3) puts an *incoming EEA firm* on an equal footing with unauthorised *overseas persons* who utilise the *overseas persons* exclusions in article 72 of the *Regulated Activities Order*.
- (4) Further *guidance* on which matters are reserved to a *firm's Home State regulator* can be found at SUP 13A Annex 2 G.

What?

1.3 R SYSC 2 and SYSC 3 apply with respect to the carrying on of:

[FCA]
[PRA]

- (1) *regulated activities*;
- (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc); and
- (3) *ancillary activities* in relation to *designated investment business*, *home finance activity* and *insurance mediation activity*;

except that SYSC 3.2.6A R to SYSC 3.2.6J G do not apply as described in SYSC 1 Annex 1.1.4R.

1.4 R SYSC 3.2.6A R to SYSC 3.2.6J G do not apply:

[FCA]

- (1) with respect to the activities described in SYSC 1 Annex 1.1.3R(2) and SYSC 1 Annex 1.1.3R(3); or
- (2) in relation to the following *regulated activities*:
 - (a) *general insurance business*;
 - (b) *insurance mediation activity* in relation to a *general insurance contract* or *pure protection contract*;
 - (c) *long-term insurance business* which is outside the *Consolidated Life Directive* (unless it is otherwise one of the *regulated activities* specified in this rule);
 - (d) business relating to contracts which are within the *Regulated Activities Order* only because they fall within paragraph (e) of the definition of "contract of insurance" in article 3 of that Order;

Part 1		Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society
		<p>(e) (i) arranging, by the <i>Society</i>, of deals in <i>general insurance contracts</i> written at Lloyd's; and</p> <p>(ii) <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;</i></p> <p>(f) <i>home finance mediation activity and administering a home finance transaction; and</i></p> <p>(g) <i>reversion activity.</i></p>
1.5	R	<p>SYSC 2 and SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also apply with respect to the <i>communication and approval of financial promotions</i> which:</p> <p>(1) if <i>communicated</i> by an <i>unauthorised person</i> without <i>approval</i> would contravene section 21(1) of the <i>Act</i> (Restrictions on financial promotion); and</p> <p>(2) may be <i>communicated</i> by a <i>firm</i> without contravening section 238(1) of the <i>Act</i> (Restrictions on promotion of collective investment schemes).</p>
[FCA]		
1.6	R	<p>SYSC 2 and SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also:</p> <p>(1) apply with respect to the carrying on of <i>unregulated activities</i> in a <i>prudential context</i>; and</p> <p>(2) take into account any activity of other members of a <i>group</i> of which the <i>firm</i> is a member.</p>
[FCA]		
[PRA]		
1.7	G	<p>SYSC 1 Annex 1.1.6R(2) does not mean that inadequacy of a <i>group</i> member's systems and controls will automatically lead to a <i>firm</i> contravening, for example, SYSC 3.1.1 R. Rather, the potential impact of a <i>group</i> member's activities, including its systems and controls, and any systems and controls that operate on a <i>group</i> basis, will be relevant in determining the appropriateness of the <i>firm's</i> own systems and controls.</p> <p>Where?</p>
[FCA]		
[PRA]		
1.8	R	<p>SYSC 2 and SYSC 3 apply with respect to activities carried on from an establishment maintained by the <i>firm</i> (or its <i>appointed representative</i> or, where applicable, its <i>tier agent</i>) in the <i>United Kingdom</i> unless another applicable <i>rule</i> which is relevant to the activity has a wider territorial scope, in which case SYSC 2 and SYSC 3 apply with that wider scope in relation to the activity described in that <i>rule</i>.</p>
[FCA]		
[PRA]		
1.9	R	<p>SYSC 2 and SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also apply in a <i>prudential context</i> to a <i>UK domestic firm</i> with respect to activities wherever they are carried on.</p>
[PRA]		

Part 1		Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society
1.10	R	SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also applies in a prudential context to an overseas firm (other than an incoming EEA firm or an incoming Treaty firm) with respect to activities wherever they are carried on.
[PRA]		
1.11	G	(1) In considering whether to take regulatory action under SYSC 2 or SYSC 3 in relation to activities carried on outside the United Kingdom, the appropriate regulator will take into account the standards expected in the market in which the firm is operating.
[FCA]		
[PRA]		
		(2) Most of the rules in SYSC 3 are linked to other requirements and standards under the regulatory system which have their own territorial limitations so that those SYSC rules are similarly limited in scope.
		Actions for damages
1.12	R	A contravention of the rules in SYSC 2 and SYSC 3 does not give rise to a right of action by a private person under section 138D of the Act (and each of those rules is specified under section 138D(3) of the Act as a provision giving rise to no such right of action).
[FCA]		

Part 2		Application of the common platform requirements (SYSC 4 to 10)
		Who?
2.1	R	The common platform requirements apply to every firm apart from an insurer, a managing agent and the Society unless provided otherwise in a specific rule.
[FCA]		
[PRA]		
2.2	R	For an incoming EEA firm or an incoming Treaty firm:
[FCA]		
[PRA]		
		(1) the rule on responsibility of senior personnel (SYSC 4.3) does not apply;
		(2) the common platform requirements apply only in so far as responsibility for the matter in question is not reserved by an EU instrument to the firm's Home State regulator;
		(3) for an incoming EEA firm which has permission only for cross-border services and which does not carry on regulated activities in the United Kingdom, the common platform requirements do not apply;
		(4) for an incoming Treaty firm which has permission only for cross-border services and which does not carry on regulated activities in the United Kingdom, the common platform requirements on financial crime do not apply.
2.3	R	For a sole trader:

Part 2		Application of the common platform requirements (SYSC 4 to 10)
[FCA]		<p>(1) SYSC 4.3 and 4.4 do not apply as long as he does not employ any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements);</p> <p>(2) SYSC 4.1.4 R and SYSC 6.3.9 R do not apply if he has no <i>employees</i>.</p>
2.4	R	For a <i>UCITS</i> <i>qualifier</i> :
[FCA]		<p>(1) the <i>rule</i> on responsibility of senior personnel (SYSC 4.3) does not apply; and</p> <p>(2) the <i>common platform requirements</i> apply in relation to the <i>communication</i> and <i>approval</i> of <i>financial promotions</i> only as set out in SYSC 1 Annex 1.2.12R.</p> <p>[Note: section 266 of the <i>Act</i>.]</p>
2.4A	R	For an <i>AIFM</i> <i>qualifier</i> :
[FCA]		<p>(1) the <i>rule</i> on responsibility of senior personnel (SYSC 4.3) does not apply; and</p> <p>(2) the <i>common platform requirements</i> apply in relation to the <i>communication</i> and <i>approval</i> of <i>financial promotions</i> only as set out in SYSC 1 Annex 1, 2.12R.</p>
2.5	R	For an <i>authorised professional firm</i> when carrying on <i>non-mainstream regulated activities</i> , the <i>common platform requirements</i> on <i>financial crime</i> , <i>conflicts of interest</i> and <i>Chinese walls</i> do not apply.
[FCA]		
2.5A	R	The <i>common platform requirements</i> on <i>financial crime</i> do not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i> , and not the <i>FCA</i> , acts as the supervisory authority for the purposes of those regulations.
[FCA]		
2.6	R	The <i>common platform requirements</i> do not apply to an <i>incoming ECA provider</i> acting as such.
[FCA]		
[PRA]		
2.6A	R	The <i>common platform requirements</i> do not apply to a <i>firm</i> (including an <i>incoming EEA firm</i>) in relation to its carrying on of <i>auction regulation bidding</i> , except for:
[FCA]		
[PRA]		
		<p>(1) SYSC 6.1.1 R which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including</p>

Part 2 Application of the common platform requirements (SYSC 4 to 10)

		its managers, employees and <i>appointed representatives</i>) might be used to further <i>financial crime</i> ; and
	(2)	SYSC 6.3 (Financial crime).
2.6B [FCA]	R	Subject to SYSC 1 Annex 1 2.6CR, the <i>common platform requirements</i> do not apply to a <i>full-scope UK AIFM</i> of an <i>unauthorised AIF</i> except for:
	(1)	SYSC 4.1.1 R to SYSC 4.1.2 R and SYSC 4.1.2B R to SYSC 4.1.2D R;
	(2)	SYSC 4.2.1 R, SYSC 4.2.1B R, SYSC 4.2.2 R to SYSC 4.2.5 G, SYSC 4.2.7 R and SYSC 4.2.8 G;
	(3)	SYSC 6.1.1 R, which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers and <i>employees</i>) might be used to further <i>financial crime</i> ;
	(4)	SYSC 6.1.4A G;
	(5)	SYSC 6.3;
	(6)	SYSC 7.1.7B G;
	(7)	SYSC 10.1.1 R and SYSC 10.1.22 R to SYSC 10.1.26 R; and
	(8)	SYSC 10.2.
2.6C [FCA]	R	The <i>common platform requirements</i> apply to an <i>AIFM investment firm</i> which is a <i>full-scope UK AIFM</i> in respect of its <i>MiFID business</i> in line with Column A of Part 3.
2.6D [FCA]	R	The <i>common platform requirements</i> apply to a <i>full-scope UK AIFM</i> of an <i>authorised AIF</i> in line with column A++ of Part 3.
2.6E [FCA]	G	The <i>common platform requirements</i> apply to a <i>small authorised UK AIFM</i> in line with Column B of Part 3 (unless such a <i>firm</i> is also a <i>common platform firm</i> , in which case they must comply with Column A).
2.6F [FCA]	R	The <i>common platform requirements</i> do not apply to an <i>incoming EEA AIFM branch</i> in respect of its management of a <i>UK AIF</i> , except for:
	(1)	those <i>common platform requirements</i> which are <i>AIFMD host state requirements</i> ;
	(2)	SYSC 6.1.1 R which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers and <i>employees</i>) might be used to further <i>financial crime</i> ; and
	(3)	SYSC 6.3.

Part 2		Application of the common platform requirements (SYSC 4 to 10)
2.7	G	<i>EEA MiFID investment firms</i> are reminded in particular that they must comply with the <i>common platform record-keeping requirements</i> in relation to a <i>branch</i> in the <i>United Kingdom</i> .
[FCA]		
2.7A	G	<i>EEA UCITS management companies</i> are also reminded that they must comply with:
[FCA]		
		<ol style="list-style-type: none"> (1) the <i>common platform requirements</i> indicated in Column A+ (Application to a management company) in Part 3 of this Annex; (2) the <i>common platform record-keeping requirements</i>; and (3) the <i>common platform requirements on financial crime</i>; <p>in relation to activities carried on from a <i>branch</i> in the <i>United Kingdom</i>. Where the <i>common platform requirement</i> addresses matters within the scope of article 12 of the <i>UCITS Directive</i>, an <i>EEA UCITS management company</i> should note that those matters may also be subject to the rules of its <i>Home State regulator</i>.</p> <p>[Note: articles 12(1)(b), 14(1)(c), 14(1)(d), 17(4), 18(3) and 19(1) of the <i>UCITS Directive</i> and articles 4(1)(e), 10(1), 10(2) and 10(3) of the <i>UCITS implementing Directive</i>]</p>
	What?	
2.8	R	The <i>common platform organisational requirements</i> apply with respect to the carrying on of the following (unless provided otherwise within a specific <i>rule</i>):
[FCA]		
[PRA]		
		<ol style="list-style-type: none"> (1) <i>regulated activities</i>; (2) activities that constitute <i>dealing in investments as principal</i>, disregarding the exclusion in article 15 of the <i>Regulated Activities Order</i> (Absence of holding out etc); (3) <i>ancillary activities</i>; (4) in relation to <i>MiFID business, ancillary services</i> ; and (5) <i>collective portfolio management</i>.
2.9	G	The application of the provisions on the conflicts of interest in SYSC 10 is set out in SYSC 10.1.1 R and SYSC 10.2.1 R
[FCA]		
[PRA]		
2.10	R	The provisions on record-keeping in SYSC 9 apply as set out in SYSC 1 Annex 1.2.8R, except that they only apply to the carrying on of <i>ancillary activities</i> that are performed in relation to:
[FCA]		
		<ol style="list-style-type: none"> (1) <i>designated investment business</i>; (2) <i>home finance activity</i>; (3) <i>insurance mediation activity</i>;

Part 2 Application of the common platform requirements (SYSC 4 to 10)

- 2.11 R (4) **credit-related regulated activity.**
- [FCA] The *common platform requirements on financial crime* apply as set out in SYSC 1 Annex 1.2.8R, except that they do not apply:
- (1) **with respect to:**
- (a) **activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc); and**
- (b) ***ancillary activities*; or**
- (2) **in relation to the following *regulated activities*:**
- (a) ***general insurance business*;**
- (b) ***insurance mediation activity* in relation to a *general insurance contract* or *pure protection contract*;**
- (c) ***long-term insurance business* which is outside the *Consolidated Life Directive* (unless it is otherwise one of the *regulated activities* specified in this rule);**
- (d) **business relating to contracts which are within the *Regulated Activities Order* only because they fall within paragraph (e) of the definition of "contract of insurance" in article 3 of that Order;**
- (e) (i) **arranging by the *Society* of deals in *general insurance contracts* written at Lloyd's; and**
- (ii) ***managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's*;**
- (f) ***home finance mediation activity* and *administering a home finance transaction*;**
- (g) ***reversion activity*; and**
- (h) ***meeting of repayment claims* and *managing dormant account funds (including the investment of such funds)*.**
- 2.12 R The *common platform organisational requirements*, except the *common platform requirements on financial crime*, also apply with respect to the *communication and approval of financial promotions* which:
- [FCA] (1) **if *communicated* by an *unauthorised person* without *approval* would contravene section 21(1) of the Act (Restrictions on financial promotion); and**
- (2) **may be *communicated* by a *firm* without contravening section 238(1) of the Act (Restrictions on promotion of collective investment schemes).**

Part 2		Application of the common platform requirements (SYSC 4 to 10)
2.13	R	The <i>common platform organisational requirements</i> , except the <i>common platform requirements on financial crime</i> , also:
[FCA]		
[PRA]		
		(1) apply with respect to the carrying on of <i>unregulated activities</i> in a <i>prudential context</i> ; and
		(2) take into account any activity of other members of a <i>group</i> of which the <i>firm</i> is a member.
2.13A	R	SYSC 6.3 only applies to a <i>firm</i> in relation to carrying on a <i>credit-related regulated activity</i> to which the <i>Money Laundering Regulations</i> also apply.
[FCA]		
2.13B	R	SYSC 6.3.8 R and SYSC 6.3.9 R do not apply to a <i>firm</i> with a <i>limited permission</i> for entering into a <i>regulated credit agreement as lender</i> .
[FCA]		
2.13C	G	The <i>persons</i> to whom the <i>Money Laundering Regulations</i> apply are set out in regulation 3 of the <i>Money Laundering Regulations</i> . The <i>persons</i> include <i>credit institutions</i> (for example, banks) and financial institutions (for example, <i>persons</i> who carry on <i>regulated activities</i> which consist of or include entering into <i>regulated credit agreements as lender</i>). These expressions are defined in regulation 3 of those Regulations.
[FCA]		
2.14	G	SYSC 1 Annex 1.2.13R(2) does not mean that inadequacy of a <i>group</i> member's systems and controls will automatically lead to a <i>firm</i> contravening any of the <i>common platform organisational requirements</i> . Rather, the potential impact of a <i>group</i> member's activities, including its systems and controls, and any systems and controls that operate on a <i>group</i> basis, will be relevant in determining the appropriateness of the <i>firm's</i> own systems and controls.
[FCA]		
[PRA]		
		Where?
2.15	R	The <i>common platform requirements</i> , except the <i>common platform record-keeping requirements</i> , apply to a <i>firm</i> in relation to activities carried on by it from an establishment in the <i>United Kingdom</i> .
[FCA]		
[PRA]		
2.16	R	The <i>common platform requirements</i> , except the <i>common platform requirements on financial crime</i> and the <i>common platform record-keeping requirements</i> , apply to a <i>firm</i> that is not a <i>UK UCITS management company</i> in relation to <i>passported activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
[PRA]		
2.16A	R	(1) The <i>common platform requirements</i> referred to in Column A+ of Part 3 (below) apply to a <i>UK UCITS management company</i> in relation to <i>passported activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
		(2) Any other <i>common platform requirement</i> applies to a <i>UK UCITS management company</i> in relation to <i>passported activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> to the extent that

Part 2 Application of the common platform requirements (SYSC 4 to 10)

the requirement addresses matters within the scope of article 12 of the *UCITS Directive*.

2.16B	G	The matters referred to in paragraph 2.16AR of this Annex may also be subject to the rules of the <i>UK UCITS management company's Host State regulator</i> .
[FCA]		
2.16C	R	The <i>common platform requirements</i> apply to a <i>full-scope UK AIFM</i> in respect of its management of an <i>AIF</i> where carried on from an establishment in the <i>UK</i> .
[FCA]		
2.16D	R	The <i>common platform requirements</i> , except those which are <i>AIFMD host state requirements</i> , apply to a <i>full-scope UK AIFM</i> in respect of its management of an <i>EEA AIF</i> from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
2.16E	R	The <i>common platform requirements</i> apply to an <i>AIFM investment firm</i> which is a <i>full-scope UK AIFM</i> in respect of its <i>MiFID business</i> where carried on from an establishment in the <i>UK</i> .
[FCA]		
2.16F	R	The <i>common platform requirements</i> , except the <i>common platform requirements on financial crime</i> and the <i>common platform record-keeping requirements</i> , apply to an <i>AIFM investment firm</i> in respect of its <i>MiFID business</i> where carried on from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
2.17	R	The <i>common platform record-keeping requirements</i> apply to activities carried on by a firm from an establishment maintained in the <i>United Kingdom</i> , unless another applicable <i>rule</i> which is relevant to the activity has a wider territorial scope, in which case the <i>common platform record-keeping requirements</i> apply with that wider scope in relation to the activity described in that <i>rule</i> .
[FCA]		
[PRA]		
		[Note: article 13(9) of <i>MiFID</i>]
2.18	R	The <i>common platform organisational requirements</i> , except the <i>common platform requirements on financial crime</i> , also apply in a <i>prudential context</i> to a <i>UK domestic firm</i> and to an <i>overseas firm</i> (other than an <i>incoming EEA firm</i> or an <i>Incoming Treaty firm</i>) with respect to activities wherever they are carried on.
[FCA]		
[PRA]		
		Actions for damages
2.19	R	A contravention of a <i>rule</i> in the <i>common platform requirements</i> does not give rise to a right of action by a <i>private person</i> under section 138D of the <i>Act</i> (and each of those <i>rules</i> is specified under section 138D(3) of the <i>Act</i> as a provision giving rise to no such right of action).
[FCA]		

Part 3 Tables summarising the application of the common platform requirements to different types of firm

3.1	G	The <i>common platform requirements</i> apply in the following four ways (subject to the provisions in Part 2 of this Annex).
[FCA]		
[PRA]		

Part 3 Tables summarising the application of the common platform requirements to different types of firm		
3.2 [FCA] [PRA]	G	For a <i>common platform firm</i> , they apply in accordance with Column A in the table below.
3.2A [FCA]	G	For a <i>management company</i> , they apply in accordance with Column A+ in the table below.
3.2B [FCA] [PRA]	R	For a <i>full-scope UK AIFM</i> of an <i>authorised AIF</i> , they apply in line with Column A++ in the table below.
3.3 [FCA] [PRA]	G	For all other <i>firms</i> apart from <i>insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs</i> , they apply in accordance with Column B in the table below. For these <i>firms</i> , where a <i>rule</i> is shown modified in Column B as 'Guidance', it should be read as <i>guidance</i> (as if "should" appeared in that rule instead of "must") and should be applied in a proportionate manner, taking into account the nature, scale and complexity of the firm's business.

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.1.1 R [FCA] [PRA]	Rule	Rule	Rule	Rule
SYSC 4.1.1A R [FCA] [PRA]	Not applicable	Not applicable	Rule	Not applicable
SYSC 4.1.1B R	Not applicable	Not applicable	Rule	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
SYSC 4.1.1C R	Rule for a <i>BIPRU firm</i>	Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
[FCA]				
SYSC 4.1.2 R	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Rule	Guidance
[FCA]				
[PRA]				
SYSC 4.1.2A G	Not applicable	Guidance for a <i>UCITS firm</i> ; not applicable to a <i>UCITS investment firm</i>	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.2AA R	Rule for a <i>BIPRU firm</i>	Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
[FCA]				
SYSC 4.1.2B R	Not applicable	Rule	Rule	Not applicable
[FCA]				
SYSC 4.1.2C R	Not applicable		Rule	Not applicable
[FCA]				
SYSC 4.1.2D R	Not applicable	Not applicable	Rule	Not applicable
[FCA]				
[PRA]				
SYSC 4.1.3 R	[deleted]	[deleted]	[deleted]	[deleted]
[FCA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[PRA]				
SYSC 4.1.4 R	Rule	Rule	Not applicable	(1) and (3) Guidance (2) Rule
[FCA] [PRA]				
SYSC 4.1.4A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.5 R	Rule applies only to a <i>MiFID investment firm</i>	Rule	Not applicable	Not applicable
[FCA]				
[PRA]				
SYSC 4.1.6 R	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.7 R	Rule	Rule	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.7A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.8 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.1.9 R	Rule	Rule	Not applicable	Not applicable
[FCA]				
[PRA]				
SYSC 4.1.10 R	Rule	Rule	Not applicable	Guidance - except reference to SYSC 4.1.9 R which does not apply to these firms
[FCA]				
[PRA]				
SYSC 4.1.10A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.11 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 4.1.13 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 4.1.14 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.2.1 R [FCA] [PRA]	Rule	Rule	Rule	- UK branch of <i>non-EEA bank</i> - rule applies. - Other <i>firms</i> - Guidance
SYSC 4.2.1A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 4.2.2 R [FCA] [PRA]	Rule	Rule	Rule	- UK branch of a <i>non-EEA bank</i> - Rule applies - Other <i>firms</i> - this provision does not apply
SYSC 4.2.3 G - 4.2.5 G [FCA] [PRA]	Guidance	Guidance	Guidance	- UK branch of a <i>non-EEA bank</i> - Guidance - Other <i>firms</i> - these provisions do not apply
SYSC 4.2.6 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	- UK branch of a <i>non-EEA bank</i> - Rule applies - Other <i>firms</i> - this provision does not apply
SYSC 4.2.7 R [FCA]	Not applicable	Not applicable	Rule	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[PRA] SYSC 4.2.8 G	Not applicable	Not applicable	Rule	Not applicable
[FCA]				
[PRA] SYSC 4.2.9G	Not applicable	Not applicable	Guidance	Not applicable
[FCA]				
[PRA] SYSC 4.3.1 R	Rule	Rule	Not applicable	Rule (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA] SYSC 4.3.2 R	Rule	Rule	Not applicable	Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA] SYSC 4.3.2A G	Not applicable	Not applicable	Not applicable	Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA] SYSC 4.3.3 G	Guidance	Guidance	Not applicable	Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.3A.1 R [FCA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.1 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.2 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.3 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.4 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.5 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.7 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.3A.8 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.9 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.10 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.3A.11 R [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 4.4.1 R [PRA]	Not applicable	Not applicable	Not applicable	Rule applies this section only: <i>(1) an authorised professional firm in respect of its non-mainstream regulated activities unless the firm is also conducting other regulated activities and has appointed approved persons to perform the gov-</i>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	<p>Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs</p> <p><i>erning functions with equivalent responsibilities for the firm's non-mainstream regulated activities and other regulated activities;</i></p> <p>2) activities carried on by a firm whose principal purpose is to carry on activities other than regulated activities and which is:</p> <p>(a) an oil market participant;</p> <p>(b) a service company;</p> <p>(c) an energy market participant;</p> <p>(d) a wholly-owned subsidiary of:</p> <p>(i) a local authority;</p> <p>(ii) a registered social landlord;</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
				<p>(e) a firm with permission to carry on insurance mediation activity in relation to non-investment insurance contracts but no other regulated activity;</p> <p>3) an incoming Treaty firm, an incoming EEA firm and a UCITS qualifier, (but only SYSC 4.4.5 R (2) applies for these firms); and</p> <p>(4) a sole trader, but only if he employs any person who is required to be approved under section 59 of the Act (Approval for particular arrangements).</p>
SYSC 4.4.1A R [FCA]	Not applicable	Not applicable	Not applicable	<p>Rule applies this section only to:</p> <p>(1) an authorised professional firm in respect of its non-mainstream regulated activities unless the firm is</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	<p>Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs</p> <p>also conducting other regulated activities and has appointed approved persons to perform the governing functions with equivalent responsibilities for the firm's non-mainstream regulated activities and other regulated activities;</p> <p>(2) activities carried on by a firm whose principal purpose is to carry on activities other than regulated activities and which is:</p> <p>(a) an oil market participant;</p> <p>(b) a service company;</p> <p>(c) an energy market participant;</p> <p>(d) a wholly-owned subsidiary of:</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	<p>Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs</p> <p>(i) a local authority;</p> <p>(ii) a registered social landlord;</p> <p>(e) a firm with permission to carry on insurance mediation activity in relation to non-investment insurance contracts but no other regulated activity;</p> <p>(2A) a credit firm which holds a limited permission (other than a not-for-profit debt advice body) with respect to the relevant credit activity (as defined in paragraph 2G of Schedule 6 to the Act) for which it has limited permission;</p> <p>(3) an incoming Treaty firm, an incoming EEA firm and a UCITS qualifier, (but only SYSC 4.4.5 R (2) ap-</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
				plies for these firms); and (4) a <i>sole trader</i> , but only if he employs any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements).
SYSC 4.4.2 G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1 R or SYSC 4.4.1A R
SYSC 4.4.3 R [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Rule only applying to the <i>firms</i> specified in SYSC 4.4.1 R or SYSC 4.4.1A R
SYSC 4.4.4 G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1 R or SYSC 4.4.1A R
SYSC 4.4.5 R [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Rule only applying to the <i>firms</i> specified in SYSC 4.4.1 R or SYSC 4.4.1A R
SYSC 4.4.6 G [FCA]	Not applicable	Not applicable	Not applicable	Guidance only applying to the <i>firms</i>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[PRA]				specified in SYSC 4.4.1 R or SYSC 4.4.1A R

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 5.1.1 R	Rule	Rule	Not applicable	Rule
[FCA]				
[PRA]				
SYSC 5.1.2 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.3 G	Guidance	Guidance	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.4 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 5.1.4A G	Guidance	Guidance	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
[PRA]				
SYSC 5.1.5 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.5A G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.6 R	Rule	Rule	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.7 R	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.7A G	Not applicable	Not applicable to a <i>UCITS investment firm</i> ; otherwise guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.8 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.9 G	Guidance	Guidance	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
[PRA]				
SYSC 5.1.10 G	Guidance	Guidance	Guidance, but not applicable for the segregation of risk management functions	Guidance
[FCA]				
[PRA]				
SYSC 5.1.11 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.12 R	Rule	Rule	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.12A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.13 R	Rule	Rule	Not applicable	Rule
[FCA]				
[PRA]				
SYSC 5.1.14 R	Rule	Rule	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.15 G	Not applicable	Not applicable	Not applicable	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs

[FCA]

[PRA]

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs

SYSC 6.1.1 R

Rule

Rule

Rule but only regarding the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the *firm* (including its managers and employees) might be used to further *financial crime*

Rule

[FCA]

[PRA]

SYSC 6.1.1A G

Guidance

Guidance

Guidance

Guidance

[FCA]

[PRA]

SYSC 6.1.2 R

Rule

Rule

Not applicable

Guidance

[FCA]

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
[PRA] SYSC 6.1.2A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA] [PRA] SYSC 6.1.3 R	Rule	Rule	Not applicable	- Guidance
[FCA] [PRA]				This provision shall be read with the following additional sentence at the start. "Depending on the nature, scale and complexity of its business, it may be appropriate for a <i>firm</i> to have a separate compliance function. Where a <i>firm</i> has a separate compliance function, the <i>firm</i> should also take into account 6.1.3 R and 6.1.4 R as guidance."
SYSC 6.1.3A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA] [PRA] SYSC 6.1.4 R	Rule	Rule	Not applicable	(1) (3) and (4) Guidance (2) - Rule for <i>firms</i> which carry on <i>designated invest-</i>
[FCA] [PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.1.4A G	Not applicable	Not applicable	Rule	<i>ment business with or for retail clients or professional clients.</i> - Guidance for all other firms. Guidance
[FCA]				
[PRA]				
SYSC 6.1.4BG[FCA]	Not applicable	Not applicable	Guidance	Not applicable
SYSC 6.1.4A R	Not applicable	Not applicable	Not applicable	Rule for firms which carry on designated investment business with or for retail clients or professional clients.
[FCA]				
SYSC 6.1.4C R	Not applicable	Not applicable	Not applicable	Rule for debt management firms and credit repair firms.
[FCA]				
SYSC 6.1.5 R			Not applicable	- Guidance
[FCA]				
[PRA]				- "investment services and activities" shall be read as "financial services and activities"
SYSC 6.1.6 R	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.1.7 R[FCA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise not applicable	Not applicable	Guidance
SYSC 6.2.1 R	Rule	Rule	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 6.2.1A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 6.2.2 G	Guidance	Guidance	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 6.3.1 R	Rule	Rule	Rule	Rule
[FCA]				For firms carrying on a credit-related regulated activity, applies only where <i>Money Laundering Regulations</i> apply to the firm. Rule does not apply to a firm for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.3.2 G [FCA]	Guidance	Guidance	Guidance	<p>the supervisory authority for the purposes of those regulations.(FCA Handbook only)</p> <p>Guidance</p> <p>For firms carrying on a credit-related regulated activity, applies only where Money Laundering Regulations apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations.(FCA Handbook only)</p>
SYSC 6.3.3 R [FCA]	Rule	Rule	Rule	<p>Rule</p> <p>For firms carrying on a credit-related regulated activity, applies only where Money Laundering Regulations apply to the firm. Rule does not apply to</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.3.4 G [FCA]	Guidance	Guidance	Guidance	<p>a firm for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> <p>Guidance</p> <p>For firms carrying on a credit-related regulated activity, applies only where <i>Money Laundering Regulations</i> apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.3.5 G	Guidance	Guidance	Guidance	Guidance
[FCA]				For <i>firms</i> carrying on a <i>credit-related regulated activity</i> , applies only where <i>Money Laundering Regulations</i> apply to the <i>firm</i> . Guidance does not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i> , and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)
SYSC 6.3.6 G	Guidance	Guidance	Guidance	Guidance
[FCA]				For <i>firms</i> carrying on a <i>credit-related regulated activity</i> , applies only where <i>Money Laundering Regulations</i> apply to the <i>firm</i> . Guidance does not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i> , and

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.3.7 G [FCA]	Guidance	Guidance	Guidance	not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only) Guidance For firms carrying on a credit-related regulated activity, applies only where Money Laundering Regulations apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)
SYSC 6.3.8 R [FCA]	Rule	Rule	Rule	Rule For firms carrying on a credit-related regulated activity, applies only where Money Laundering Regulations apply to the firm. Rule

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.3.9 R	Rule	Rule	Rule	<p>does not apply to firm with a limited permission for entering into a regulated credit agreement as lender.</p> <p>Rule does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> <p>Rule</p> <p>For firms carrying on a credit-related regulated activity, applies only where Money Laundering Regulations apply to the firm. Rule does not apply to firm with a limited permission for entering into a regulated credit agreement as lender.</p> <p>Rule does not apply to a firm for which a professional body listed in</p>
[FCA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.3.10 G [FCA]	Guidance	Guidance	Guidance	<p>Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> <p>Guidance</p> <p>For firms carrying on a credit-related regulated activity, applies only where Money Laundering Regulations apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p>
SYSC 6.3.11 G [FCA]	Guidance	Guidance	Guidance	<p>Guidance</p> <p>For firms carrying on a credit-related regulated activity, applies only where</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
				<i>Money Laundering Regulations apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</i>
Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 7.1.1 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 7.1.2 R	Rule	Rule for a UCITS investment firm; otherwise guidance	Not applicable	Guidance
[FCA] [PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 7.1.2A G [FCA] [PRA]	Not applicable	Not applicable to a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.2B G [FCA] [PRA]	Not applicable	Guidance	Not applicable	Not applicable
SYSC 7.1.3 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.4 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.4A G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.4B G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.5 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.6 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.7 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ;	Not applicable	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 7.1.7A G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.7B G [FCA] [PRA]	Guidance applies only to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Guidance	Guidance
SYSC 7.1.7BA G [FCA]	Not applicable	Not applicable	Guidance	Not applicable
SYSC 7.1.7BB G [FCA]	Guidance applies only to a <i>BIPRU firm</i>	Guidance applies only to a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 7.1.7C G [FCA] [PRA]	Guidance	Guidance	Guidance	Guidance
SYSC 7.1.8 G [FCA] [PRA]	[deleted]	[deleted]	[deleted]	[deleted]
SYSC 7.1.9 R [FCA] [PRA]	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.10 R [FCA] [PRA]	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 7.1.11 R [FCA] [PRA]	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.12 G [FCA] [PRA]	Guidance applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.13 R - 7.1.16 R [FCA] [PRA]	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.16A G [FCA]	Guidance applies to a <i>BIPRU firm</i>	Guidance for a <i>UCITS investment firm</i> otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.16B G [FCA]	Guidance applies to a <i>BIPRU firm</i>	Guidance for a <i>UCITS investment firm</i> otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.16C R [FCA]	Rule applies to a <i>CRR firm</i>	Not applicable	Not applicable	Not applicable
SYSC 7.1.17 R [FCA] [PRA]	Rule applies to a <i>CRR firm</i>	Rule for a <i>UCITS investment firm</i> that is a <i>CRR firm</i> , otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.18 R [FCA] [PRA]	Rule applies to a <i>CRR firm</i>	Rule for a <i>UCITS investment firm</i> that is a <i>CRR firm</i> , otherwise not applicable	Not applicable	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 7.1.18A G [FCA]	Guide applies to a CRR firm	Guidance for a UCITS investment firm that is a CRR firm, otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.18B R [FCA]	Rule applies to a CRR firm	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.19 R [FCA] [PRA]	Rule applies to a CRR firm	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.20 R [FCA] [PRA]	Rule applies to a CRR firm	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.21 R [FCA] [PRA]	Rule applies to a CRR firm	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable	Not applicable	Not applicable
SYSC 7.1.22 R [FCA] [PRA]	Rule applies to a CRR firm	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable	Not applicable	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 8	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 8.1.1 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.1A G [FCA] [PRA]	Not applicable	Not applicable to a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.2 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 8.1.3 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 8.1.4 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.5 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.5A G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.6 R [FCA] [PRA]	Rule	Rule	Not applicable	Rule
SYSC 8.1.7 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 8	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 8.1.8 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.9 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.10 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.11 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.11A G [FCA] [PRA]	Not applicable	Not applicable to a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.12 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 8.1.13 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 8.1.14 G [FCA]	Not applicable	Guidance	Not applicable	Not applicable
SYSC 8.2 [FCA]	<i>MiFID investment firms only</i>	<i>UCITS investment firms only</i>	Not applicable	Not applicable
SYSC 8.3	<i>MiFID investment firms only</i>	<i>UCITS investment firms only</i>	Not applicable	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 8	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs

[FCA]

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 9	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs

SYSC 9.1.1 R	Rule	Rule	Rule but only for the requirement to arrange for orderly records to be kept of its business and internal organisation which do not relate to portfolio transactions and subscription and redemptions orders	Rule
[FCA] [PRA]				
SYSC 9.1.2 R	Rule applies only in relation to <i>Mi-FID business</i>	Rule applies only in relation to <i>Mi-FID business</i> of a <i>UCITS investment firm</i>	Rule but only for records specified by the modified application of SYSC 9.1.1 R	Not applicable
[FCA] [PRA]				
SYSC 9.1.3 R	Rule applies only in relation to <i>Mi-FID business</i>	Rule applies only in relation to <i>Mi-FID business</i> of a <i>UCITS investment firm</i>	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 9.1.4 G	Guidance	Guidance	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 9	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs

[FCA] [PRA] SYSC 9.1.5 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA] SYSC 9.1.6 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA] SYSC 9.1.7 G[FCA] [PRA]	Guidance applies only in relation to <i>MiFID business</i>	Guidance applies only in relation to <i>MiFID business of a UCITS investment firm</i>	Not applicable	Not applicable

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs

SYSC 10.1.1 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA] SYSC 10.1.1A R[FCA]	Not applicable	Not applicable	Rule	Not applicable
SYSC 10.1.2 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA] SYSC 10.1.3 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA]				

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 10.1.4 R [FCA] [PRA]	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the production or dissemination of non-independent research in accordance with COBS 12.3
SYSC 10.1.4A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 10.1.5 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 10.1.6 R [FCA] [PRA]	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the production or dissemination of non-independent research in accordance with COBS 12.3
SYSC 10.1.6A G	Not applicable	Not applicable	Not applicable	Guidance

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA] [PRA] SYSC 10.1.7 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA] SYSC 10.1.8 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA] SYSC 10.1.8A R	Rule	Rule	Not applicable	Rule
[FCA] [PRA] SYSC 10.1.9 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA] SYSC 10.1.10 R	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the production or dissemination of non-independent research in accordance with COBS 12.3
[FCA] [PRA] SYSC 10.1.11 R	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
				production or dissemination of non-independent research in accordance with COBS 12.3
SYSC 10.1.11A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 10.1.12 G - SYSC 10.1.15 G [FCA] [PRA]	Guidance	Guidance for SYSC 10.1.12 G; not applicable for SYSC 10.1.13 G - SYSC 10.1.15 G	Guidance for SYSC 10.1.12 G; not applicable for SYSC 10.1.13 G to SYSC 10.1.15 G	Guidance
SYSC 10.1.16 R [FCA]	Not applicable	Not applicable	Not applicable	Rule
SYSC 10.1.17 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 10.1.18 G [FCA]	Not applicable	Guidance	Not applicable	Not applicable
SYSC 10.1.19 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 10.1.20 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 10.1.21 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 10.1.22 R [FCA]	Not applicable	Rule	Rule	Not applicable

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA] [PRA] SYSC 10.1.23 R to SYSC 10.1.26 R	Not applicable	Not applicable	Rule	Not applicable
[FCA] [PRA] SYSC 10.2.1 R	Rule	Rule	Rule	Rule
[FCA] SYSC 10.2.2 R	Rule	Rule	Rule	Rule
[FCA] SYSC 10.2.3 G	Guidance	Guidance	Guidance	Guidance
[FCA] SYSC 10.2.4 R	Rule	Rule	Rule	Rule
[FCA] SYSC 10.2.5 G	Guidance	Guidance	Guidance	Guidance
[FCA]				

1

Business continuity

4.1.6

FCA PRA

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A *common platform firm* must take reasonable steps to ensure continuity and regularity in the performance of its *regulated activities*. To this end the *common platform firm* must employ appropriate and proportionate systems, resources and procedures.

[Note: article 13(4) of *MiFID*]

4.1.7

FCA PRA

R

A *common platform firm* and a *management company* must establish, implement and maintain an adequate business continuity policy aimed at ensuring, in the case of an interruption to its systems and procedures, that any losses are limited, the preservation of essential data and functions, and the maintenance of its *regulated activities*, or, in the case of a *management company*, its *collective portfolio management* activities, or, where that is not possible, the timely recovery of such data and functions and the timely resumption of those activities.

[Note: article 5(3) of the *MiFID implementing Directive* , annex V paragraph 13 of the *Banking Consolidation Directive*, article 4(3) of the *UCITS implementing Directive* and article 85(2) of the *CRD*]

4.1.7A

FCA PRA

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Other *firms* should take account of the business continuity *rules* (■ SYSC 4.1.6 R and ■ 4.1.7 R) as if they were *guidance* (and as if "should" appeared in those rules instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

4.1.8

FCA PRA

G

The matters dealt with in a business continuity policy should include:

- (1) resource requirements such as people, systems and other assets, and arrangements for obtaining these resources;
- (2) the recovery priorities for the *firm's* operations;
- (3) communication arrangements for internal and external concerned parties (including the *appropriate regulator*, *clients* and the press);
- (4) escalation and invocation plans that outline the processes for implementing the business continuity plans, together with relevant contact information;
- (5) processes to validate the integrity of information affected by the disruption; and
- (6) regular testing of the business continuity policy in an appropriate and proportionate manner in accordance with ■ SYSC 4.1.10 R.

Operators of electronic systems in relation to lending: arrangements to administer loans in the event of platform failure

4.1.8A

FCA

R

An *operator of an electronic system in relation to lending* must take reasonable steps to ensure that arrangements are in place to ensure that *P2P agreements* facilitated by it will continue to be managed and administered, in accordance with the contract terms, if at any time it ceases

to carry on the activity of *operating an electronic system in relation to lending*.

4.1.8B
FCA

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Any arrangements made under ■ SYSC 4.1.8A R must be notified to lenders under *P2P agreements*:

- (1) when such arrangements are made; or
- (2) if later, when the lender first becomes a lender under a *P2P agreement* with that operator; or
- (3) if the arrangements are changed, when that change is made; and
- (4) if the arrangement involves another *firm* taking over the management and administration of *P2P agreements* if the operator ceases to *operate the electronic system in relation to lending*, the notification to lenders must inform lenders of the identity of the *firm* with which the arrangements have been made and how that *firm* will hold the lenders' *money*.

4.1.8C
FCA

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Arrangements to ensure *P2P agreements* facilitated by the *firm* continue to be managed and administered may include:

- (1) entering into an arrangement with another *firm* to take over the management and administration of *P2P agreements* if the operator ceases to *operate the electronic system in relation to lending*; or
- (2) holding sufficient collateral in a segregated account to cover the cost of management and administration while the loan book is wound down; or
- (3) entering into an arrangement for another *firm* to act as guarantor for the *P2P agreements* which includes a legally enforceable arrangement to meet the costs of the guarantee in full; or
- (4) managing the loan book in a way that ensures that income from *P2P agreements* facilitated by the *firm* is sufficient to cover the costs of managing and administering those agreements during the winding down process, taking into account the reduction of the loan pool and fee income from it.

4.1.8D
FCA

G

When designing its arrangements, a *firm* should take into account insolvency law to ensure that the insolvency of the *firm* does not prejudice the operation of arrangements that the *firm* has put in place.

Operators of electronic systems in relation to lending: title transfer

4.1.8E
FCA

R

An operator of an *electronic system in relation to lending* must not accept, take, or receive the transfer of full ownership of *money* relating to *P2P agreements*.

4.1.9

FCA PRA

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Accounting policies

A *common platform firm* and a *management company* must establish, implement and maintain accounting policies and procedures that enable it, at the request of the *appropriate regulator*, to deliver in a timely manner to the *appropriate regulator* financial reports which reflect a true and fair view of its financial position and which comply with all applicable accounting standards and rules.

[Note: article 5(4) of the *MiFID implementing Directive* and article 4(4) of the *UCITS implementing Directive*]

4.1.10

FCA PRA

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Regular monitoring

A *common platform firm* and a *management company* must monitor and, on a regular basis, evaluate the adequacy and effectiveness of its systems, internal control mechanisms and arrangements established in accordance with ■ SYSC 4.1.4 R to ■ SYSC 4.1.9 R and take appropriate measures to address any deficiencies.

[Note: article 5(5) of the *MiFID implementing Directive* and article 4(5) of the *UCITS implementing Directive*]

4.1.10A

FCA PRA

G

Other *firms* should take account of the regular monitoring *rule* (■ SYSC 4.1.10 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G, but ignoring the cross-reference to ■ SYSC 4.1.5 R and ■ 4.1.9 R.

4.1.11

FCA PRA

G

Audit committee

Depending on the nature, scale and complexity of its business, it may be appropriate for a *firm* to form an audit committee. An audit committee could typically examine management's process for ensuring the appropriateness and effectiveness of systems and controls, examine the arrangements made by management to ensure compliance with requirements and standards under the *regulatory system*, oversee the functioning of the internal audit function (if applicable) and provide an interface between management and external auditors. It should have an appropriate number of *non-executive directors* and it should have formal terms of reference.

4.1.12

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[deleted]

4.1.13

FCA PRA

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Risk control: additional guidance

Firms should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in ■ SYSC 21.

4.1.14

FCA PRA

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Apportionment of responsibilities: the role of the non-executive director

The role undertaken by a *non-executive director* will vary from one *firm* to another. Where a *non-executive director* is an *approved person*, for example where the *firm* is a *body corporate*, his responsibility and therefore liability will be limited by the role that he undertakes.

4.1.15

FCA PRA

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- (1) A firm must have in place appropriate procedures for its employees to report breaches internally through a specific, independent and autonomous channel.
- (2) The channel in (1) may be provided through arrangements provided for by social partners.

[Note: article 71 (3) of *CRD*]



4.2 Persons who effectively direct the business

4.2.1
FCA PRA

R

The *senior personnel* of a *common platform firm*, a *management company* a *full-scope UK AIFM*, or of the *UK branch of a non-EEA bank* must be of sufficiently good repute and sufficiently experienced as to ensure the sound and prudent management of the *firm*.

[Note: article 9(1) of *MiFID*, article 7(1)(b) of the *UCITS Directive* article 8(1)(c) of *AIFMD*, article 11(1) second paragraph of the *Banking Consolidation Directive* and article 13(1) of the *CRD*]

4.2.1A
FCA PRA

G

Other *firms* should take account of the senior personnel *rule* (■ SYSC 4.2.1 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

Responsibility of senior personnel of an AIFM

4.2.1B
FCA

R

For a *full-scope UK AIFM*, the *senior personnel* must, in complying with ■ SYSC 4.2.1 R, be sufficiently experienced in relation to the investment strategies pursued by the *AIFs* it manages.

[Note: article 8(1)(c) of *AIFMD*]

4.2.2
FCA PRA

R

A *common platform firm*, a *management company*, a *full-scope UK AIFM* and the *UK branch of a non-EEA bank* must ensure that its management is undertaken by at least two persons meeting the requirements laid down in ■ SYSC 4.2.1 R and, for a *full-scope UK AIFM*, ■ SYSC 4.2.7 R .

[Note: article 9(4) first paragraph of *MiFID*, article 7(1)(b) of the *UCITS Directive*, article 8(1)(c) of *AIFMD* and article 13(1) of *CRD*]

4.2.3
FCA PRA

G

In the case of a *body corporate*, the persons referred to in SYSC 4.2.2 R should either be executive *directors* or persons granted executive powers by, and reporting immediately to, the *governing body*. In the case of a *partnership*, they should be active *partners*.

4.2.4
FCA PRA

G

At least two independent minds should be applied to the formulation and implementation of the policies of a *common platform firm*, a *management company*, a *full-scope UK AIFM* and the *UK branch of a non-EEA bank* . Where a *firm* nominates just two individuals to direct its business, the *appropriate regulator* will not regard them as both effectively directing the business where one of them makes some, albeit significant, decisions

relating to only a few aspects of the business. Each should play a part in the decision-making process on all significant decisions. Both should demonstrate the qualities and application to influence strategy, day-to-day policy and its implementation. This does not require their day-to-day involvement in the execution and implementation of policy. It does, however, require involvement in strategy and general direction, as well as knowledge of, and influence on, the way in which strategy is being implemented through day-to-day policy.

4.2.5

FCA PRA

G

Where there are more than two individuals directing the business of a *common platform firm*, a *management company*, a *full-scope UK AIFM* or the UK branch of a *non-EEA bank*, the *appropriate regulator* does not regard it as necessary for all of these individuals to be involved in all decisions relating to the determination of strategy and general direction. However, at least two individuals should be involved in all such decisions. Both individuals' judgement should be engaged so that major errors leading to difficulties for the *firm* are less likely to occur. Similarly, each individual should have sufficient experience and knowledge of the business and the necessary personal qualities and skills to detect and resist any imprudence, dishonesty or other irregularities by the other individual. Where a single individual, whether a chief executive, managing *director* or otherwise, is particularly dominant in such a *firm* this will raise doubts about whether SYSC 4.2.2 R is met.

4.2.6

FCA PRA

R

If a *common platform firm*, (other than a *credit institution* or *AIFM investment firm*) or the UK branch of a *non-EEA bank*, is:

- (1) a natural person; or
- (2) a legal person managed by a single natural person;

it must have alternative arrangements in place which ensure sound and prudent management of the *firm*.

[Note: article 9(4) second paragraph of *MiFID*]

4.2.7

FCA

R

A *full-scope UK AIFM* must notify the *FCA* of the names of the *senior personnel* of the *firm* and of every person succeeding them in office.

[Note: article 8(1)(c) of *AIFMD*]

4.2.8

FCA

G

Where the *senior personnel* of a *full-scope UK AIFM* will carry out a *FCA governing function* and the *firm* has applied for the *FCA*'s approval under section 59 of the *Act*, this will be considered sufficient to comply with ■ SYSC 4.2.7 R.

4.3 Responsibility of senior personnel

4.3.1

FCA PRA

R

A *firm* (with the exception of a *sole trader* who does not employ any *person* who is required to be approved under section 59 of the *Act* (Approval for particular arrangements)), when allocating functions internally, must ensure that *senior personnel* and, where appropriate, the *supervisory function*, are responsible for ensuring that the *firm* complies with its obligations under the *regulatory system*. In particular, *senior personnel* and, where appropriate, the *supervisory function* must assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the *firm's* obligations under the *regulatory system* and take appropriate measures to address any deficiencies.

[Note: article 9(1) of the *MiFID implementing Directive* and articles 9(1) and 9(3) of the *UCITS implementing Directive*]

4.3.2

FCA PRA

R

A *common platform firm* (with the exception of a *sole trader* who does not employ any *person* who is required to be approved under section 59 of the *Act* (Approval for particular arrangements)) and a *management company*, must ensure that :

- (1) its *senior personnel* receive on a frequent basis, and at least annually, written reports on the matters covered by ■ SYSC 6.1.2 R to ■ SYSC 6.1.5 R, ■ SYSC 6.2.1 R and ■ SYSC 7.1.2 R, ■ SYSC 7.1.3 R and ■ SYSC 7.1.5 R to ■ SYSC 7.1.7 R, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies; and
- (2) the *supervisory function*, if any, receives on a regular basis written reports on the same matters.

[Note: article 9(2) and article 9(3) of the *MiFID implementing Directive* and articles 9(4) and 9(6) of the *UCITS implementing Directive*]

4.3.2A

FCA PRA

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Other *firms* should take account of the written reports *rule* (■ SYSC 4.3.2 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

4.3.3

FCA **PRA**

G

The *supervisory function* does not include a general meeting of the shareholders of a *firm* , or equivalent bodies, but could involve, for example, a separate supervisory board within a two-tier board structure or the establishment of a non-executive committee of a single-tier board structure.

4.3.4

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[deleted]



4.3A CRR firms

Management body

4.3A.-1

R

FCA

In ■ SYSC 4.3A.6 R and ■ SYSC 4.3A.8 R a '*CRR firm that is significant*' means a *significant IFPRU firm*.

4.3A.1

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FCA

PRA

A *CRR firm* must ensure that the *management body* defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the *firm*, including the segregation of duties in the organisation and the prevention of conflicts of interest. The *firm* must ensure that the *management body*:

- (1) has overall responsibility for the *firm*;
- (2) approves and oversees implementation of the *firm's* strategic objectives, risk strategy and internal governance;
- (3) ensures the integrity of the *firm's* accounting and financial reporting systems, including financial and operational controls and compliance with the *regulatory system*.
- (4) oversees the process of disclosure and communications;
- (5) has responsibility for providing effective oversight of *senior management*.
- (6) monitors and periodically assesses the effectiveness of the *firm's* governance arrangements and takes appropriate steps to address any deficiencies.

[Note: article 88(1) of CRD]

4.3A.2

R

FCA

PRA

A *CRR firm* must ensure that the chairman of the *firm's management body* does not exercise simultaneously the *chief executive function* within the same *firm*, unless justified by the *firm* and authorised by the *appropriate regulator*.

[Note: article 88(1)(e) of CRD]

4.3A.3

FCA PRA

R

A *CRR firm* must ensure that the members of the *management body* of the *firm*:

- (1) are of sufficiently good repute;
- (2) possess sufficient knowledge, skills and experience to perform their duties;
- (3) possess adequate collective knowledge, skills and experience to understand the *firm's* activities, including the main risks;
- (4) reflect an adequately broad range of experiences;
- (5) commit sufficient time to perform their functions in the *firm*; and
- (6) act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of *senior management* where necessary and to effectively oversee and monitor management decision-making.

[Note: article 91(1)-(2) and (7)-(8) of the *CRD*]

4.3A.4

FCA PRA

R

A *CRR firm* must devote adequate human and financial resources to the induction and training of members of the *management body*.

[Note: article 91(3) of the *CRD*]

4.3A.5

FCA PRA

R

A *CRR firm* must ensure that the members of the *management body* of the *firm* do not hold more directorships than is appropriate taking into account individual circumstances and the nature, scale and complexity of the *firm's* activities.

[Note: article 91(3) of the *CRD*]

4.3A.6

FCA

R

[to follow]

4.3A.7

FCA PRA

R

For the purposes of ■ SYSC 4.3A.5 R and ■ SYSC 4.3A.6 R:

- (1) directorships in organisations which do not pursue predominantly commercial objectives shall not count; and
- (2) the following shall count as a single directorship:
 - (a) executive or non-executive directorships held within the same *group*; or
 - (b) executive or non-executive directorships held within:

- (i) *firms* that are members of the same institutional protection scheme provided that the conditions set out in Article 113(7) of the CRR are fulfilled; or
- (ii) *undertakings* (including non-financial entities) in which the *firm* holds a *qualifying holding*.

[Note: article 91(4) and (5) of the CRD]

Nomination Committee

4.3A.8

FCA PRA

R

A *CRR firm* that is *significant* must:

- (1) establish a nomination committee composed of members of the *management body* who do not perform any executive function in the *firm*;
- (2) ensure that the nomination committee is able to use any forms of resources the nomination committee deems appropriate, including external advice; and
- (3) ensure that the nomination committee receives appropriate funding.

[Note: article 88(2) of the CRD]

4.3A.8A

PRA

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In ■ SYSC 4.3A.8 R a '*CRR firm* that is *significant*' means a deposit-taker or designated investment firm whose size, interconnectedness, complexity and business type gives it the capacity to cause some disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on its business in an unsafe manner.

4.3A.9

FCA PRA

R

A *CRR firm* that has a nomination committee must ensure that the nomination committee:

- (1) engage a broad set of qualities and competences when recruiting members to the *management body* and for that purpose puts in place a policy promoting diversity on the *management body*;
- (2) identifies and recommends for approval, by the *management body* or by general meeting, candidates to fill *management body* vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the *management body*;
- (3) prepares a description of the roles and capabilities for a particular appointment, and assesses the time commitment required;
- (4) decides on a target for the representation of the underrepresented gender in the *management body* and prepares a policy on how to increase the number of the underrepresented gender in the *management body* in order to meet that target;

- (5) periodically, and at least annually, assesses the structure, size, composition and performance of the *management body* and makes recommendations to the *management body* with regard to any changes;
- (6) periodically, and at least annually, assesses the knowledge, skills and experience of individual members of the *management body* and of the *management body* collectively, and reports this to the *management body*;
- (7) periodically reviews the policy of the *management body* for selection and appointment of *senior management* and makes recommendations to the *management body*; and
- (8) in performing its duties, and to the extent possible, on an ongoing basis, takes account of the need to ensure that the *management body's* decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the *firm* as a whole;

[Note: article 88(2) and article 91(10) of the *CRD*]

4.3A.10
FCA PRA

R

A *CRR firm* that does not have a nomination committee must engage a broad set of qualities and competences when recruiting members to the *management body*. For that purpose a *CRR firm* that does not have a nomination committee must put in place a policy promoting diversity on the *management body*.

[Note: article 91(10) of the *CRD*]

Website

4.3A.11
FCA PRA

R

A *CRR firm* that maintains a website must explain on the website how it complies with the requirements of ■ SYSC 4.3A.1 R to ■ SYSC 4.3A.3 R and ■ SYSC 4.3A.4 R to ■ SYSC 4.3A.11 R.

[Note: article 96 of the *CRD*]



4.4 Apportionment of responsibilities

Application

4.4.1

PRA

R

This section applies to:

- (1) *an authorised professional firm* in respect of its *non-mainstream regulated activities* unless the *firm* is also conducting other *regulated activities* and has appointed *approved persons* to perform the *governing functions* with equivalent responsibilities for the *firm's non-mainstream regulated activities* and other *regulated activities*;
- (2) activities carried on by a *firm* whose principal purpose is to carry on activities other than *regulated activities* and which is:
 - (a) *an oil market participant*; or
 - (b) *a service company*; or
 - (c) *an energy market participant*; or
 - (d) a wholly-owned subsidiary of:
 - (i) a local authority; or
 - (ii) a registered social landlord; or
 - (e) a *firm* with *permission* to carry on *insurance mediation activity* in relation to *non-investment insurance contracts* but no other *regulated activity*;
- (3) [deleted]
- (4) [deleted]
- (5) [deleted]
 - (a) [deleted]
 - (b) [deleted]
- (6) [deleted]

- (7) an *incoming Treaty firm*, an *incoming EEA firm* or a *UCITS qualifier* (but only ■ SYSC 4.4.5R (2) applies for these *firms*); and
- (8) a *sole trader*, but only if he employs any *person* who is required to be approved under section 59 of the *Act* (Approval for particular arrangements).

4.4.1A

FCA

R

This section applies to:

- (1) an *authorised professional firm* in respect of its *non-mainstream regulated activities* unless the *firm* is also conducting other *regulated activities* and has appointed *approved persons* to perform the *governing functions* with equivalent responsibilities for the *firm's non-mainstream regulated activities* and other *regulated activities*;
- (2) activities carried on by a *firm* whose principal purpose is to carry on activities other than *regulated activities* and which is:
 - (a) an *oil market participant*; or
 - (b) a *service company*; or
 - (c) an *energy market participant*; or
 - (d) a wholly-owned subsidiary of:
 - (i) a local authority; or
 - (ii) a registered social landlord; or
 - (e) a *firm* with *permission* to carry on *insurance mediation activity* in relation to *non-investment insurance contracts* but no other *regulated activity*;
- (3) a *credit firm* which holds only a *limited permission* (other than a *not-for-profit debt advice body*) with respect to the relevant credit activity (as defined in paragraph 2G of Schedule 6 to the *Act*) for which it has *limited permission*;
- (4) an *incoming Treaty firm*, an *incoming EEA firm* or a *UCITS qualifier* (but only ■ SYSC 4.4.5R (2) applies for these *firms*); and
- (5) a *sole trader*, but only if he employs any *person* who is required to be approved under section 59 of the *Act* (Approval for particular arrangements).

4.4.2

FCA PRA

G

This section does not apply to a *common platform firm*.

4.4.3

FCA PRA

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Maintaining a clear and appropriate apportionment

A *firm* must take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its *directors* and *senior managers* in such a way that:

- (1) it is clear who has which of those responsibilities; and
- (2) the business and affairs of the *firm* can be adequately monitored and controlled by the *directors*, relevant *senior managers* and *governing body* of the *firm*.

4.4.4

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[deleted]

4.4.5

FCA PRA

R

Allocating functions of apportionment and oversight

A *firm* must appropriately allocate to one or more individuals, in accordance with the following table, the functions of:

- (1) dealing with the apportionment of responsibilities under ■ SYSC 4.4.3 R; and
- (2) overseeing the establishment and maintenance of systems and controls under ■ SYSC 4.1.1 R.

1: Firm type	2: Allocation of both functions must be to the following individual, if any (see Note):	3: Allocation to one or more individuals selected from this column is compulsory if there is no allocation to an individual in column 2, but is otherwise optional and additional:
(1) A <i>firm</i> which is a <i>body corporate</i> and is a member of a <i>group</i> , other than a <i>firm</i> in row (2)	(1) the <i>firm's chief executive</i> (and all of them jointly, if more than one); or (2) a <i>director</i> or <i>senior manager</i> responsible for the overall management of: (a) the <i>group</i> ; or (b) a <i>group division</i> within which some or all	the <i>firm's</i> and its <i>group's</i> : (1) <i>directors</i> ; and (2) <i>senior managers</i>

1: Firm type	2: Allocation of both functions must be to the following individual, if any (see Note):	3: Allocation to one or more individuals selected from this column is compulsory if there is no allocation to an individual in column 2, but is otherwise optional and additional:
of the firm's regulated activities fall		
(2) An incoming EEA firm or incoming Treaty firm (note: only the functions in SYSC 4.4.5R (2) must be allocated)	(not applicable)	the firm's and its group's: (1) directors; and (2) senior managers
(3) Any other firm	the firm's chief executive (and all of them jointly, if more than one)	the firm's and its group's: (1) directors; and (2) senior managers
<p>Note: Column 2 does not require the involvement of the <i>chief executive</i> or other executive <i>director</i> or <i>senior manager</i> in an aspect of corporate governance if that would be contrary to generally accepted principles of good corporate governance.</p>		

4.4.6

FCA PRA

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Frequently asked questions about allocation of functions in SYSC 4.4.5 R

Question	Answer
1 Does an individual to whom a function is allocated under SYSC 4.4.5 R need to be an <i>approved person</i> ?	An individual to whom a function is allocated under SYSC 4.4.5 R will be performing the <i>apportionment and oversight function</i> (CF 8, see SUP 10A.7.1 R) and an application must be made under section 59 of the <i>Act</i> for approval of the individual before the function is performed. There are exceptions from this in SUP 10A.1 (Approved persons - Application).
2 If the allocation is to more than one individual, can they perform the functions, or aspects of the functions, separately?	If the functions are allocated to joint <i>chief executives</i> under SYSC 4.4.5 R, column 2, they are expected to act jointly. If the functions are allocated to an individual under SYSC 4.4.5 R, column 2, in addition to individuals under SYSC 4.4.5 R, column 3, the former may normally be expected to perform a leading role in relation to the

Question	Answer
<p>3 What is meant by "appropriately allocate" in this context?</p>	<p>functions that reflects his position. Otherwise, yes.</p> <p>The allocation of functions should be compatible with delivering compliance with <i>Principle 3</i>, SYSC 4.4.3 R and SYSC 4.1.1 R. The <i>appropriate regulator</i> considers that allocation to one or two individuals is likely to be appropriate for most <i>firms</i>.</p>
<p>4 If a committee of management governs a <i>firm</i> or <i>group</i>, can the functions be allocated to every member of that committee?</p>	<p>Yes, as long as the allocation remains appropriate (see Question 3). If the <i>firm</i> also has an individual as <i>chief executive</i>, then the functions must be allocated to that individual as well under SYSC 4.4.5 R, column 2 (see Question 7).</p>
<p>5 Does the definition of <i>chief executive</i> include the possessor of equivalent responsibilities with another title, such as a managing <i>director</i> or managing <i>partner</i>?</p>	<p>Yes.</p>
<p>6 Is it possible for a <i>firm</i> to have more than one individual as its <i>chief executive</i>?</p>	<p>Although unusual, some <i>firms</i> may wish the responsibility of a <i>chief executive</i> to be held jointly by more than one individual. In that case, each of them will be a <i>chief executive</i> and the functions must be allocated to all of them under SYSC 4.4.5 R, column 2 (see also Questions 2 and 7).</p>
<p>7 If a <i>firm</i> has an individual as <i>chief executive</i>, must the functions be allocated to that individual?</p>	<p>Normally, yes, under SYSC 4.4.5 R, column 2.</p> <p>But if the <i>firm</i> is a <i>body corporate</i> and a member of a <i>group</i>, the functions may, instead of being allocated to the <i>firm's chief executive</i>, be allocated to a <i>director</i> or <i>senior manager</i> from the <i>group</i> responsible for the overall management of the <i>group</i> or of a relevant <i>group</i> division, so long as this is appropriate (see Question 3). Such individuals may nevertheless require approval under section 59 (see Question 1).</p> <p>If the <i>firm</i> chooses to allocate the functions to a <i>director</i> or <i>senior manager</i> responsible for the overall management of a relevant <i>group</i> division, the <i>FSA</i> would expect that individual to be of a seniority equivalent to or greater than a <i>chief executive</i> of the <i>firm</i> for the allocation to be appropriate.</p> <p>See also Question 14.</p>
<p>8 If a <i>firm</i> has a <i>chief executive</i>, can the functions be allocated to other individuals in addition to the <i>chief executive</i>?</p>	<p>Yes. SYSC 4.4.5 R, column 3, permits a <i>firm</i> to allocate the functions, additionally, to the <i>firm's</i> (or where applicable the <i>group's</i>) <i>directors</i> and <i>senior managers</i> as long as this is appropriate (see Question 3).</p>

Question	Answer
<p>9 What if a <i>firm</i> does not have a <i>chief executive</i>?</p>	<p>Normally, the functions must be allocated to one or more individuals selected from the <i>firm's</i> (or where applicable the <i>group's</i>) <i>directors</i> and <i>senior managers</i> under SYSC 4.4.5 R, column 3.</p> <p>But if the <i>firm</i>:</p> <p>(1) is a <i>body corporate</i> and a member of a <i>group</i>; and</p> <p>(2) the <i>group</i> has a <i>director</i> or <i>senior manager</i> responsible for the overall management of the <i>group</i> or of a relevant <i>group</i> division;</p> <p>then the functions must be allocated to that individual (together, optionally, with individuals from column 3 if appropriate) under SYSC 4.4.5 R, column 2.</p>
<p>10 What do you mean by "<i>group</i> division within which some or all of the <i>firm's</i> regulated activities fall"?</p>	<p>A "division" in this context should be interpreted by reference to geographical operations, product lines or any other method by which the <i>group's</i> business is divided.</p> <p>If the <i>firm's</i> regulated activities fall within more than one division and the <i>firm</i> does not wish to allocate the functions to its <i>chief executive</i>, the allocation must, under SYSC 4.4.5 R, be to:</p> <p>(1) a <i>director</i> or <i>senior manager</i> responsible for the overall management of the <i>group</i>; or (2) a <i>director</i> or <i>senior manager</i> responsible for the overall management of one of those divisions;</p> <p>together, optionally, with individuals from column 3 if appropriate. (See also Questions 7 and 9.)</p>
<p>11 How does the requirement to allocate the functions in SYSC 4.4.5 R apply to an <i>overseas firm</i> which is not an <i>incoming EEA firm</i>, <i>incoming Treaty firm</i> or <i>UCITS qualifier</i>?</p>	<p>The <i>firm</i> must appropriately allocate those functions to one or more individuals, in accordance with SYSC 4.4.5 R, but:</p> <p>(1) The responsibilities that must be apportioned and the systems and controls that must be overseen are those relating to activities carried on from a <i>UK</i> establishment with certain exceptions (see SYSC 1 Annex 1.1.8R). Note that SYSC 1 Annex 1.1.10R does not extend the</p>

Question	Answer
<p>12 How does the requirement to allocate the functions in SYSC 4.4.5 R apply to an <i>incoming EEA firm</i> or <i>incoming Treaty firm</i>?</p>	<p>territorial scope of SYSC 4.4 for an <i>overseas firm</i>.</p> <p>(2) The <i>chief executive</i> of an <i>overseas firm</i> is the <i>person</i> responsible for the conduct of the <i>firm's</i> business within the <i>United Kingdom</i> (see the definition of "<i>chief executive</i>"). This might, for example, be the manager of the <i>firm's UK</i> establishment, or it might be the <i>chief executive</i> of the <i>firm</i> as a whole, if he has that responsibility.</p> <p>The <i>apportionment and oversight function</i> applies to such a <i>firm</i>, unless it falls within a particular exception from the <i>approved persons</i> regime (see Question 1).</p> <p>SYSC 1 Annex 1.1.1R(2) and SYSC 1 Annex 1.1.8R restrict the application of SYSC 4.4.5 R for such a <i>firm</i>. Accordingly:</p> <p>(1) Such a <i>firm</i> is not required to allocate the function of dealing with apportionment in SYSC 4.4.5R (1).</p> <p>(2) Such a <i>firm</i> is required to allocate the function of oversight in SYSC 4.4.5R (2). However, the systems and controls that must be overseen are those relating to matters which the <i>appropriate regulator</i>, as <i>Host State regulator</i>, is entitled to regulate (there is <i>guidance</i> on this in SUP 13A Annex 2 G). Those are primarily, but not exclusively, the systems and controls relating to the conduct of the <i>firm's</i> activities carried on from its <i>UK branch</i>.</p> <p>(3) Such a <i>firm</i> need not allocate the function of oversight to its <i>chief executive</i>; it must allocate it to one or more <i>directors</i> and <i>senior managers</i> of the <i>firm</i> or the <i>firm's group</i> under SYSC 4.4.5 R, row (2).</p> <p>(4) An <i>incoming EEA firm</i> which has provision only for <i>cross border services</i> is not required to allocate either function if it does not carry on <i>regulated activities</i> in the <i>United Kingdom</i>; for example if they fall within the overseas persons exclusions in article 72 of the <i>Regulated Activities Order</i>.</p> <p>See also Questions 1 and 15.</p>
<p>13 What about a <i>firm</i> that is a <i>partnership</i> or a <i>limited liability partnership</i>?</p>	<p>The <i>appropriate regulator</i> envisages that most if not all <i>partners</i> or members will be</p>

Question	Answer
<p>14 What if generally accepted principles of good corporate governance recommend that the <i>chief executive</i> should not be involved in an aspect of corporate governance?</p> <p>15 What about <i>incoming electronic commerce activities</i> carried on from an <i>establishment</i> in another <i>EEA State</i> with or for a <i>person</i> in the <i>United Kingdom</i>?</p>	<p>either <i>directors</i> or <i>senior managers</i>, but this will depend on the constitution of the <i>partnership</i> (particularly in the case of a <i>limited partnership</i>) or <i>limited liability partnership</i>. A <i>partnership</i> or <i>limited liability partnership</i> may also have a <i>chief executive</i> (see Question 5). A <i>limited liability partnership</i> is a <i>body corporate</i> and, if a member of a <i>group</i>, will fall within SYSC 4.4.5 R, row (1) or (2).</p> <p>The Note to SYSC 4.4.5 R provides that the <i>chief executive</i> or other executive director or <i>senior manager</i> need not be involved in such circumstances. For example, the <i>UK Corporate Governance Code</i> recommends that the board of a listed company should establish an audit committee of non-executive directors to be responsible for oversight of the audit. That aspect of the oversight function may therefore be allocated to the members of such a committee without involving the <i>chief executive</i>. Such individuals may require approval under section 59 in relation to that function (see Question 1).</p> <p>SYSC does not apply to an <i>incoming ECA provider</i> acting as such.</p>

6.1.3

FCA PRA

R

A *common platform firm* and a *management company* must maintain a permanent and effective compliance function which operates independently and which has the following responsibilities:

- (1) to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place in accordance with ■ SYSC 6.1.2 R, and the actions taken to address any deficiencies in the *firm's* compliance with its obligations; and
- (2) to advise and assist the *relevant persons* responsible for carrying out *regulated activities* to comply with the *firm's* obligations under the *regulatory system*.

[Note: article 6(2) of the *MiFID implementing Directive* and article 10(2) of the *UCITS implementing Directive*]

6.1.3A

FCA PRA

G

- (1) Other *firms* should take account of the compliance function *rule* (■ SYSC 6.1.3 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.
- (2) Notwithstanding ■ SYSC 6.1.3 R, as it applies under (1), depending on the nature, scale and complexity of its business, it may be appropriate for a *firm* to have a separate compliance function. Where a *firm* has a separate compliance function the *firm* should also take into account ■ SYSC 6.1.3 R and ■ SYSC 6.1.4 R as guidance.

6.1.4

FCA PRA

R

In order to enable the compliance function to discharge its responsibilities properly and independently, a *common platform firm* and a *management company* must ensure that the following conditions are satisfied:

- (1) the compliance function must have the necessary authority, resources, expertise and access to all relevant information;
- (2) a compliance officer must be appointed and must be responsible for the compliance function and for any reporting as to compliance required by ■ SYSC 4.3.2 R;
- (3) the *relevant persons* involved in the compliance functions must not be involved in the performance of services or activities they monitor;
- (4) the method of determining the remuneration of the *relevant persons* involved in the compliance function must not compromise their objectivity and must not be likely to do so.

[Note: article 6(3) first paragraph of the *MiFID implementing Directive* and article 10(3) of the *UCITS implementing Directive*]

6.1.4-A
FCA PRA

G

In setting the method of determining the *remuneration of relevant persons* involved in the compliance function:

- (1) *firms* that ■ SYSC 19A applies to will also need to comply with the *Remuneration Code*; and
- (2) *BIPRU firms* will also need to comply with the *BIPRU Remuneration Code*.

6.1.4A
FCA

R

(1) A *firm* which is not a *common platform firm* or *management company* and which carries on *designated investment business* with or for retail clients or professional clients must allocate to a *director* or *senior manager* the function of:

- (a) having responsibility for oversight of the *firm's* compliance; and
- (b) reporting to the *governing body* in respect of that responsibility.

(2) In ■ SYSC 6.1.4A R (1) compliance means compliance with the rules in:

- (a) *COBS* (Conduct of Business sourcebook);
- (b) *COLL* (Collective Investment Schemes sourcebook);
- (c) *CASS* (Client Assets sourcebook) ; and
- (d) *ICOBS* (Insurance: Conduct of Business sourcebook).

6.1.4-B
FCA

G

In setting the method of determining the *remuneration of relevant persons* involved in the compliance function, *full-scope UK AIFMs* will need to comply with the *AIFM Remuneration Code*.

6.1.4C
FCA

R

A *debt management firm* and a *credit repair firm* must appoint a compliance officer to be responsible for ensuring the *firm* meets its obligations under ■ SYSC 6.1.1 R for any compliance function the *firm* has and for any reporting as to compliance which may be made under ■ SYSC 4.3.2 R.

6.1.5
FCA PRA

R

A *common platform firm* and a *management company* need not comply with ■ SYSC 6.1.4 R (3) or ■ SYSC 6.1.4 R (4) if it is able to demonstrate that in view of the nature, scale and complexity of its business, and the nature and range of financial services and activities, the requirements under those *rules* are not proportionate and that its compliance function continues to be effective.

[Note: article 6(3) second paragraph of the *MiFID implementing Directive* and article 10(3) second paragraph of the *UCITS implementing Directive*]

6.1.6

FCA PRA

G

Other *firms* should take account of the proportionality *rule* (■ SYSC 6.1.5 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.

6.1.7

FCA PRA

R

- (1) This *rule* applies to a *common platform firm* conducting *investment services and activities* from a *branch* in another *EEA State*.
- (2) References to the *regulatory system* in ■ SYSC 6.1.1R, ■ SYSC 6.1.2 R and ■ SYSC 6.1.3 R apply in respect of a *firm's branch* as if *regulatory system* includes a *Host State's* requirements under *MiFID* and the *MiFID implementing Directive* which are applicable to the *investment services and activities* conducted from the *firm's branch*.

[Note: article 13(2) of *MiFID*]



6.2 Internal audit

6.2.1

FCA PRA

R

A *common platform firm* and a *management company* must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of its financial services and activities, undertaken in the course of that business, establish and maintain an internal audit function which is separate and independent from the other functions and activities of the *firm* and which has the following responsibilities:

- (1) to establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the *firm's* systems, internal control mechanisms and arrangements;
- (2) to issue recommendations based on the result of work carried out in accordance with (1);
- (3) to verify compliance with those recommendations;
- (4) to report in relation to internal audit matters in accordance with ■ SYSC 4.3.2 R.

[Note: article 8 of the *MiFID implementing Directive* and article 11 of the *UCITS implementing Directive*]

6.2.1A

FCA PRA

G

Other *firms* should take account of the internal audit *rule* (■ SYSC 6.2.1 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.

6.2.2

FCA PRA

G

The term 'internal audit function' in ■ SYSC 6.2.1 R (and ■ SYSC 4.1.11 G) refers to the generally understood concept of internal audit within a *firm*, that is, the function of assessing adherence to and the effectiveness of internal systems and controls, procedures and policies. The internal audit function is not a *controlled function* itself, but is part of the *systems and controls function* (CF28).



18.2 Practical measures

Effect of Public Interest Disclosure Act 1998 (PIDA)

18.2.1

FCA

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- (1) Under PIDA, any clause or term in an agreement between a worker and his employer is void in so far as it purports to preclude the worker from making a protected disclosure (that is, "blow the whistle").
- (2) In accordance with section 1 of PIDA:
 - (a) a protected disclosure is a qualifying disclosure which meets the relevant requirements set out in part 4A of the Employment Rights Act 1996 ;
 - (b) a qualifying disclosure is a disclosure, made in the public interest , of information which, in the reasonable belief of the worker making the disclosure, tends to show that one or more of the following (a "failure") has been, is being, or is likely to be, committed:
 - (i) a criminal offence; or
 - (ii) a failure to comply with any legal obligation; or
 - (iii) a miscarriage of justice; or
 - (iv) the putting of the health and safety of an individual in danger; or
 - (v) damage to the environment; or
 - (vi) deliberate concealment relating to any of (i) to (v);

it is immaterial whether the relevant failure occurred, occurs or would occur in the *United Kingdom* or elsewhere, and whether the law applying to it is that of the *United Kingdom* or of any other country or territory.

Internal procedures

18.2.2

FCA

G

- (1) *Firms* are encouraged to consider adopting (and encouraged to invite their *appointed representatives* or, where applicable, their *tied agents* to consider adopting) appropriate internal procedures which will encourage workers with concerns to blow the whistle internally about matters which are relevant to the functions of the *FCA* or *PRA* .
- (2) Smaller *firms* may choose not to have as extensive procedures in place as larger *firms*. For example, smaller *firms* may not need written procedures. The following is a list of things that larger and smaller *firms* may want to do.
 - (a) For larger *firms*, appropriate internal procedures may include:

- (i) a clear statement that the *firm* takes failures seriously (see ■ SYSC 18.2.1G (2)(b));
 - (ii) an indication of what is regarded as a failure;
 - (iii) respect for the confidentiality of workers who raise concerns, if they wish this;
 - (iv) an assurance that, where a protected disclosure has been made, the *firm* will take all reasonable steps to ensure that no *person* under its control engages in victimisation;
 - (v) the opportunity to raise concerns outside the line management structure, such as with the Compliance Director, Internal Auditor or Company Secretary;
 - (vi) penalties for making false and malicious allegations;
 - (vii) an indication of the proper way in which concerns may be raised outside the *firm* if necessary (see (3));
 - (viii) providing access to an external body such as an independent charity for advice;
 - (ix) making whistleblowing procedures accessible to staff of key contractors; and
 - (x) written procedures.
- (b) For smaller *firms*, appropriate internal procedures may include:
- (i) telling workers that the *firm* takes failures seriously (see ■ SYSC 18.2.1G (2)(b)) and explaining how wrongdoing affects the organisation;
 - (ii) telling workers what conduct is regarded as failure;
 - (iii) telling workers who raise concerns that their confidentiality will be respected, if they wish this;
 - (iv) making it clear that concerned workers will be supported and protected from reprisals;
 - (v) nominating a senior officer as an alternative route to line management and telling workers how they can contact that individual in confidence;
 - (vi) making it clear that false and malicious allegations will be penalised by the *firm*;
 - (vii) telling workers how they can properly blow the whistle outside the *firm* if necessary (see (3));
 - (viii) providing access to an external body such as an independent charity for advice; and
 - (ix) encouraging managers to be open to concerns.
- (3) (a) *Firms* should also consider telling workers (through the *firm*'s internal procedures, or by means of an information sheet available from the *FCA*'s website, or by some other means) that they can blow the whistle to the *FCA*, as the regulator prescribed in respect of financial services and markets matters under PIDA.

19C.2 General requirement

Remuneration policies must promote effective risk management

19C.2.1

FCA

R

A *firm* must establish, implement and maintain *remuneration* policies, procedures and practices that are consistent with and promote sound and effective risk management.

19C.2.2

FCA

G

- (1) If a *firm's remuneration* policy is not aligned with effective risk management, it is likely that *employees* will have incentives to act in ways that might undermine effective risk management.
- (2) The *BIPRU Remuneration Code* covers all aspects of *remuneration* that could have a bearing on effective risk management including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements. In applying the *BIPRU Remuneration Code*, a *firm* should have regard to applicable good practice on *remuneration* and corporate governance, such as guidelines on executive contracts and severance produced by the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF). In considering the risks arising from its *remuneration* policies, a *firm* will also need to take into account its statutory duties in relation to equal pay and non-discrimination.
- (3) As with other aspects of a *firm's* systems and controls, in line with ■ SYSC 4.1.2 R and ■ SYSC 4.1.2AA R , *remuneration* policies, procedures and practices must be comprehensive and proportionate to the nature, scale and complexity of the *firm's* activities. Therefore, what a *firm* must do to comply with the *BIPRU Remuneration Code* will vary. For example, while the *BIPRU Remuneration Code* refers to a *firm's remuneration* committee and risk management function, it may be appropriate for the *governing body* of a smaller *firm* to act as the *remuneration* committee, and for the *firm* not to have a separate risk management function.
- (4) The principles in the *BIPRU Remuneration Code* are used by the FCA to assess the quality of a *firm's remuneration* policies and whether they encourage excessive risk-taking by a *firm's employees*.
- (5) The FCA may also ask *remuneration* committees to provide the FCA with evidence of how well the *firm's remuneration* policies meet the *BIPRU Remuneration Code's* principles, together with plans for improvement where there is a shortfall. The FCA also expects relevant *firms* to use the principles in assessing their exposure to risks arising from their *remuneration* policies as part of the *internal capital adequacy assessment process (ICAAP)*.

19C.2.3

FCA

G

(6) The *BIPRU Remuneration Code* is principally concerned with the risks created by the way *remuneration* arrangements are structured, not with the absolute amount of *remuneration*, which is generally a matter for *firms'* *remuneration* committees.

(1) The specific *remuneration* requirements in this chapter may apply only to certain categories of *employee*. However, the *FCA* expects *firms*, in complying with the *BIPRU Remuneration Code general requirement*, to apply certain principles on a *firm-wide* basis.

(2) In particular, the *FCA* considers that *firms* should apply the principle relating to guaranteed variable *remuneration* on a *firm-wide* basis (Remuneration Principle 12(c); ■ SYSC 19C.3.40 R to ■ SYSC 19C.3.43 G.

(3) The *FCA* also expects *firms* to apply, as a minimum, the principles relating to risk management and risk tolerance (Remuneration Principle 1); supporting business strategy, objectives, values and long-term interests of the firm (Remuneration Principle 2); conflicts of interest (Remuneration Principle 3); governance (Remuneration Principle 4); risk adjustment (Remuneration Principle 8); pension policy (Remuneration Principle 9); personal investment strategies (Remuneration Principle 10); payments related to early termination (Remuneration Principle 12(e)) and deferral (Remuneration Principle 12(g)) on a *firm-wide* basis.

Record-keeping

19C.2.4

FCA

G

In line with the record-keeping requirements in ■ SYSC 9, a *firm* should ensure that its *remuneration* policies, practices and procedures are clear and documented. Such policies, practices and procedures would include performance appraisal processes and decisions.

Interpretation of references to remuneration

19C.2.5

FCA

R

(1) In this chapter, references to *remuneration* include *remuneration* paid, provided or awarded by any *person* to the extent that it is paid, provided or awarded in connection with *employment* by a *firm*.

(2) Paragraph (1) is without prejudice to the meaning of *remuneration* elsewhere in the *Handbook*.

19C.2.6

FCA

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Remuneration includes, for example, payments made by a seconding organisation which is not subject to the *BIPRU Remuneration Code* to a secondee in respect of their *employment* by a *firm* which is subject to the *BIPRU Remuneration Code*.

19C.3 Remuneration principles

Application: groups

19C.3.1

FCA

R

- (1) A *firm* must apply the requirements of this section at *group, parent undertaking* and *subsidiary undertaking* levels, including those *subsidiaries* established in a country or territory which is not an *EEA State*.
- (2) Paragraph (1) does not limit ■ SYSC 12.1.13 R and ■ SYSC 12.1.15 R (which relate to the application of the *BIPRU Remuneration Code* within *UK consolidation groups* and *non-EEA sub-groups*).

19C.3.2

FCA

G

The effect of ■ SYSC 12.1.13 R (2)(dA) and ■ SYSC 12.1.15 R is that the *firm* is required to ensure that the risk management processes and internal control mechanisms at the level of any *consolidation group* or *non-EEA sub-group* of which a *firm* is a member comply with the obligations set out in this section on a consolidated (or sub-consolidated) basis.

Application: categories of staff and proportionality

19C.3.3

FCA

R

- (1) This section applies to *BIPRU Remuneration Code staff*, except as set out in (3).
- (2) When establishing and applying the total *remuneration* policies for *BIPRU Remuneration Code staff*, a *firm* must comply with this section in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities (the *BIPRU remuneration principles proportionality rule*).
- (3) Paragraphs (1) and (2) do not apply to the requirement for significant *firms* to have a *remuneration* committee (■ SYSC 19C.3.12 R).

[Note: In addition to the *guidance* in this section which relates to the *BIPRU remuneration principles proportionality rule*, the *FCA* has published *guidance* on the operation of the *BIPRU remuneration principles proportionality rule*. This *guidance* is available at <http://www.fca.org.uk/firms/markets/international-markets/remuneration-code>.]

19C.3.4

FCA

R

BIPRU Remuneration Code staff comprises categories of staff including senior management, risk-takers, staff engaged in control functions and any

employee receiving total remuneration that takes them into the same *remuneration* bracket as senior management and risk-takers, whose professional activities have a material impact on the *firm's* risk profile.

19C.3.5

FCA

R

A *firm* must:

- (1) maintain a record of its *BIPRU Remuneration Code staff* in line with the general record-keeping requirements (■ SYSC 9); and
- (2) take reasonable steps to ensure that its *BIPRU Remuneration Code staff* understand the implications of their status, including the potential for *remuneration* which does not comply with certain requirements of the *BIPRU Remuneration Code* to be rendered void and recoverable by the *firm*.

19C.3.6

FCA

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- (1) In the *FCA's* view:
 - (a) a *firm's* staff includes its *employees*;
 - (b) a *person* who performs a *significant influence function* for, or is a *senior manager* of, a *firm* would normally be expected to be part of the *firm's BIPRU Remuneration Code staff*;
 - (c) the table in (2) provides a non-exhaustive list of examples of key positions that should, subject to (d), be within a *firm's* definition of staff who are risk takers;
 - (d) *firms* should consider how the examples in the table in (2) apply to their own organisational structure ;
 - (e) *firms* may find it useful to set their own metrics to identify their risk takers based, for example, on trading limits; and
 - (f) a *firm* should treat a *person* as being *BIPRU Remuneration Code staff* in relation to *remuneration* in respect of a given performance year if they were *BIPRU Remuneration Code staff* for any part of that year.

[**Note:** The *FCA* has published *guidance* on the application of particular rules on *remuneration* structures in relation to individuals who are *BIPRU Remuneration Code staff* for only part of a given performance year. This *guidance* is available at <http://www.fca.org.uk/firms/markets/international-markets/remuneration-code>.]

Chapter 20

Reverse stress testing

20.1 Application and purpose

Application

- (1) ■ SYSC 20 applies to:
- (a) a *firm* which is:
 - (i) a *bank*; or
 - (ii) a *building society*; or
 - (iii) a *designated investment firm* which meets any of the criteria set out in (2) on an individual basis, or in (3) on a consolidated basis; and
 - (b) an *insurer* unless it is:
 - (i) a *non-directive friendly society*; or
 - (ii) a *Swiss general insurer*; or
 - (iii) an *EEA-deposit insurer*; or
 - (iv) an *incoming EEA firm*; or
 - (v) an *incoming Treaty firm*.
- (2) Subject to (4), ■ SYSC 20 applies to a *designated investment firm* if:
- (a) it has assets under management or administration of at least £10 billion (or the equivalent amount in foreign currency); or
 - (b) the total annual *fee* and *commission* income arising from its *regulated activities* is at least £250 million (or the equivalent amount in foreign currency); or
 - (c) it has assets or liabilities of at least £2 billion (or the equivalent amount in foreign currency).
- (3) Subject to (4), where all of the *designated investment firms* within the same *consolidation group* or *non-EEA sub-group*,

taken together as if they were one *firm*, meet any of the criteria in (2), ■ SYSC 20 applies to each of those *designated investment firms* as if it individually met the inclusion criteria in (2).

(4) Any *designated investment firm* which is included within the scope of ■ SYSC 20 in accordance with (2) or (3) in any given year will continue to be subject to ■ SYSC 20 for the following two years irrespective of whether or not it continues to meet the inclusion criteria in any of those subsequent years.

20.1.1A

R

FCA

(1) ■ SYSC 20 applies to:

- (a) an *IFPRU investment firm*; and
- (b) a *BIPRU firm* which meets any of the criteria in (2) on an individual basis, or in (3) on a consolidated basis.

(2) Subject to (4), ■ SYSC 20 applies to a *BIPRU firm* if:

- (a) it has assets under management or administration of at least £10 billion (or the equivalent amount in foreign currency); or
- (b) the total annual fee and commission arising from regulated activities is at least £250 million (or the equivalent amount in foreign currency); or
- (c) it has assets or liabilities of at least £2 billion (or the equivalent amount in foreign currency).

(3) Subject to (4), where all of the *BIPRU firms* within the same *UK consolidation group* or *non-EEA sub-group*, taken together, as if they were one *firm*, meet any of the criteria in (2), ■ SYSC 20 applies to each of those *BIPRU firms* as if it individually met the criteria in (2).

(4) Any *BIPRU firm* which is included within the scope of ■ SYSC 20 in accordance with (2) or (3) in any given year will continue to be subject to ■ SYSC 20 for the following two years, irrespective of whether or not it continues to meet the inclusion criteria in any of those subsequent years.

Purpose

This chapter amplifies *Principle 2*, under which a *firm* must conduct its business with due skill, care and diligence, and *Principle 3*, under which a *firm* must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

20.1.2

G

FCA PRA

PAGE
3

20.1.3

G

FCA PRA

This chapter contains *rules* on reverse stress testing, which require a *firm* to identify and assess events and circumstances that would cause its business model to become unviable. This chapter also requires the *firm's* senior management or *governing body* to review and approve the results of the reverse stress testing exercise. This should help the *firm's* senior

management to identify the *firm's* vulnerabilities and design a strategy to prevent or mitigate the risk of business failure.

20.1.4**PRA****G**

The reverse stress testing requirements are an integral component of a *firm's* business planning and risk management under SYSC. For *BIPRU firms* as referred to in ■ SYSC 20.1.1R (1)(a), this chapter amplifies ■ SYSC 7.1.1 G to ■ SYSC 7.1.8 G on risk control. For *insurers* as referred to in ■ SYSC 20.1.1R (1)(b), this chapter amplifies ■ SYSC 14.1.17 G to ■ SYSC 14.1.25 G on business planning and risk management.

20.1.4A**FCA****G**

The reverse stress testing requirements are an integral component of a *firms* business planning and risk management under SYSC. For *firms* as referred to in ■ SYSC 20.1.1 R (1)(a) and *IFPRU investment firms* as referred to in ■ SYSC 20.1.1 R (1)(a), this chapter amplifies ■ SYSC 7.1.1 G to ■ SYSC 7.1.8 G on risk control.

Senior Management Arrangements, Systems and Controls

SYSC TP 2

Firms other than common platform firms, insurers, managing agents and the Society

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: Coming into force
2.1 [FCA] [PRA]	SYSC 8.1	R	If a <i>firm</i> other than a <i>common platform firm, insurer, managing agent</i> or the <i>Society</i> has in force on 1 April 2009 <i>outsourcing</i> arrangements which would be covered by SYSC 8.1 it need not amend those contracts to comply with these provisions but should comply with the new rules and guidance in respect of any <i>outsourcing</i> contracts which are entered into, or materially amended, on or after 1 April 2009.	1 April 2009 indefinitely	1 April 2009

(1)	(2)	(3)	(4)	(5)	(6)
<p>2.2 [FCA]</p>	<p>The changes to SYSC set out in Annex D of the Alternative Investment Fund Managers Directive Instrument 2013</p>	<p>R</p>	<p>(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex listed in column (2) do not apply and therefore the provisions in SYSC amended by that Annex will continue to apply as they were in force as at 21 July 2013.</p> <p>(2) the conditions are: (a) the <i>firm</i> falls within regulation 72(1) of the <i>AIFMD UK regulation</i>; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i>.</p>	<p>From 22 July 2013 until 21 July 2014</p>	<p>22 July 2013</p>
<p>2.3 [FCA]</p>	<p>SYSC 4.2.2 R to SYSC 4.2.5 G, SYSC 9.1.2 R and SYSC 9.1.3 R</p>	<p>R</p>	<p>A <i>small authorised UK AIFM</i> of an <i>unauthorised AIF</i> which, prior to 22 July 2013, was a <i>common platform firm</i> must continue to comply with column (2) in respect of its activities as an <i>AIFM</i>.</p>	<p>From 22 July 2013 until 31 July 2015</p>	<p>22 July 2013</p>

(1)	(2)	(3)	(4)	(5)	(6)
2.4 [FCA]	SYSC 4.1.8A R to R SYSC 4.1.8E R and 4.1.9AR		The <i>rules</i> listed in column (2) do not apply to an <i>operator of an electronic system in relation to lending</i> who holds an <i>interim permission</i> .	From 1 April 2014 to 30 September 2014	1 April 2014

Threshold Conditions

To what extent does COND apply to incoming EEA firms and incoming Treaty firms?

1.1A.4

FCA

G

COND applies to *incoming EEA firms* and *incoming Treaty firms* as set out below:

- (1) for an *incoming EEA firm* or an *incoming Treaty firm* which does not carry on any *PRA-regulated activities*, *FCA threshold conditions 2C to 2F* apply; and
- (2) for an *incoming EEA firm* or an *incoming Treaty firm* which carries on a *PRA-regulated activity*, *FCA threshold conditions 3B to 3E* apply.

FCA threshold conditions apply to *incoming EEA firms* and *incoming Treaty firms* only in as far as relevant to the discharge by the *FCA* of its relevant functions in relation to an application for, or the exercise of its *own-initiative powers* in relation to, a *top-up permission* or the functions relating to the *FCA*'s consent or consultation rights relating to the exercise by the *PRA* of its powers in relation to an application for, or use of its *own-initiative powers* relating to, a *top-up permission*.

To what extent does COND apply to Swiss general insurance companies?

1.1A.5

FCA

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FCA threshold conditions 3B, 3C and 3E apply to *Swiss General Insurance Companies*.

To what extent does COND apply to credit firms with limited permission?

1.1A.5A

FCA

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- (1) The *FCA threshold conditions* apply to a *person* that carries on, or seeks to carry on, only relevant credit activities (within paragraph 2G of Schedule 6 to the *Act*) and which therefore has, or is applying for, *limited permission* with a number of modifications (see article 10(19) of the *Regulated Activities Amendment Order*). *Regulated activities* a *person* carries on in relation to which sections 20(1) and (1A) and 23(1A) of the *Act* do not apply as a result of section 39(1D) of the *Act* are disregarded for this purpose.
- (2) For a *person* within (1), the *FCA threshold conditions* are modified as follows:
 - (a) in relation to paragraph 2C of Schedule 6 to the *Act* (Effective supervision), paragraphs (a), (b) and (e) of sub-paragraph (1) do not apply (see ■ COND 2.3);
 - (b) in relation to paragraph 2D of Schedule 6 to the *Act* (Appropriate resources), the *person* has adequate financial resources if it is capable of meeting its debts as they fall due (see ■ COND 2.4);
 - (c) paragraph 2F of Schedule 6 to the *Act* (Business model) does not apply (see ■ COND 2.7).
- (3) Paragraph 2G of Schedule 6 to the *Act* defines relevant credit activity for the purposes of the *FCA Threshold Conditions*. The interpretation of some of the key expressions used in this specific context is as follows:
 - (a) "borrower" includes any *person* providing a guarantee or indemnity under an agreement, and a *person* to whom the rights and duties of the borrower have passed by assignment or operation of law;
 - (b) "supplier" means a *person* whose main business is to sell goods or supply services and not to carry on a *regulated activity*, other than *entering into a regulated consumer hire agreement as owner* or *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement*;

- (c) "customer" means a *person* to whom a supplier sells goods or supplies services or agrees to do so;
- (d) "domestic premises supplier" means a supplier who sells goods or supplies services to customers who are individuals while physically present in the dwelling of the customer or in consequence of an agreement concluded whilst the supplier was physically present in the dwelling of the customer (though a supplier who does so on an occasional basis is not to be treated as a "domestic premises supplier").

(4) In summary, the following *credit-related regulated activities* are relevant credit activities for the purposes of the *FCA Threshold Conditions*:

(a) *credit broking* when carried on:

- (i) by a supplier (other than a domestic premises supplier) for the purposes of or in connection with the sale of goods or supply of services by the supplier to a customer (who need not be the borrower under the *credit agreement* or the hirer under the *consumer hire agreement*); or
- (ii) in relation to a *green deal plan*; or
- (iii) in relation to a *consumer hire agreement* where the goods being hired is a vehicle;

although, other than where the *credit broking* is carried on by a *not-for-profit body*, the *credit broking* will not be a relevant credit activity where it relates to an agreement under which the obligation of the borrower to repay or the hirer to pay is secured, or is to be secured, by a legal mortgage on land;

(b) *consumer credit lending* if carried on by a *local authority* or if:

- (i) it is carried on by a supplier;
- (ii) no charge (by way of interest or otherwise) is payable by the borrower in connection with the provision of *credit*; and
- (iii) the *regulated credit agreement* is not a *hire purchase agreement* or a *conditional sale agreement*;

although, other than where the *consumer credit lending* is carried on by a *not-for-profit body*, the *consumer credit lending* will not be a relevant credit activity if it relates to an agreement under which the obligation of the borrower to repay is secured, or is to be secured, by a legal mortgage on land;

(c) *entering into a regulated consumer hire agreement as owner or exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* although, other than where these activities are carried on by a *not-for-profit body*, *entering into a regulated consumer hire agreement as owner or exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* will not be a relevant credit activity if the obligation of the hirer to pay under the agreement is secured, or is to be secured, by a legal mortgage on land;

(d) *debt adjusting* or *debt counselling* when carried on:

- (i) by a supplier who also carries on *credit broking* within (a)(i);

- (ii) by a *person* in connection with an activity within (b) or (c) which the *person* also carries on;
- (iii) by a *not-for-profit body*;

although, other than where the *debt adjusting* or *debt counselling* is carried on by a *not-for-profit body*, the *debt adjusting* or *debt counselling* will not be a relevant credit activity if it relates to an agreement under which the obligation of the borrower to repay or the hirer to pay is secured, or is to be secured, by a legal mortgage on land;

- (e) *providing credit information services* where carried on by a person in connection with an activity within (a) to (d) which the *person* also carries on;
- (f) agreeing to carry on an activity within (a) to (e).

To which regulated activities does COND apply?

1.1A.6

FCA

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Subject to the limitations referred to above, *COND* applies in relation to all of the *regulated activities* for which a *firm* has, or will have, *permission*.

Where does COND apply?

1.1A.7

FCA

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COND applies in relation to all of the *regulated activities* wherever they are carried on, except as stated in ■ COND 1.1A.4 G.

1.2 Purpose

1.2.1

FCA

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COND gives *guidance* on the *threshold conditions* . The *FCA threshold conditions* represent the minimum conditions for which the *FCA* is responsible, which a *firm* is required to satisfy, and continue to satisfy, in order to be given and to retain *Part 4A permission*. A *PRA-authorized person* or, as appropriate, a *firm* seeking to become a *PRA-authorized person* must also satisfy, and continue to satisfy, the *threshold conditions* for which the *PRA* is responsible in order to be given and to retain *Part 4A permission* (these *threshold conditions* are not the subject of the *guidance* in COND).

1.2.2

FCA

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Applications for Part 4A permission or variation of Part 4A permission

- (1) Under section 55B(3) of the *Act*, in giving or varying a *Part 4A permission*, imposing or varying any *requirement* or giving consent, the *FCA* must ensure that the *firm* concerned will satisfy, and continue to satisfy, the *FCA threshold conditions* in relation to all of the *regulated activities* for which it has or will have *permission*.
- (2) If, however, the applicant for *permission* is an *incoming firm* seeking *top-up permission*, or variation of *top-up permission*, under Part 4A of the *Act* (Permission to carry on regulated activities), then under paragraphs 6A and 7A of Schedule 6 to the *Act* (Threshold conditions) , the *FCA* will have regard only to satisfaction of the *FCA threshold conditions* specified as applicable in ■ COND 1.1A.4 G , as relevant to the *regulated activities* for which the applicant has, or will have, *Part 4A permission*.

1.2.3

FCA

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Exercise of the FCA's own-initiative powers

- (1) If, among other things, a *firm* is failing to satisfy any of the *FCA threshold conditions*, or is likely to fail to do so, the *FCA* may exercise its *own-initiative powers* under either section 55J (Variation or cancellation on initiative of regulator) or section 55L (Imposition of requirements by FCA) of the *Act*. Use of the *FCA's own-initiative powers* is explained in ■ SUP 7 (Individual requirements), and ■ EG 8 (Variation and cancellation of permission on the *FCA's own initiative and intervention against incoming firms*) .
- (2) If, when exercising its *own-initiative powers* under section 55J or section 55L of the *Act*, the *FCA* varies a *firm's permission*, or imposes or varies a *requirement*, then, under section 55B(3) of the *Act*, the *FCA* must ensure that the *firm* concerned will satisfy, and continue to satisfy, the *FCA threshold conditions* in relation to all of the relevant *regulated activities* for which it has or will have *permission*. However, section 55B(4) of the *Act* states that the duty imposed by section 55B(3) of the *Act* does not prevent the *FCA*

taking such steps as it considers necessary in relation to a particular *firm* in order to advance any of its operational objectives.

- (3) The *FCA* can also exercise its *own-initiative powers* under section 55J or section 55L of the *Act* in relation to the *top-up permission* of an *incoming firm*. But this is only on the grounds that the *incoming firm* is failing, or likely to fail, to satisfy the *FCA threshold conditions* specified as applying to *incoming firms* under ■ COND 1.1A.4 G.

1.2.4

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- (1) [deleted]
(2) [deleted]

Approval of acquisitions or increases of control

1.2.5

FCA

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- (1) Under section 185 of the *Act* (Assessment: general) the *FCA* may, subject to consultation with the *PRA* where the conditions in section 187B of the *Act* are satisfied, object to an acquisition of an *FCA-authorised person* if there are reasonable grounds to do so on the basis of the matters set out in section 186 of the *Act* (Assessment: criteria) or if the information provided by the section 178 notice giver is incomplete. Section 186(d) of the *Act* (Assessment: criteria) specifies one such criteria as whether an *FCA-authorised person* will be able to comply with its prudential requirements (including the *threshold conditions* in relation to all of the *regulated activities* for which it has, or will have, *permission*.)
- (2) Under section 191A of the *Act* (Objection to control), subject to consultation with the *PRA* in the circumstances specified in that provision, the *FCA* may object to a *person's* existing control of an *FCA-authorised person* on the grounds specified under section 186 of the *Act*.

1.3 General

1.3.1

FCA

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The *guidance* in ■ COND 2 explains each *FCA threshold condition* in Schedule 6 (threshold conditions) to the *Act* and indicates how the *FCA* will interpret it in practice. This *guidance* is not, however, exhaustive and is written in very general terms. A *firm* will need to have regard to the obligation placed upon the *FCA* under section 55B (The threshold conditions) of the *Act*; that is, the *FCA* must ensure that the *firm* will satisfy, and continue to satisfy, the *FCA threshold conditions* in relation to each *regulated activity* for which it has, or will have, *permission*.

1.3.2

FCA

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- (1) The *FCA* will consider whether a *firm* satisfies, and will continue to satisfy, the *FCA threshold conditions* in the context of the size, nature, scale and complexity of the business which the *firm* carries on or will carry on if the relevant application is granted.
- (2) In relation to *threshold conditions* set out in paragraphs 2D to 2F of Schedule 6 to the *Act* in respect of *firms* which are not *PRA-authorised persons* and paragraphs 3C to 3E of Schedule 6 to the *Act* in respect of *firms* which are *PRA-authorised persons*, the *FCA* will consider whether a *firm* is ready, willing and organised to comply, on a continuing basis, with the requirements and standards under the *regulatory system* which apply to the *firm*, or will apply to the *firm*, and for which the *FCA* is responsible, if it is granted *Part 4A permission*, or a variation of its *permission*. These matters will also be considered if the *FCA* is exercising its *own-initiative powers* (see ■ COND 1.2.3 G). Guidance to *firms* on the implications of this is given under each of those *threshold conditions*.

1.3.3

FCA

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Although the *FCA* may consider that a matter is relevant to its assessment of a *firm*, the fact that a matter is disclosed to the *FCA*, for example in an application, does not necessarily mean that the *firm* will fail to satisfy the *FCA threshold conditions*. The *FCA* will consider each matter in relation to the *regulated activities* for which the *firm* has, or will have, *permission*, having regard to its *statutory objectives*. A *firm* should disclose each relevant matter but, if it is appropriate to do so, it is encouraged to discuss it with the *FCA*. This will enable the *FCA* to consider fully how material or significant the matter is and how it affects the ability of the *firm* to satisfy, and continue to satisfy, the *FCA threshold conditions*.

1.3.3A

FCA

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In determining the weight to be given to any relevant matter, the *FCA* will consider its significance in relation to the *regulated activities* for which the *firm* has, or will have, *permission*, in the context of its ability to supervise the *firm* adequately, having regard to the *FCA's statutory objectives*. In this context, a series of matters may be

significant when taken together, even though each of them in isolation might not give serious cause for concern.

1.3.3B

FCA

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In determining whether the *firm* will satisfy, and continue to satisfy, the *FCA threshold conditions*, the *FCA* will have regard to all relevant matters, whether arising in the *United Kingdom* or elsewhere.

1.3.3C

FCA

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When assessing the *FCA threshold conditions*, the *FCA* may have regard to any *person* appearing to be, or likely to be, in a relevant relationship with the *firm*, in accordance with section 55R of the *Act* (Persons connected with an applicant). For example, a *firm's controllers*, its *directors* or *partners*, other *persons* with *close links* to the *firm* (see ■ COND 2.3), and other *persons* that exert influence on the *firm* which might pose a risk to the *firm's* satisfaction of the *FCA threshold conditions*, would be in a relevant relationship with the *firm*.

1.3.3D

FCA

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In making its assessment, the *FCA* will consider the individual circumstances of each *firm* on a case-by-case basis.

1.3.3E

FCA

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Notes on the contents of a business plan are given in the business plan section of the application pack for *Part 4A permission* on the *FCA's* website.

Statutory quotations

1.3.4

FCA

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- (1) For ease of reference, the *FCA threshold conditions* in or under Schedule 6 to the *Act* have been quoted in full in ■ COND 2.
- (1A) Paragraphs 2A and 3A of Schedule 6 of the *Act* have not been quoted. These set out the application of the *FCA threshold conditions* to *firms* which do not carry on, or are not seeking to carry on, a *PRA regulated activity* and *firms* which carry on, or are seeking to carry on, a *PRA regulated activity* respectively. This application is summarised in ■ COND 1.1A.
- (2) As the *FCA threshold conditions* impose obligations, they are printed in bold type. The use of bold type is not intended to indicate that these quotations are *rules* made by the *FCA*.
- (3) [deleted]
- (4) Paragraph 1A of Schedule 6 of the *Act* sets out interpretative provisions that apply to the *threshold conditions*. These are repeated in ■ COND 1.3.5 G below for ease of reference.

1.3.5

✠

Paragraph 1A of Schedule 6 to the Act

- (1) "assets" includes contingent assets;

"consolidated supervision" has the same meaning as in section 3M(a);

"consumer" has the meaning given by section 425A(b);

"financial crime" is to be read with section 1H(3)(c);

"functions", in relation to either the FCA or the PRA, means the functions conferred on that regulator by or under this Act;

"liabilities" includes contingent liabilities;

"relevant directives" has the same meaning as in section 3M;

"Society" means the society incorporated by Lloyd's Act 1871(d) by the name of Lloyd's;

"subsidiary undertaking" includes all the instances mentioned in Article 1(1) and (2) of the Seventh Company Law Directive in which an entity may be a subsidiary of an undertaking.

- (2) For the purposes of this Schedule, the "non-financial resources" of a person include any systems, controls, plans or policies that the person maintains and the human resources that the person has available.
- (3) In this Schedule, references to "integrity of the UK financial system" are to be read with section 1D(2)(e).
- (4) The reference to the failure of a person is to be read in accordance with section 2J(3) and (4)(f).

2.3 Effective supervision

2.3.1 [deleted]

Paragraph 2C of Schedule 6 to the Act

2.3.1A

FCA

- (1) A must be capable of being effectively supervised by the FCA having regard to all the circumstances including-
- (a) the nature (including the complexity) of the regulated activities that A carries on or seeks to carry on;
 - (b) the complexity of any products that A provides or will provide in carrying on those activities;
 - (c) the way in which A's business is organised;
 - (d) if A is a member of a group, whether membership of the group is likely to prevent the FCA's effective supervision of A;
 - (e) whether A is subject to consolidated supervision required under any of the relevant directives;
 - (f) if A has close links with another person ("CL")-
 - (i) the nature of the relationship between A and CL;
 - (ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of A; and
 - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA's effective supervision of A.

(1A) Paragraphs (a), (b) and (e) of sub-paragraph (1) do not apply where the only regulated activities that the person concerned carries on, or seeks to carry on, are-

- (a) relevant credit activities, and

(b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by the person.

(2) A has close links with CL if-

- (a) CL is a parent undertaking of A;
- (b) CL is a subsidiary undertaking of A;
- (c) CL is a parent undertaking of a subsidiary undertaking of A;
- (d) CL is a subsidiary undertaking of a parent undertaking of A;
- (e) CL owns or controls 20% or more of the voting rights or capital of A; or
- (f) A owns or controls 20% or more of the voting rights or capital of CL.

2.3.1B

FCA

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Paragraph 2C of Schedule 6 to the *Act* sets out the effective supervision *threshold condition* for *firms* carrying on, or seeking to carry on, *regulated activities* which do not include a *PRA-regulated activity*.

2.3.1BA

FCA

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For the purposes of paragraph 2C (1A) of Schedule 6 to the *Act*, relevant credit activity is defined in paragraph 2G of Schedule 6 to the *Act*. Guidance on the meaning of relevant credit activity is given in ■ COND 1.1A.5A G.

Paragraph 3B of Schedule 6 to the Act

2.3.1C

FCA

✠

- (1) B must be capable of being effectively supervised by the FCA having regard to all the circumstances including-
- (a) the nature (including the complexity) of the regulated activities that B carries on or seeks to carry on;
 - (b) the complexity of any products that B provides or will provide in carrying on those activities;
 - (c) the way in which B's business is organised;
 - (d) if B is a member of a group, whether membership of the group is likely to prevent the FCA's effective supervision of B;
 - (e) whether B is subject to consolidated supervision required under any of the relevant directives;
 - (f) if B has close links with another person ("CL")-
 - (i) the nature of the relationship between B and CL;

- (ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of B; and
- (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA's effective supervision of B.

(2) B has close links with CL if-

- (a) CL is a parent undertaking of B;
- (b) CL is a subsidiary undertaking of B;
- (c) CL is a parent undertaking of a subsidiary undertaking of B;
- (d) CL is a subsidiary undertaking of a parent undertaking of B;
- (e) CL owns or controls 20% or more of the voting rights or capital of B; or
- (f) B owns or controls 20% or more of the voting rights or capital of CL.

2.3.1D
FCA

G Paragraph 3B of Schedule 6 to the *Act* sets out the effective supervision *threshold condition* which is relevant to the discharge by the *FCA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, *regulated activities* which include a *PRA-regulated activity*.

2.3.1E
FCA

G The guidance in **COND 2.3** should be read as applying to both paragraph 2C of Schedule 6 of the *Act* and, as far as relevant to the discharge by the *FCA* of its functions under the *Act* in respect of *firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, paragraph 3B of Schedule 6 of the *Act*.

2.3.1F
FCA

G *Firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, should note that the *PRA* is also responsible for assessing effective supervision under its own *threshold conditions*. Paragraphs 4F and 5F of Schedule 6 to the *Act* set out the effective supervision *threshold conditions* which are relevant to the discharge by the *PRA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, a *PRA-regulated activity*. For the avoidance of doubt, this *guidance* does not apply to the *threshold conditions* set out in paragraphs 4F and 5F of Schedule 6 to the *Act*.

2.3.2
FCA

G Paragraphs 2C and 3B of Schedule 6 to the *Act* implements requirements of the *Single Market Directives*, but the *Act* extends this condition to *firms* from outside the *EEA* and other *firms* which are outside the scope of the *Single Market Directives*.

2.3.3

FCA

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In assessing the *threshold conditions* set out in paragraphs 2C and 3B of Schedule 6 to the *Act*, factors which the *FCA* will take into consideration include, among other things, whether:

- (1) it is likely that the *FCA* will receive adequate information from the *firm*, and those *persons* with whom the *firm* has *close links*, to enable it to determine whether the *firm* is complying with the requirements and standards under the *regulatory system* for which the *FCA* is responsible and to identify and assess the impact on its *statutory objectives* ; this will include consideration of whether the *firm* is ready, willing and organised to comply with *Principle 11* (Relations with regulators and the *rules* in *SUP* on the provision of information to the *FCA*;
- (2) the structure and geographical spread of the *firm*, the *group* to which it belongs and other *persons* with whom the *firm* has *close links*, might hinder the provision of adequate and reliable flows of information to the *FCA*; factors which may hinder these flows include the fact there may be branches or connected *companies* in territories which supervise *companies* to a different standard or territories with laws which restrict the free flow of information, although the *FCA* will consider the totality of information available from all sources; and
- (3) [deleted]
- (4) in respect of a *firm* not carrying on, or seeking to carry on, a *PRA-regulated activity*, it is possible to assess with confidence the overall financial position of the *group* at any particular time; factors which may make this difficult include lack of audited consolidated accounts for a *group*, if companies in the same *group* as the *firm* have different financial years and accounting dates and if they do not share common auditors.

2.3.4

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[deleted]

2.3.5

G

[deleted]

Meaning of "parent undertaking" and "subsidiary undertaking"

2.3.6

FCA

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- (1) Section 420(1) of the *Act* (Parent and subsidiary undertaking) states that, except in relation to an *incorporated friendly society*, '*parent undertaking*' and '*subsidiary undertaking*' have the same meaning as in the Companies Acts (see section 1162 of, and schedule 7 to, the Companies Act 2006) . These are the cases referred to in ■ COND 2.3.7 G (1)(a) to ■ (f).
- (2) Section 420(2) of the *Act* supplements these definitions in two ways; these are the cases referred to in ■ COND 2.3.7 G (1)(g) and ■ (h).
- (3) Paragraph 1A of Schedule 6 to the *Act* extends the meaning of '*subsidiary undertaking*' for the purposes of the *threshold conditions* to all the cases in articles 1(1) and (2) of the *Seventh Company Law Directive* in which one *undertaking* may be a *subsidiary* of another *undertaking* (see ■ COND 2.3.11 G).

2.3.7

FCA

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- (1) For the purposes of the *threshold conditions* set out in paragraphs 2C and 3B of Schedule 6 to the *Act*, and except in relation to an *incorporated friendly society*, an undertaking is a *parent undertaking* of another *undertaking* (a *subsidiary undertaking*) if any of the following apply to it:
- (a) it holds a majority of the voting rights in the *subsidiary undertaking*; or
 - (b) it is a member of the *subsidiary undertaking* and has the right to appoint or remove a majority of its board of *directors*; or
 - (c) it has the right to exercise a dominant influence over the *subsidiary undertaking* through:
 - (i) provisions contained in the *subsidiary undertaking's* memorandum or articles; or
 - (ii) a control contract; or
 - (d) it is a member of the *subsidiary undertaking* and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in the *subsidiary undertaking*; or
 - (e) it has the power to exercise, or actually exercises, dominant influence or control over it, or it and the *subsidiary undertaking* are managed on a unified basis; or
 - (f) it is a *parent undertaking* of a *parent undertaking* of the *subsidiary undertaking*; or
 - (g) it is an individual and would be a *parent undertaking* if it were an *undertaking*; or
 - (h) it is incorporated in or formed under the law of another *EEA State* and is a *parent undertaking* within the meaning of any rule of law in that State for purposes connected with implementation of the *Seventh Company Law Directive*.

(2) [deleted]

2.3.8

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- (1) In relation to ■ COND 2.3.7 G (1)(b) and ■ (d), an *undertaking* is treated as a member of another *undertaking* if any of its *subsidiary undertaking* is a member of that *undertaking*, or if any shares in that other *undertaking* are held by a *person* acting on behalf of the *undertaking* or any of its *subsidiary undertakings*.
- (2) [deleted]
- (3) [deleted]

2.3.9

G

The provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings : supplementary provisions) explain and supplement the provisions of section 1162 of the Companies Act 2006 (outlined in ■ COND 2.3.7 G (1)(a) to ■ (f)).

2.3.10

FCA

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Section 420(3) of the *Act* (Parent and subsidiary undertaking) states that an *incorporated friendly society* is a *parent undertaking* of another *body corporate* (a *subsidiary undertaking*) if it has the following relationship to it:

- (1) it holds a majority of the voting rights in the *subsidiary undertaking*; or

2.3.11

FCA

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For the purposes of the *threshold conditions* set out in paragraphs 2C and 3B of Schedule 6 to the *Act*, an *undertaking* is a *subsidiary undertaking* of another *undertaking* if:

- (2) it is a member of the *subsidiary undertaking* and has the right to appoint or remove a majority of the *subsidiary undertaking's* board of *directors*; or
- (3) it is a member of the *subsidiary undertaking* and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in it.

- (1) the other undertaking (its parent) is a member of the *undertaking*;
- (2) a majority of the *undertaking's* board of *directors* who have held office during the financial year and during the preceding financial year have been appointed solely as a result of the exercise of the parent's voting rights; and
- (3) no one else is the *parent undertaking* of the *undertaking* under
 - COND 2.3.7 G (1)(a) or ■ COND 2.3.10 G (1).

2.3.11A

FCA

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Paragraphs 2C(2)(e) and (f) and 3B(2)(e) and (f) of Schedule 6 to the *Act* reflect legislation initially introduced in the *Post-BCCI Directive*, which defines close links, in part, by reference to participation. Recital 5 of the *Post-BCCI Directive* gives further guidance on what is meant by 'participation' for the purposes of the directive. It states that the sole fact of having acquired a significant proportion of a company's capital does not constitute participation for the purposes of the directive if that holding has been acquired solely as a temporary investment which does not make it possible to exercise influence over the structure or financial policy of the undertaking.

2.3.12

FCA

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The *guidance* in ■ COND 2.3 is not comprehensive and is not a substitute for consulting the relevant legislation, for example the Companies Act 2006, the Friendly Societies Act 1992 and the *Seventh Company Law Directive*, or obtaining appropriate professional advice.

2.4 Appropriate resources

2.4.1 [deleted]

Paragraph 2D of Schedule 6 to the Act

2.4.1A

FCA

- (1) The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.
- (2) The matters which are relevant in determining whether A has appropriate resources include-
 - (a) the nature and scale of the business carried on, or to be carried on, by A;
 - (b) the risks to the continuity of the services provided by, or to be provided by, A; and
 - (c) A's membership of a group and any effect which that membership may have.
- (3) Except in a case within sub-paragraph (3A), the matters which are relevant in determining whether A has appropriate financial resources include-
 - (a) the provision A makes and, if A is a member of a group, which other members of the group make, in respect of liabilities; and
 - (b) the means by which A manages and, if A is a member of a group, by which other members of the group manage, the incidence of risk in connection with A's business.
- (3A) Where the only regulated activities that A carries on, or seeks to carry on, are-
 - (a) relevant credit activities, and
 - (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by A,

A has adequate financial resources if A is capable of meeting A's debts as they fall due.

- (4) The matters which are relevant in determining whether A has appropriate non-financial resources include-
- (a) the skills and experience of those who manage A's affairs;
 - (b) whether A's non-financial resources are sufficient to enable A to comply with -
 - (i) requirements imposed or likely to be imposed on A by the FCA in the course of the exercise of its functions;
 - (ii) any other requirement in relation to whose contravention the FCA would be the appropriate regulator for the purposes of any provision of Part 14 of this Act.

2.4.1B

FCA

G

Paragraph 2D of Schedule 6 to the *Act* sets out the appropriate resources *threshold condition* for *firms* carrying on, or seeking to carry on, *regulated activities* which do not include a *PRA-regulated activity*.

2.4.1BA

FCA

G

For the purposes of paragraph 2D (3A) of Schedule 6 to the *Act*, relevant credit activity is defined in paragraph 2G of Schedule 6 to the *Act*. Guidance on the meaning of relevant credit activity is given in ■ COND 1.1A.5A G.

Paragraph 3C of Schedule 6 to the Act**2.4.1C**

FCA

✠

- (1) The non-financial resources of B must be appropriate in relation to the regulated activities that B carries on or seeks to carry on, having regard to the operational objectives of the FCA.
- (2) The matters which are relevant in determining whether the condition in sub-paragraph (1) is met include-
- (a) the nature and scale of the business carried on, or to be carried on, by B;
 - (b) the risks to the continuity of the services provided by, or to be provided by, B;
 - (c) B's a member of a group and any effect which that membership may have;
 - (d) the skills and experience of those who manage B's affairs;
 - (e) whether B's non-financial resources are sufficient to enable B to comply with-
 - (i) requirements imposed or likely to be imposed on B by the FCA in the exercise of its functions; or
 - (ii) any other requirement in relation to whose contravention the FCA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.

2.4.1D

FCA

G

Paragraph 3C of Schedule 6 to the *Act* sets out the appropriate non-financial resources *threshold condition* which is relevant to the discharge by the *FCA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, *regulated activities* which include a *PRA-regulated activity*.

2.4.1E

FCA

G

The guidance in ■ COND 2.4 should be read as applying to both paragraph 2D of Schedule 6 of the *Act* and, as far as relevant to the discharge by the *FCA* of its functions in respect of *firms* carrying on, or seeking to carry on, a *PRA-regulated activity* under the *Act*, paragraph 3C of Schedule 6 of the *Act*.

2.4.1F

FCA

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As the *threshold condition* set out in paragraph 3C of Schedule 6 to the *Act* does not relate to financial resources, the *guidance* in ■ COND 2.4 relating to appropriate financial resources only applies to the *FCA*'s assessment of the *threshold condition* set out in paragraph 2D of Schedule 6 of the *Act*.

2.4.1G

FCA

G

Firms carrying on, or seeking to carry on, a *PRA-regulated activity*, should note that the *PRA* is responsible for assessing their financial resources. Paragraphs 4D and 5D of Schedule 6 to the *Act* contain the *threshold conditions* relating to financial resources which are relevant to the discharge by the *PRA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, a *PRA-regulated activity* (in addition to additional non-financial resources *threshold conditions* which are also relevant to the discharge by the *PRA* of its functions). For the avoidance of doubt, this *guidance* does not apply to *threshold conditions* set out in paragraphs 4D and 5D of Schedule 6 to the *Act*.

2.4.2

FCA

G

- (1) [deleted]
- (2) In this context, the *FCA* will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including all financial resources (though only in the case of *firms* not carrying on, or seeking to carry on, a *PRA-regulated activity*), non-financial resources and means of managing its resources; for example, capital, provisions against liabilities, holdings of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
- (2A) Paragraph 1A(2) of Schedule 6 to the *Act* provides that "non-financial resources" of a *firm* for the purposes of the *threshold conditions* include any systems, controls, plans or policies that the *firm* maintains and the human resources that the *firm* has available.
- (3) High level systems and control requirements are in SYSC. The *FCA* will consider whether the *firm* is ready, willing and organised to comply with these and other applicable systems and controls requirements when assessing if it has appropriate non-financial resources for the purpose of the *threshold conditions* set out in paragraphs 2D and 3C to Schedule 6 of the *Act*.
- (4) Detailed financial resources requirements are in the relevant section of the Prudential Standards part of the *FCA Handbook*, including specific provisions for particular types of *regulated activity*. The *FCA* will consider whether *firms* (other than *firms* carrying on, or seeking to carry on, *PRA-regulated activities*) are ready, willing and organised to comply with these requirements when assessing if they have appropriate financial resources for the purposes of the *threshold condition* set out in paragraph 2D of Schedule 6 to the *Act*.

2.4.3

FCA

G

- (1) [deleted]
- (2) Although it is the *firm* that is being assessed, the *FCA* may take into consideration the impact of other members of the *firm's group* on the adequacy of its resources, where relevant to the discharge of the *FCA's* functions. For example, in relation to a *firm* other than a *firm* carrying on, or seeking to carry on, a *PRA-regulated activity*, the *FCA* may assess the consolidated solvency of the *group*. The *FCA's* approach to the consolidated supervision of such a *firm*, and its *group*, is in the relevant part of the Prudential Standards part of the *FCA Handbook* .

2.4.4

FCA

G

- (1) [deleted]
- (2) Relevant matters to which the *FCA* may have regard when assessing whether a *firm* will satisfy, and continue to satisfy, this *threshold condition* may include but are not limited to:
 - (a) (in relation to a *firm* other than a *firm* carrying on, or seeking to carry on, a *PRA-regulated activity*), whether there are any indications that the *firm* may have difficulties if the application is granted, at the time of the grant or in the future, in complying with any of the *FCA's* prudential *rules* (see the relevant part of the Prudential Standards part of the *FCA Handbook*);
 - (b) (in relation to a *firm* other than a *firm* carrying on, or seeking to carry on, a *PRA-regulated activity*), whether there are any indications that the *firm* will not be able to meet its debts as they fall due;
 - (c) whether there are any implications for the adequacy of the *firm's* resources arising from the history of the *firm*; for example, whether the *firm* has:
 - (i) been adjudged bankrupt; or
 - (ii) entered into liquidation; or
 - (iii) been the subject of a receiving or administration order; or
 - (iv) had a bankruptcy or winding-up petition served on it; or
 - (v) had its estate sequestrated; or
 - (vi) entered into a deed of arrangement or an individual voluntary agreement (or in Scotland, a trust deed) or other composition in favour of its creditors, or is doing so; or
 - (vii) within the last ten years, failed to satisfy a judgment debt under a court order, whether in the *United Kingdom* or elsewhere;
 - (d) whether the *firm* has taken reasonable steps to identify and measure any risks of regulatory concern that it may encounter in conducting its business and has installed appropriate systems and controls and appointed appropriate human resources to measure them prudently at all times ;
 - (e) whether the *firm* has conducted enquiries into the financial services sector in which it intends to conduct business that are sufficient to satisfy itself that:
 - (i) it has access to adequate capital, by reference to the *FCA's* prudential requirements, to support the business including any

losses which may be expected during its start-up period (in relation to a *firm* other than a *firm* carrying on, or seeking to carry on, a *PRA-regulated activity*); and

(ii) *Client money, deposits, custody assets and policyholders' rights* will not be placed at risk if the business fails; and

(f) whether the resources of the *firm* are commensurate with the likely risks it will face.

(3) [deleted]

(4) [deleted]

2.4.5

G

[deleted]

2.4.6

G

(1) [deleted]

FCA

(2) [deleted]

(3) [deleted]

2.5 Suitability

2.5.1  [deleted]

Paragraph 2E to Schedule 6 of the Act

2.5.1A

FCA



- (1) A must be a fit and proper person having regard to all the circumstances, including-
- (a) A's connection with any person;
 - (b) the nature (including the complexity) of any regulated activity that A carries on or seeks to carry on;
 - (c) the need to ensure that A's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
 - (d) whether A has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where A has so complied or is so complying, the manner of that compliance;
 - (e) whether those who manage A's affairs have adequate skills and experience and act with probity;
 - (f) whether A's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner; and
 - (g) the need to minimise the extent to which it is possible for the business carried on by A, or to be carried on by A, to be used for a purpose connected with financial crime.

2.5.1B

FCA



Paragraph 2E of Schedule 6 to the *Act* sets out the suitability *threshold condition* for *firms* carrying on, or seeking to carry on, *regulated activities* which do not consist of or include a *PRA-regulated activity*.

2.7 Business model

Paragraph 2F to Schedule 6 of the Act

2.7.1

FCA



- (1) A's business model (that is, A's strategy for doing business) must be suitable for a person carrying on the regulated activities that A carries on or seeks to carry on.
- (2) The matters which are relevant in determining whether A satisfies the condition in sub-paragraph (1) include-
 - (a) whether the business model is compatible with A's affairs being conducted, and continuing to be conducted, in a sound and prudent manner;
 - (b) the interests of consumers;
 - (c) the integrity of the UK financial system.
- (3) This paragraph does not apply where the only regulated activities that the person concerned carries on, or seeks to carry on, are-
 - (a) relevant credit activities, and
 - (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by the person.

2.7.2

FCA



Paragraph 2F of Schedule 6 to the *Act* sets out the business model *threshold condition* for *firms* carrying on, or seeking to carry on, *regulated activities* which do not include a *PRA-regulated activity*.

2.7.2A

FCA



For the purposes of paragraph 2F(3) of Schedule 6 to the *Act*, relevant credit activity is defined in paragraph 2G of Schedule 6 to the *Act*. Guidance on the meaning of relevant credit activity is given in ■ COND 1.1A.5A G.

PAGE
25

2.7.3

FCA



Paragraph 3E to Schedule 6 of the Act

B's business model (that is, B's strategy for doing business) must be suitable for a person carrying on the regulated activities that B carries on or seeks to carry on, having regard to the FCA's operational objectives.

- 2.7.4**
FCA **G** Paragraph 3E of Schedule 6 to the *Act* sets out the business model *threshold condition* which is relevant to the discharge by the *FCA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, *regulated activities* which include a *PRA-regulated activity*.
- 2.7.5**
FCA **G** The *guidance* in **COND 2.7** should be read as applying to both paragraph 2F of Schedule 6 to the *Act* and, as far as relevant to the discharge by the *FCA* of its functions under the *Act* in respect of *firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, paragraph 3E of Schedule 6 of the *Act*.
- 2.7.6**
FCA **G** *Firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, should note that the *PRA* states in its Approach Documents that analysis of such *firms*' business models will form an important part of the *PRA*'s supervisory approach. For the avoidance of doubt, this guidance does not apply to the *PRA*'s own assessment of the *firms*' business models.
- 2.7.7**
FCA **G** In assessing whether the *threshold conditions* set out in paragraphs 2F and 3E of Schedule 6 to the *Act* are satisfied, the *FCA* may consider all matters that might affect the design and execution of a *firm's* business model, taking into account the nature, scale and complexity of a *firm's* business.
- 2.7.8**
FCA **G** In deciding how they will satisfy and continue to satisfy the *threshold conditions* set out in paragraphs 2F and 3E of Schedule 6 to the *Act*, *firms* should consider matters including (but not limited to) the following:
- (1) the assumptions underlying the *firm's* business model and justification for it;
 - (2) the rationale for the business the *firm* proposes to do or continues to do, its competitive advantage, viability and the longer-term profitability of the business;
 - (3) the needs of and risks to *consumers*;
 - (4) the expectations of stakeholders, for example, shareholders and regulators;
 - (5) the products and services being offered and product strategy;
 - (6) the governance and controls of the *firm* and of any member of its *group* (if appropriate);
 - (7) the growth strategy and any risks arising from it;
 - (8) any diversification strategies; and
 - (9) the impact of the external macroeconomic and business environment.
- 2.7.9**
FCA **G** *Firms* should consider the manner in which they intend to bring their business model into operation. This plan could, for example, include matters such as procurement, outsourcing, and recruitment.

2.7.10

FCA

G

Firms should consider scenarios which may negatively impact on the *firm's* business model with a view to ensuring the sustainability of the *firm* and, further, to consider the vulnerability of the business model to specific events and the risks and consequences that might arise. Where appropriate, this might include reverse stress-testing (see SYSC 20 'Reverse stress testing'). A *firm* should put in place a credible plan to minimise the risks that it identifies from, or in relation to, its business model and a contingency plan for dealing with risks that have crystallised.

2.7.11

FCA

G

Firms should ensure that any adjustments to its business model:

- (1) are approved at an appropriate level in the business;
- (2) are considered in the light of any potential risks, impacts and consequences of the proposed changes; and
- (3) appropriately take into account the needs of and risks to *clients* and relevant *consumers*.

2.7.12

FCA

G

The *FCA's* assessment of a *firm's* satisfaction of this *threshold conditions* set out in paragraphs 2F and 3E of Schedule 6 to the *Act* will not necessarily be limited to a *firm's regulated activities* if the *FCA* believes the *firm's* other business activities, if any, may impact on a *firm's regulated activities*.

Training and Competence

2.1.24

FCA

R

A *firm* must, for the purposes of ■ TC 3.1.1 R (Record keeping), make and retain records of:

- (1) the continuing professional development completed by each *retail investment adviser*; and
- (2) the dates of and reasons for any suspension of the continuing professional development requirements under ■ TC 2.1.17 R.

2.1.25

FCA

R

A *firm* must not prevent a *retail investment adviser* from obtaining a copy of the records relating to that *retail investment adviser* which are maintained by the *firm* for the purposes of ■ TC 2.1.24 R.

Annual declarations

2.1.26

FCA

R

A *firm* must ensure that a *retail investment adviser* confirms annually in writing that the *retail investment adviser* has, in the preceding 12 months:

- (1) complied with *APER*; and
- (2) if applicable, completed the continuing professional development required under ■ TC 2.1.15 R.

Independent verification

2.1.27

FCA

R

A *firm* must obtain from an *accredited body* independent verification of the *firm's* compliance with:

- (1) in respect of its *retail investment advisers* only, the requirement in ■ TC 2.1.1 R to attain each module of an appropriate qualification;
- (2) ■ TC 2.1.15 R; and
- (3) ■ TC 2.1.26 R.

2.1.28

FCA

R

The independent verification in ■ TC 2.1.27 R must be obtained by a *firm*:

- (1) in respect of a competent *retail investment adviser* who began to carry on the activity of a *retail investment adviser* on or before 31 December 2012, within 60 *days* of that date and of the anniversary of that date thereafter;
- (2) in respect of a *retail investment adviser* who began to carry on the activity of a *retail investment adviser* on or after 1 January 2013, within 60 *days* of the date on which the *retail investment adviser* was assessed as competent as a *retail investment adviser* and of the anniversary of that date thereafter.

2.1.29

FCA

G

Independent verification for the purposes of ■ TC 2.1.27 R should take the form of a statement of professional standing issued by an *accredited body*.

2.1.30

FCA

G

The *Glossary* definition of *accredited body* contains a list of bodies recognised by the FCA for the purpose of providing the independent verification required under ■ TC 2.1.27 R. Information on *accredited bodies*, including *guidance* on the process for including a body in the list is set out in ■ TC Appendix 6G and the obligation to pay the application fee is set out in ■ FEES 3.2.

Notification requirements

2.1.31

FCA

R

A *firm* must notify the FCA as soon as reasonably practicable after it becomes aware, or has information which reasonably suggests, that any of the following events has occurred or may have occurred in relation to any of its *retail investment advisers*, and the event is significant:

- (1) a *retail investment adviser*, who has been assessed as competent for the purposes of ■ TC 2.1.1 R, is no longer considered competent for those purposes;
- (2) a *retail investment adviser* has failed to attain an appropriate qualification within the time limit prescribed by ■ TC 2.2A.1R (1);
- (3) a *retail investment adviser* has failed to comply with a *Statement of Principle* in carrying out his *controlled function*; and
- (4) a *retail investment adviser* has performed an activity in ■ TC Appendix 1 before having demonstrated the necessary competence for the purposes of ■ TC 2.1.1 R and without appropriate supervision.

2.1.32

FCA

G

When considering whether an event is significant a *firm* should include the following in its considerations:

- (1) the potential risk of consumer detriment as a result of the event;
- (2) whether the event or a pattern of events indicate recurrent issues in relation to one or more *retail investment advisers*; and
- (3) its obligations under *Principle 11*.

2.1.33

FCA

G

The Retail Investment Adviser Competence Notification Form approved by the FCA for notifications under ■ TC 2.1.31 R may be found at the FCA's website www.fca.org.uk/firms/being-regulated/approved/notification-of-competence.

General Provisions



1.2 Referring to approval by the appropriate regulator

1.2.1

FCA PRA

G

The purpose of ■ GEN 1.2.2 R is to prevent *clients* being misled about the extent to which the *appropriate regulator* has approved a *firm's* affairs.

1.2.2

PRA

R

- (1) Unless required to do so under the *regulatory system*, a *firm* must ensure that neither it nor anyone acting on its behalf claims, in a public statement or to a client, expressly or by implication, that its affairs, or any aspect of them, have the approval or endorsement of the *appropriate regulator* or another competent authority .
- (2) Paragraph (1) does not apply to statements that explain, in a way that is fair, clear and not misleading, that:
 - (a) the *firm* is an *authorised person*;
 - (b) the *firm* has *permission* to carry on a specific activity;
 - (c) an *authorisation order* has been made in relation to an *AUT*, *ACS* or *ICVC*;
 - (d) a *recognised scheme* has that status;
 - (e) the *firm's approved persons* have been approved by the *appropriate regulator* for the purposes of section 59 of the *Act* (Approval for particular arrangements);
 - (f) the *firm* has been given express written approval by the *appropriate regulator* in respect of a specific aspect of the *firm's* affairs.
- (3) Paragraph (1) applies with respect to the carrying on of both *regulated activities* and *unregulated activities*.

1.2.2A

FCA

R

- (1) Unless required to do so under the *regulatory system*, a *firm* must ensure that neither it nor anyone acting on its behalf claims, in a public statement or to a client, expressly or by implication, that its affairs, or any aspect of them, have the approval or endorsement of the *appropriate regulator* or another competent authority.

- (2) Paragraph (1) does not apply to statements that explain, in a way that is fair, clear and not misleading, that:
 - (a) the *firm* is an *authorised person*;
 - (b) [deleted]
 - (c) the *firm* has *permission* to carry on a specific activity;
 - (d) an *authorisation order* has been made in relation to an *AUT*, *ACS* or *ICVC*;
 - (e) a *recognised scheme* has that status;
 - (f) the *firm's approved persons* have been approved by the *appropriate regulator* for the purposes of section 59 of the *Act* (Approval for particular arrangements);
 - (g) the *firm* has been given express written approval by the *appropriate regulator* in respect of a specific aspect of the *firm's* affairs.
- (3) Paragraph (1) applies with respect to the carrying on of both *regulated activities* and *unregulated activities*.
- (4) [deleted]

1.2.3

FCA PRA

G

■ GEN 1.2.2 R (2)(f) is confined to written approval because of the need for clarity as to the scope of any approval given by the *appropriate regulator* .



1.3 Emergency

1.3.1

FCA PRA

G

The *appropriate regulator* recognises that there may be occasions when, because of a particular emergency, a *person* (generally a *firm*, but in certain circumstances, for example in relation to *price stabilising rules*, an *unauthorised person*) may be unable to comply with a particular *rule* in the *Handbook*. The purpose of ■ GEN 1.3.2 R is to provide appropriate relief from the consequences of contravention of such a *rule* in those circumstances.

1.3.2

FCA PRA

R

- (1) If any emergency arises which:
 - (a) makes it impracticable for a *person* to comply with a particular *rule* in the *Handbook*;
 - (b) could not have been avoided by the *person* taking all reasonable steps; and
 - (c) is outside the control of the *person*, its *associates* and agents (and of its and their *employees*);

the *person* will not be in contravention of that *rule* to the extent that, in consequence of the emergency, compliance with that *rule* is impracticable.
- (2) Paragraph (1) applies only for so long as:
 - (a) the consequences of the emergency continue; and
 - (b) the *person* can demonstrate that it is taking all practicable steps to deal with those consequences, to comply with the *rule*, and to mitigate losses and potential losses to its *clients* (if any).
- (3) The *person* must notify the *appropriate regulator* as soon as practicable of the emergency and of the steps it is taking and proposes to take to deal with the consequences of the emergency.
- (4) A notification under (3) must be given to or addressed and delivered in accordance with ■ SUP 15.7 (Form and method of notification) (whether or not the *person* is a *firm*). If the *person* is not a *firm*, the notification must be given to or addressed for the attention of: Firm Contact Centre, The Financial Conduct Authority, 25 The

North Colonnade, Canary Wharf, London E14 5HS (tel: 0845 606 9966).

1.3.3

FCA PRA

G

A *firm* should continue to keep the *appropriate regulator* informed of the steps it is taking under ■ GEN 1.3.2 R (3), in order to comply with its obligations under *Principle 11* (Relations with regulators).

1.3.4

FCA PRA

G

In the context of ■ GEN 1.3.2 R, an action is not practicable if it involves a *person* going to unreasonable lengths.

1.3.5

FCA PRA

G

■ GEN 1.3.2 R operates on the *appropriate regulator's rules*. It does not affect the *appropriate regulator's* powers to take action against a *firm* in an emergency, based on contravention of other requirements and standards under the *regulatory system*. For example, the *appropriate regulator* may exercise its *own-initiative power* in appropriate cases to vary a *firm's Part 4A permission* based on a failure or potential failure to satisfy the *threshold conditions* (see ■ SUP 7 (Individual requirements) and ■ EG 8 (Variation and cancellation of permission and imposition of requirements on the FCA's own initiative and intervention against incoming firms)).

- (6) for *equity release transactions*, initial disclosure requirements in ■ MCOB 8.4, pre-application disclosure requirements in ■ MCOB 9.4 and disclosure at the offer stage in ■ MCOB 9.5 ;
- (7) for *regulated sale and rent back agreements*, initial disclosure requirements in MCOB 4.11, pre-sale disclosure requirements in ■ MCOB 5.9 and disclosure at the offer stage requirements in ■ MCOB 6.9 ; and
- (8) for *regulated credit agreements*, the pre-contract information requirements in the Consumer Credit (Disclosure of Information) Regulations 2010 (SI 2010/1013) and in the Consumer Credit (Disclosure of Information) Regulations 2004 (SI 2004/1481).



4.3 Letter disclosure

Disclosure in letters to retail clients

4.3.1 FCA PRA R A *firm* must take reasonable care to ensure that every letter (or electronic equivalent) which it or its *employees* send to a *retail client*, with a view to or in connection with the *firm* carrying on a *regulated activity*, includes the disclosure in ■ GEN 4 Annex 1 R (firms that are not PRA-authorized persons) or GEN 4 Annex 1AR (PRA-authorized persons) as applicable .

4.3.1A FCA PRA G Where a letter covers both activities to which this section applies and activities to which this section does not apply, the *firm* should comply with the *rules* in this chapter in relation to the business to which it applies.

4.3.1B FCA PRA G An example for ■ GEN 4.3.1A G would be where a letter covers business for which the FCA is the *competent authority* under the *Insurance Mediation Directive* and under *MiFID*.

4.3.2 FCA PRA G [deleted]

4.3.2A FCA PRA G For a *UK domestic firm* that is not a *PRA-authorized person*, the required disclosure in ■ GEN 4 Annex 1 R is "Authorized and regulated by the Financial Conduct Authority".

4.3.2B FCA PRA G For a *UK domestic firm* that is a *PRA-authorized person*, the required disclosure in GEN 4 Annex 1AR is "Authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority".

4.3.3 FCA PRA G (1) ■ GEN 4.3.1 R (Disclosure in letters to retail clients) covers letters delivered by hand, sent by *post* and sent by fax and also electronic mail, but not text messages, account statements, business cards or compliment slips (used as such).

(2) ■ GEN 4.3.1 R (Disclosure in letters to retail clients) applies in relation to letters sent by any of the *firm's employees*, which includes its *appointed representatives* and their *employees*.

(3) *Firms* are likely to find it convenient to include the required disclosure in their letterhead.

4.3.4

FCA PRA

R

Exception: insurers

■ GEN 4.3.1 R (Disclosure in letters to retail clients) does not apply in relation to:

- (1) *general insurance business* if:
 - (a) the *State of the risk* is an *EEA State* other than the *United Kingdom*; or
 - (b) the *State of the risk* is outside the *EEA* and the *client* is not in the *United Kingdom* when the *contract of insurance* is entered into; or
- (2) *long-term insurance business* if:
 - (a) the *client* is *habitually resident* in an *EEA State* other than the *United Kingdom*; or
 - (b) the *client* is *habitually resident* outside the *EEA* and is not present in the *United Kingdom* when the *contract of insurance* is entered into.

Exception: authorised professional firms

4.3.5

FCA

R

For an *authorised professional firm*, ■ GEN 4.3.1 R (Disclosure in letters to retail clients) does not apply with respect to its *non-mainstream regulated activities*.

Exception: use of third party processors in home finance and insurance mediation activities

4.3.6

FCA

R

- (1) Where a *firm* has outsourced activities to a *third party processor* other than *advising on life policies* , ■ GEN 4.3.1 R does not apply to that *third party processor* when acting as such, so long as the outsourcing *firm* ensures that the *third party processor* and its *employees* comply with that *rule* as if it was the *firm* and they were *employees* of the *firm*.
- (2) Where an *appointed representative* has outsourced *insurance mediation activities* other than *advising on life policies* or *home finance mediation activities* to a *third party processor*, ■ GEN 4.3.1 R does not apply to that *third party processor* when acting as such, so long as the *appointed representative's principal* ensures that the *third party processor* and its *employees* comply with that *rule* as if it was the *appointed representative* and they were the *employees* of the *appointed representative*.
- (3) Where an *appointed representative* of a *firm* is carrying on:
 - (a) *insurance mediation activities* other than *advising on life policies* ; or

(b) *home finance mediation activities*;

which have been outsourced to it by the *firm*, ■ GEN 4.3.1 R does not apply to the *firm* when the *appointed representative* is carrying on the outsourced activities, so long as the *firm* ensures that the *appointed representative* and its *employees* comply with that *rule* as if it was the *firm* and they were *employees* of the *firm*.

Exception: credit firms

4.3.7

FCA

R

■ GEN 4.3.1 R (Disclosure in letters to retail clients) does not apply to a *credit firm* (other than a *firm* with a *limited permission*) with respect to the activity of *entering into a regulated credit agreement as lender* to which the *Consumer Credit Directive* applies, to the extent it would be contrary to the *United Kingdom's* obligations under an EU instrument.

4.3.8

FCA

G

A *credit firm* which carries on the activity of *entering into a regulated credit agreement as lender*, in respect of an agreement to which articles 5 and 6 of the *Consumer Credit Directive* apply is under an obligation to disclose pre-contract information in the form and to the extent required by the Consumer Credit (Disclosure of Information) Regulations 2010 (SI 2010/1013). *Firms* which carry on *credit broking* may take on the same obligation. A *credit firm* must also ensure specified information is included in *credit agreements* to which the *Consumer Credit Directive* applies in the form and to the extent required by the Consumer Credit (Agreements) Regulations 2010 (SI 2010/1014).

4.3.9

FCA

G

The effect of ■ GEN 4.3.7 R is that a *credit firm* in relation to a *regulated credit agreement* covered by the *Consumer Credit Directive* does not need to comply with ■ GEN 4.3.1 R in relation to those letters (or electronic equivalents) that accompany the information required under the Regulations referred to in ■ GEN 4.3.8 G.

4.3.10

FCA

G

Regulated activities covered by a *limited permission* (see the "relevant credit activities" set out in paragraph 2G of Schedule 6 to the *Act*) do not fall within the scope of articles 5 and 6 of the *Consumer Credit Directive*, therefore ■ GEN 4.3.7 R and the guidance related to it are not relevant to those activities.

General Provisions

Schedule 4 Powers exercised

Sch 4.1 G

FCA

In this Schedule, references to *GEN* include the *Glossary*.

Sch 4.2 G

FCA

Powers to make rules

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the rules in *GEN*:

- Section 59 (Approval for particular arrangements)
- Section 73A (Part 6 Rules)
- Section 74 (The official list)
- Section 75 (Applications for listing)
- Section 77 (Discontinuance and suspension of listing)
- Section 79 (Listing particulars and other documents)
- Section 80 (General duty of disclosure in listing particulars)
- Section 81 (Supplementary listing particulars)
- Section 84 (Matters which may be dealt with by prospectus rules)
- Section 85 (Prohibition of dealing etc in transferable securities without approved prospectus)
- Section 87 (Election to have prospectus)
- Section 87A (Criteria for approval of prospectus by competent authority)
- Section 87B (Exemptions from disclosure)
- Section 87G (Supplementary prospectus)
- Section 88 (Sponsors)
- Section 89A (Transparency rules)
- Section 89B (Provision of voteholder information)
- Section 89C (Provision of information by issuers of transferable securities)
- Section 89D (Notification of voting rights held by issuer)
- Section 89E (Notification of proposed amendment of issuer's constitution)

Section 89F (Transparency rules: interpretation etc)

Section 89G (Transparency rules: other supplementary provisions)

Section 89O (Corporate governance rules)

Section 89P (Primary information providers)

Section 96 (Obligations of issuers of listed securities)

Section 96A (Disclosure of information requirements)

Section 96C (Suspension of trading)

Section 101(2) (Part 6 Rules: general provisions)

Section 118(8) (Market abuse)

Section 136(2) (Funding of the legal assistance scheme)

Section 137A (The FCA's general rules)

Section 137B (FCA general rules: clients' money, right to rescind etc)

Section 137C (FCA general rules: cost of credit and duration of credit agreements)

Section 137D (FCA general rules: product intervention)

Section 137F (Rules requiring participation in benchmark)

Section 137H (General rules about remuneration)

Section 137O (Threshold condition code)

Section 137P (Control of information rules)

Section 137Q (Price stabilising rules)

Section 137R (Financial promotion rules)

Section 137T (General supplementary powers)

Section 138C (Evidential provisions)

Section 138D (Actions for damages)

Section 192J (Rules requiring provision of information by parent undertakings)

Section 213 (The compensation scheme) (including as referred to in section 216(5) (Continuity of long-term insurance policies) and section 217(7) (Insurers in financial difficulties)

Section 214 (General)

Section 214A (Contingency funding)

Section 214D(13) (Contributions under section 214B: supplementary)

Section 215 (Rights of the scheme in insolvency)

Section 216 (Continuity of long-term insurance policies)

Section 217 (Insurers in financial difficulties)

Section 218(2)(b) (Annual report)

Section 218A (Regulators' power to require information)

Section 223 (Management expenses)

Section 223C (Payments in error)

Section 224F (Rules about relevant schemes)

Section 226 (Compulsory jurisdiction) (including as applied by regulation 125 of the *Payment Services Regulations*)

Fees Manual

Chapter 3

Application, Notification and Vetting Fees

3.1 Introduction

Application

3.1.1 **R** This chapter applies to every *person* set out in column 1 of the Table of application, notification and vetting fees in ■ FEES 3.2.7 R and ■ FEES 3.2.7A R.
FCA **PRA**

3.1.1A **R** A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider* and a *fee-paying electronic money issuer*.
FCA

3.1.2 **G** This chapter does not apply to:
FCA **PRA**

- (1) an *EEA firm* that wishes to exercise an *EEA right*; or
- (2) an *EEA authorised payment institution*; or
- (3) an *EEA authorised electronic money institution*.

Purpose

3.1.3 **G** The purpose of this chapter is to set out the *appropriate regulator* fee paying requirements on the persons set out in ■ FEES 1.1.2 R (1).
FCA **PRA**

3.1.4 **G** Most of the detail of what fees are payable by the persons referred to in ■ FEES 3.1.3 G is set out in ■ FEES 3 Annex 1 R - ■ FEES 3 Annex 10 R.

3.1.5 **G**

- (1) The rates set for authorisation fees represent an appropriate proportion of the costs of the *appropriate regulator* in processing the application or exercise of *Treaty rights*.
- (2) [deleted]
- (3) [deleted]

3.1.5A **G** The fees for *funds* reflect the estimated costs to the *FCA* of assessing applications and notifications. The level of fees payable in respect of an application or a notification will vary depending upon the provision of the *Act* under which it is made. This fee is adjusted when the *scheme* concerned is an *umbrella*.
FCA

- 3.1.5B** FCA G Application fees for *recognised bodies* are calculated from a tariff structure intended to reflect the estimated cost of processing an application of that type and complexity.
- 3.1.6** FCA PRA G Applications for *Part 4A permission* (and exercises of *Treaty rights*) other than in respect of *credit-related regulated activities* are categorised by the *appropriate regulator* for the purpose of fee raising as straightforward, moderately complex and complex as identified in ■ FEES 3 Annex 1 R. This differentiation is based on the *permitted activities* sought and does not reflect the *appropriate regulator's* risk assessment of the applicant (or *Treaty firm*).
- 3.1.6A** FCA G Application fees for authorisation or registration under the *Payment Services Regulations* are set out in ■ FEES 3 Annex 8R . The fee depends on the type of *payment services* a *firm* wishes to provide and whether it will be a *small payment institution* or an *authorised payment institution*. The fee may also depend on the number of *agents* it has.
- 3.1.6B** FCA G Application fees for authorisation or registration under the *Electronic Money Regulations* are set out in ■ FEES 3 Annex 10 R. The fee depends on whether the firm is an *authorised electronic money institution* or a *small electronic money institution*.
- 3.1.7** FCA PRA G A potential applicant for *Part 4A permission* (or *Treaty firm*) has the opportunity to discuss its proposed application (or exercise of *Treaty rights*) with the *appropriate regulator* before submitting it formally. If an applicant for *Part 4A permission* (or *Treaty firm*) does so, the *appropriate regulator* will be able to use that dialogue to make an initial assessment of the fee categorisation and therefore indicate the authorisation fee that should be paid.
- 3.1.8** FCA PRA G [Deleted]
- 3.1.8A** FCA PRA G Application fees for applications for and variations of *Part 4A permission* in respect of *credit-related regulated activities* are also set out in ■ FEES 3 Annex 1 RF. Applications for *Part 4A permission* in respect of *credit-related regulated activities* are categorised by the *appropriate regulator* for the purposes of fee raising as straightforward, moderately complex and complex as identified in ■ FEES 3 Annex 1 R, unless the application is for a *limited permission*.

3.2 Obligation to pay fees

General

3.2.1

FCA PRA

R

A *person* in column (1) of the table in ■ FEES 3.2.7 R and, if applicable, ■ FEES 3.2.7A R as the relevant fee payer for a particular activity must pay to the *FCA* (in its own capacity or, if the fee is payable to the *PRA*, in its capacity as collection agent for the *PRA*) a fee for each application or request for vetting, or request for support relating to compatibility of its systems with *appropriate regulator* systems, or admission approval made, or notification or notice of exercise of a *Treaty right* given, or other matter as is applicable to it, as set out or calculated in accordance with the provisions referred to in column (2) of the appropriate table:

- (1) in full and without deduction; and
- (2) on or before the date given in column (3) of that table.

3.2.2

FCA PRA

G

If an application for a *Part 4A permission* (or exercise of a *Treaty right*) falls within more than one category set out in ■ FEES 3 Annex 1 R, only one fee is payable. That fee is the one for the category to which the highest fee tariff applies.

Method of payment

3.2.3

FCA PRA

R

- (1) Unless (2), (3) or (4) applies, the sum payable under ■ FEES 3.2.1 R must be paid by bankers draft, cheque or other payable order.
- (2) The *FCA* does not specify a method of payment for a *person* seeking to:
 - (a) become a *recognised body* or a *designated professional body*; or
 - (b) be added to the list of *designated investment exchanges* or *accredited bodies*.
- (3) The sum payable under ■ FEES 3.2.1 R by a *firm* applying for a variation of its *Part 4A permission* which is not an application for new *permission* solely in respect of one or more

credit-related regulated activities (■ FEES 3.2.7 R(p)(1) or ■ FEES 3.2.7 R(p)(4) and, if applicable, ■ FEES 3.2.7 R(c)) must be paid by any of the methods described in (1) or by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only).

(4) Unless ■ FEES 3.2.3A R applies, the sum payable under ■ FEES 3.2.1 R by a *firm* applying for a *Part 4A permission* in respect of *credit-related regulated activities* only or a variation of its *Part 4A permission* to add solely one or more *credit-related regulated activities* must be paid by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only).

(5) Payments by credit card must include an additional:

- (a) 2% of the sum paid when paying by Visa or Mastercard; or
- (b) 3.2% of the sum paid when paying by American Express.

3.2.3A

R

FCA PRA

(1) If the fee payer (as specified in column (1) of ■ FEES 3.2.7 R) in relation to ■ FEES 3.2.3 R (4) is:

- (a) unable to make a payment by credit or debit card; or
- (b) permitted to make a paper application rather than an online application for a *Part 4A permission* in respect of *credit-related regulated activities* only or a variation of its *Part 4A permission* to add a *credit-related regulated activity*;

the sum payable under ■ FEES 3.2.1 R can be paid by bankers draft, cheque or other payable order.

3.2.3B

G

FCA PRA

If ■ FEES 3.2.3A R (1)(a) applies to a fee payer, that fee payer would be expected to notify the FCA of these circumstances in advance of making its payment (and, in any event, no less than 7 days before the date on which the application for a *Part 4A permission* or the variation of a *Part 4A permission* is made) unless such notification is impossible in the circumstances, eg, there is a sudden technological failure.

3.2.4

G

FCA

The FCA expects that a *person* seeking to become a *recognised body* or a *designated professional body* or to be added to the list of *designated investment exchanges* or *accredited bodies* will generally pay their respective fees by electronic credit transfer.

3.2.5

G

FCA PRA

(1) The appropriate authorisation or registration fee is an integral part of an application for, or an application for a variation of, a *Part 4A permission*, authorisation, registration or variation under the *Payment Services Regulations* or the *Electronic Money Regulations*, or notification or registration under the *AIFMD UK regulation*. Any application or notification received by the *appropriate regulator* without the accompanying appropriate fee, in full and without deduction (see ■ FEES 3.2.1 R), will not be treated as an application or notification made, incomplete or otherwise, in accordance with section 55U(4), or section 55H or 55I (as the case may be), of the *Act* or regulation 5(3) or 12(3) of the *Payment Services Regulations* or regulation 5 or 12 of the *Electronic Money Regulations* or regulation 11(1) and 60(a) of the *AIFMD UK regulation*.

Where this is the case, the *appropriate regulator* will contact the applicant to point out that the application cannot be progressed until the appropriate fee has been received. In the event that the appropriate authorisation fee, in full and without deduction, is not forthcoming, the application will be returned to the applicant and no application will have been made.

- (2) With the exception of *persons* seeking to become a *designated professional body*, all applications, notifications, requests for vetting or admission approval will be treated as incomplete until the relevant fee is fully paid and the *appropriate regulator* will not consider an application, notification, request for vetting or admission approval until the relevant fee is fully paid. *Persons* seeking to become a *designated professional body* have 30 days after the designation order is made to pay the relevant fee.

3.2.6
FCA PRA

G Fees paid under this chapter are not refundable.

3.2.7
FCA

R Table Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) whose fee is not payable pursuant to sub-paragraph (ga) of this table	<p>(1) Unless (2) applies, in respect of a particular application, the highest of the tariffs set out in FEES 3 Annex 1 R part 1 which apply to that application</p> <p>(2) In respect of a particular application which is:</p> <p>(i) a straightforward or moderately complex case for the purposes of FEES 3 Annex 1 R part 1, and</p> <p>(ii) only involves a simple change of legal status as set out in FEES 3 Annex 1 R part 6,</p> <p>the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 1 R part 1</p>	On or before the application is made

Part 1: Application, notification and vetting fees

<p>(aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 (the "relevant application")</p>	<p>As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application.</p>	<p>Within 30 days of the date of the invoice.</p>
<p>(b) Any <i>Treaty firm</i> that wishes to exercise a <i>Treaty right</i> to qualify for <i>authorisation</i> under Schedule 4 to the <i>Act</i> (Treaty rights) in respect of <i>regulated activities</i> for which it does not have an <i>EEA right</i>, except for a firm providing <i>cross border services</i> only</p>	<p>(1) Where no certificate has been issued under paragraph 3(4) of Schedule 4 to the <i>Act</i> the fee payable is, in respect of a particular exercise, set out in FEES 3 Annex 1 R, part 4 (2) Where a certificate in (i) has been issued no fee is payable</p>	<p>On or before the notice of exercise is given</p>
<p>(c) Any applicant for a certificate under article 54 of the Regulated Activities Order</p>	<p>2,000</p>	<p>On or before the application is made</p>
<p>(d) Applicants for an <i>authorisation order</i> for, or recognition under section 272 of the <i>Act</i> of, a <i>collective investment scheme</i></p>	<p>FEES 3 Annex 2 R, part 2</p>	<p>On or before the application is made</p>
<p>(e) The <i>management company</i> of a scheme making a notification under section 264 of the <i>Act</i></p>	<p>FEES 3 Annex 2 R, part 3</p>	<p>On or before the date the application is made</p>
<p>(ea)</p>	<p>FEES 3 Annex 2 R, part 4</p>	<p>On or before the date the notification is made</p>

Part 1: Application, notification and vetting fees

<p>(i) An AIFM (other than a UK AIFM or an EEA AIFM with a branch in the UK) notifying the FCA of its intention to market an AIF in the UK under regulation 57 of the AIFMD UK regulation</p>		
<p>(ii) An AIFM notifying the FCA of its intention to market an AIF in the UK under regulation 58 or 59 of the AIFMD UK regulation</p>		
<p>(eb) An applicant for registration on the register of <i>small registered UK AIFM</i> which the FCA is required to maintain under regulation 10 of the AIFMD UK regulation</p>	<p>£750</p>	<p>On or before the date the application is made</p>
<p>(f) Any person seeking an order under section 326(1) of the Act to become a <i>designated professional body</i>.</p>	<p>10,000</p>	<p>30 days after the order is granted</p>
<p>(g) Any applicant for recognition as a UK recognised body :</p>	<p>FEES 3 Annex 3 R, part 1</p>	<p>On or before the date the application is made</p>
<p>(i) under section 287 of the Act; or</p>		
<p>(ii) under regulation 2(1) of the RAP regulations</p>		
<p>(ga) Any applicant for:</p>	<p>FEES 3 Annex 3 R, part 1</p>	<p>On or before the date the application is made</p>
<p>(i) a Part 4A permission to carry out the regulated activity of <i>administering a specified benchmark</i>; or</p>		

Part 1: Application, notification and vetting fees

(ii) varying its <i>Part 4A permission</i> to carry out the <i>regulated activity</i> of <i>administering a specified benchmark</i>		
(h) Any applicant for recognition as an <i>ROIE</i> under section 287 or section 292 of the <i>Act</i>	FEES 3 Annex 3 R, part 2	On or before the date the application is made
(i) An applicant for <i>listing</i> (under the <i>listing rules</i>)	FEES 3 Annex 4 R, part 1	On or before the date the application is made
(j) Applicant for approval as <i>sponsor</i> (under the <i>listing rules</i>)	FEES 3 Annex 4 R, part 2	On or before the date the application is made
(k) Issuers of tranches from debt issuance programmes and <i>securitised derivative</i> tranches	FEES 3 Annex 4 R, part 1	An upfront fee is required per tranche for draw downs in the following 12 months
(l) Under the <i>listing rules</i>, an <i>issuer</i> involved in specific events or transactions during the year where documentation is subject to a transaction vetting	FEES 3 Annex 5 R, part 1, unless the transaction would come within the definition of significant transaction under category (v) or super transaction under category (q) in this table, in which case the fee payable under that category.	On or before the date that relevant documentation is first submitted to the <i>FCA</i>
(m) Under the <i>prospectus rules</i>, an <i>issuer</i> or <i>person</i> requesting approval or vetting of the documents arising in relation to specific events or transactions that it might be involved in during the year	FEES 3 Annex 5 R, part 2, unless the transaction would come within the definition of significant transaction under category (v) or super transaction under category (q) in this table, in which case the fee payable under that category.	On or before the date that relevant documentation is first submitted to the <i>FCA</i>
(n) Applicants to be added to the list of <i>desig-</i>	50,000	On or before the date the application is made

Part 1: Application, notification and vetting fees

nated investment exchanges

(o) In relation to a *BIPRU firm*, either:

(i) a *firm* applying to the *FCA* for permission to use one of the *advanced prudential calculation approaches* listed in *FEES 3 Annex 6 R* (or *guidance* on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the *FCA* as *EEA* consolidated supervisor under the (transposing parts of the *BCD* and *CAD*, as applicable under article 95(2) of the *EU CRR*)) any *firm* making such an application ; or

(ii) in the case of an application to a *Home State regulator* other than the *FCA* for the use of the *Internal Ratings Based approach* and the *Home State regulator* requesting the *FCA*'s assistance in accordance with the *Capital Requirements Regulations 2006* (transposing parts of the *BCD* and *CAD*, as applicable under article 95(2) of the *EU CRR*), any *firm* to which the *FCA* would have to apply any deci-

(1) Unless (2) applies, *FEES 3 Annex 6 R* .

(2) (a) Unless (b) applies a *firm* submitting a second application for the permission or *guidance* described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under *FEES 3 Annex 6 R*, but only in respect of that second application

(b) No fee is payable by a *firm* in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for *guidance* in accordance with prescribed submission requirements.

(c) No fee is payable where the *Home State regulator* has requested the assistance described in paragraph (o)(ii) of column 1 except in the cases specified in *FEES 3 Annex 6 R*.

Where the firm has made an application directly to the *FCA*, on or before the date the application is made, otherwise within 30 days after the *FCA* notifies the *firm* that its *EEA* parent's *Home State regulator* has requested assistance.

Part 1: Application, notification and vetting fees

sion to permit the use of that approach.

(oa) Either:

(i) a *firm* applying to the *appropriate regulator* for permission to use one of the internal approaches listed in **FEES 3 Annex 6A** (or *guidance* on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the *appropriate regulator* as consolidating supervisor under the *EU CRR*) any *firm* making such an application; or

(ii) in the case of an application to the consolidating supervisor other than the *appropriate regulator* for the use of the IRB approach and the consolidating supervisor requesting the *appropriate regulator's* assistance in accordance with the *EU CRR*, any *firm* to which the *appropriate regulator* would have to apply any decision to permit the use of that approach.

(p) A *firm* applying for a variation of its *Part 4A permission* whose fee is not payable pursuant to sub-paragraph (ga) of this table

(1) Unless (2) applies, **FEES 3 Annex 6A**.

(2) (a) Unless (b) applies a *firm* submitting a second application for the permission or *guidance* described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under **FEES 3 Annex 6A**, but only in respect of that second application.

(b) No fee is payable by a *firm* in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for *guidance* in accordance with prescribed submission requirements.

(c) No fee is payable where the consolidating supervisor has requested the assistance described in paragraph (oa)(ii) of column 1 except in the cases specified in **FEES 3 Annex 6A**.

(1) Unless (2), (2A), (3), (3A) or (3B), applies, if the proposed new business of the *firm* would fall within one or more activity groups specified

Where the *firm* has made an application directly to the *appropriate regulator*, on or before the date the application is made, otherwise within 30 days after the *appropriate regulator* notifies the *firm* that its *EEA* parent's consolidating supervisor has requested assistance.

On or before the date the application is made

Part 1: Application, notification and vetting fees

3

in Part 1 of FEES 4 Annex 1A R or Part 1 of FEES 4 Annex 1B R not applicable before the application , the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R which apply to that application(2) Subject to (2A) below, if the *firm's* application includes an application for a *Part 4A permission* to carry on a new *credit-related regulated activity*, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R that would be payable under (1) above or, if higher, 50% of the highest of the tariffs set out in FEES 3 Annex 1 R that would be payable in relation to the new *credit-related regulated activity*

(2A) If an applicant which already has a *Part 4A permission* to carry on a *credit-related regulated activity* exclusively applies for a *Part 4A permission* to carry on a new *credit-related regulated activity*, that is specified in Part 3 of FEES 3 Annex 1 R in the straightforward category (or if it exclusively applies for a number of such *permissions*), the fee is £250

Part 1: Application, notification and vetting fees

(3) If the *firm* is in the A.1 fee-block at the date of the application and the variation involves adding any of the *regulated activities of meeting of repayment claims or managing dormant account funds (including the investment of such funds)*, the fee is 50% of the fee in **FEES 3 Annex 1 R that applies to that application**

(3A) If the applicant had a *limited permission* prior to the application to vary its *Part 4A permission*, 100% of the highest of the tariffs set out in **FEES 3 Annex 1 R which apply to that application**

(3B) If the applicant has a *limited permission* and its application exclusively relates to another *limited permission*, the fee is 0

(4) In all other cases, other than applications by *credit unions*, the fee payable is 250 for *firms* which are not, or are not seeking to become, a *PRA-authorized person*, and 125 for *firms* which are, or are seeking to become, a *PRA-authorized person*, unless the variation involves only the reduction (and no other increases) in the scope of a *Part 4A per-*

Part 1: Application, notification and vetting fees

3

	<i>mission</i> in which case no fee is payable.	
(pa) A person who makes an application under section 30(1) of the Consumer Credit Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 (the "relevant variation application")	As (a) or (p) above, less any amount paid to the Office of Fair Trading in relation to the relevant variation application.	Within 30 days of the date of the invoice.
(q) A super transaction, being one where:	50,000	On or before the date that the relevant documentation is first submitted to the <i>FCA</i> .
(i) the <i>issuer</i> has a market capitalisation in excess of 1.5 billion and it is a new applicant for a <i>premium listing</i> under the <i>listing rules</i> , or involved in a reverse or hostile takeover or a significant restructuring; or		
(ii) the <i>issuer</i> has a market capitalisation in excess of 5 billion and is involved in a <i>class 1 transaction</i> , a transaction requiring vetting of an equity <i>prospectus</i> or <i>equivalent document</i> or a <i>transaction</i> requiring vetting of a <i>prospectus</i> or <i>listing particulars</i> in rela-		

Part 1: Application, notification and vetting fees

tion to a Depository Receipt.

(r) Providers of reporting or trade matching systems applying for recognition under *Mi-FID* as an Approved Reporting Mechanism. 100,000

Having received its application, within 30 days after the *FCA* has notified the applicant that it is to commence testing of the applicants systems.

(s) In the case of an *insurance business transfer scheme*, a transferor. Either (1) or (2) as set out below:

On or before any application is made to the *PRA* for the appointment of a person as an *independent expert*.

Note - for the purpose of this paragraph an *insurance business transfer scheme* consists of a single transferor and a single transferee. Where however such a scheme is part of a single larger scheme, that larger scheme is treated as a single *insurance business transfer scheme*. If an *insurance business transfer scheme* includes more than one transferor in accordance with this paragraph, the transferors are liable to pay the fee under column (2) jointly.

(1) In the case of an *insurance business transfer scheme* involving *long term insurance business*, 9,250 to the *PRA* and 9,250 to the *FCA*; or

(2) in the case of an *insurance business transfer scheme* not involving *long term insurance business*, 5,000 to the *PRA* and 5,000 is payable to the *FCA*.

The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

(t) A *firm*, a third party acting on a *firm's* behalf, an operator of a *regulated market* or an operator of an *MTF* applying to the *FCA* to report *transaction reports* directly to the *FCA* . 100,000

Having received its application, within 30 days after the *FCA* has notified the applicant that it is to commence testing of the applicants systems.

(u) Any of the following: As set out in FEES 3 Annex 7.

Within 30 days of the date of the invoice.

(i) an operator of an *approved reporting mechanism*;

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(ii) a *firm*;

(iii) a third party acting on behalf of a *firm*;

(iv) a *market operator*;
or

(v) an *MTF operator*;

that satisfies the following conditions:

(1) it provides *transaction reports* directly to the *FCA*; and

(2) having made changes to its reporting systems, it asks the *FCA* to support the testing of the compatibility of its systems with the *FCA*'s systems.

(v) A significant transaction, being one where:

(i) the *issuer* has a market capitalisation in excess of 500 million and is producing an *equity prospectus* or *equivalent document*, a *prospectus* or *listing particulars* in relation to a *Depository Receipt* or a document in relation to a *class 1 transaction*; or

(ii) the *issuer* is producing a document for vetting in relation to a *reverse takeover*, a hostile

On or before the date that the relevant documentation is first submitted to the *FCA*.

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takeover or a significant restructuring.

A significant transaction does not include a super transaction.

(w) A listed issuer that requests or whose representative requests the FCA to amend the Official List, or any records held by the FCA in relation to the Official List, otherwise than pursuant to an application for listing. **FEES 3 Annex 4 part 3** **On or before the date the request is made.**

(x) 5,000 **On or before the date the relevant documentation is first submitted to the FCA.**

(i) An issuer or person who:
(1) is a fee payer under one or more of the categories set out in (ii); and
(2) requests the FCA's approval or vetting of a document that includes a mineral expert's report.

(ii) The categories are (1), (m) (q), and (v) of this table.

(iii) A fee under this category is payable in addition to any fee payable under the categories set out in (ii).

(y) An applicant for authorisation as an authorised payment institution **The highest of the tariffs set out in FEES 3 Annex 8 which apply to that application.** **On or before the date the application is made.**

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<p>under regulation 5 of the <i>Payment Services Regulations</i></p>	<p>Where an application only involves a simple change of legal status as set out in FEES 3 Annex 1 R Part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 8R</p>	
<p>(z) An application by a <i>small payment institution</i> for authorisation as an <i>authorised payment institution</i> because regulation 15 of the <i>Payment Services Regulations</i> applies</p>	<p>The highest of the tariffs set out in FEES 3 Annex 8R which apply to that application.</p>	<p>On or before the date the application is made.</p>
<p>(za) An applicant for registration as a <i>small payment institution</i> under regulation 12 of the <i>Payment Services Regulations</i></p>	<p>FEES 3 Annex 8R, paragraph (1). Where an application only involves a simple change of legal status as set out in FEES 3 Annex 1 R Part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 8R.</p>	<p>On or before the date the application is made.</p>
<p>(zb) An <i>authorised payment institution</i> applying to vary its authorisation under regulation 8 of the <i>Payment Services Regulations</i>.</p>	<p>(1) If the <i>payment services</i> carried on by the <i>authorised payment institution</i> prior to the variation only fall within paragraph (f) or (g) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and any of the <i>payment services</i> in paragraphs (a) to (e) of that Schedule will apply after variation, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 8R which</p>	<p>On or before the date the application is made.</p>

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apply to that application.

(2) Where the *authorised payment institution*:

(i) already has authorisation to provide *payment services* within any one or more of paragraphs (a) to (e) of Part 1 of Schedule 1 to the *Payment Services Regulations* and wishes to add one or more other services in (a) to (g); or

(ii) has authorisation to provide *payment services* in either paragraph (f) or (g) of Part 1 of Schedule 1 to the *Payment Services Regulations* and wishes to extend its authorisation to include the other paragraph ((f) or (g));

the fee payable is 250 irrespective of the number of *agents* it has.

(3) In cases where the variation involves only the reduction (and no increases) of the types of *payment services* to be carried on after the variation, no fee is payable.

(zc) A *small payment institution* applying to vary its registration under regulation 12 of the *Payment Services Regulations*

(1) If the *payment services* carried on by the *small payment institution* prior to the variation only fall within paragraph (f) or (g) of Part 1 of Schedule 1 to the

On or before the date the application is made.

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***Payment Services Regulations* and any of the *payment services* in paragraphs (a) to (e) of that Schedule will apply after variation, the fee is 50% of the highest of the tariffs set out in **FEES 3 Annex 8R** which apply to that application.**

(2) Where the *small payment institution*:

(i) is already registered to provide *payment services* within any one or more of paragraphs (a) to (e) of Part 1 of Schedule 1 to the *Payment Services Regulations* and wishes to add one or more other of the services in (a) to (g); or

(ii) is registered to provide *payment services* in either paragraph (f) or (g) of Part 1 of Schedule 1 to the *Payment Services Regulations* and wishes to extend its registration to include the other paragraph ((f) or (g)); the fee payable is 250 irrespective of the number of *agents* it has.

(3) In cases where the variation involves only the reduction (and no increases) of the types of *payment services* to be carried on after the

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	variation, no fee is payable.	
(zd) A financial institution notifying the <i>FCA</i> in accordance with regulation 121(2)(a) of the <i>Payment Services Regulations</i> .	50% of the highest of the tariffs set out in <i>FEES 3 Annex 8R</i> , paragraphs (2) to (5) which apply to that application.	On or before the date the application is made.
(ze) Any person to which the Special Project Fee for restructuring applies under <i>FEES 3 Annex 9</i> .	Special Project Fee for restructuring in accordance with <i>FEES 3 Annex 9</i> .	30 days of the date of the invoice.
(zf) [deleted]		
(zg) An applicant for authorisation as an <i>authorised electronic money institution</i> under regulation 5 of the <i>Electronic Money Regulations</i> .	The amount set out in <i>FEES 3 Annex 10 R</i> . Where an application only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 R Part 6</i> , the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 10 R</i> .	On or before the date the application is made.
(zh) An applicant for registration as a <i>small electronic money institution</i> under regulation 12 of the <i>Electronic Money Regulations</i> .	The amount set out in <i>FEES 3 Annex 10 R</i> . Where an application only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 R Part 6</i> , the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 10 R</i> .	On or before the date the application is made.
(zi) An application by a <i>small electronic money institution</i> for authorisation as an <i>authorised electronic money institution</i> because regulation 16 of the <i>Electronic Money Regulations</i> applies.	The amount set out in <i>FEES 3 Annex 10 R</i> .	On or before the date the application is made.
(zj) An <i>authorised electronic money institution</i>	The amount set out in <i>FEES 3 Annex 10 R</i> .	On or before the date the application is made.

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applying to vary its authorisation under regulation 8 of the *Electronic Money Regulations*.

(zk) A *small electronic money institution* applying to vary its registration under regulation 12 of the *Electronic Money Regulations*. The amount set out in FEES 3 Annex 10 R. On or before the date the application is made.

(zl) An applicant for recognition as an *accredited body*. 2,500 On or before the date the application is made.

(zm) An *issuer* applying for registration of a *regulated covered bond*. (1) Unless (2) applies, 45,000. On or before the date the application is made.

(2) In the case of a proposed *covered bond* or *programme* where the assets in the *asset pool* will consist primarily of UK residential mortgages, 25,000.

(zn) An *issuer* who proposes to make a material change to the contractual terms of a *regulated covered bond* under RCB 3.5.4 D. 6,500 On or before the date the notification under RCB 3.5.4 D is made.

(zo) In the case of *persons* in respect of which the *FCA* has given notice of its intention to take, or appoint a competent person to take, any steps under CONRED 2.5.12R, either: An amount equal to: Within 30 *days* of the date of the invoice.

(1) a sum determined by the number of hours, or part of an hour, taken by the *FCA* in relation to work conducted in taking steps under CONRED 2.5.12R recorded on

(i) a *Firm* (as defined in CONRED 2.1.1R(1)); or the *FCA's* systems, multiplied by the rate in FEES 3 Annex 9 (11)R;

(ii) a *person* falling within CONRED 2.1.2R(1). or

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	(2) any amount invoiced to the <i>FCA</i> by a competent person in relation to any work carried out by that competent person in connection with its appointment by the <i>FCA</i> under CONRED 2.5.12R.	
(zp) A person in respect of which the appropriate regulator has given notice of its intention to itself appoint a skilled person to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> and SUP 5.2.	Any amount invoiced to the appropriate regulator by a skilled person in relation to any work carried out by that skilled person in connection with its appointment by the appropriate regulator pursuant to section 166(3)(b) of the <i>Act</i> .	Within 30 days of the date of the invoice.
(zq) A person in respect of which the appropriate regulator has given notice of its intention to itself appoint a skilled person to collect or update information pursuant to section 166A(2)(b) of the <i>Act</i> .	Any amount invoiced to the appropriate regulator by a skilled person in relation to any work carried out by that skilled person in connection with its appointment by the appropriate regulator pursuant to section 166A(2)(b) of the <i>Act</i> .	Within 30 days of the date of the invoice.
(zr) An applicant for approval as a primary information provider.	1,500	On or before the application for approval is made.
(zs) Applicant for <i>FCA</i> permission for an agreement to be enforced under section 28A(3)(a) and/or money paid or property transferred under and agreement to be retained under 28A(3)(b) of the <i>Act</i>	(1) If the application is for permission for an agreement to be enforced under section 28A(3)(a) of the <i>Act</i> and for permission for money paid or property transferred under an agreement to be retained under section 28A(3)(b) of the <i>Act</i> , the fee is £3,500 per type of agreement specified in the application.	On or before the date the application is made.

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(2) If the application is for permission for an agreement to be enforced under section 28A(3)(a) of the Act only, the fee is £3,500 per type of agreement specified in the application.

(3) If the application is for permission for money paid or property transferred under an agreement to be retained under section 28A(3)(b) of the Act only, the fee is £3,500 per type of agreement specified in the application.

Where there are a number of agreements of the same type, only one fee is payable in respect of those agreements. A number of agreements are of the same type when those agreements are entered into on the same terms and conditions.

Part 2: Other fees

(1) Fee payer	(2) Fee payable	(3) Due date
<p>(a)</p> <p>(i) An issuer which has not made public its annual financial report before the latest time specified in DTR 4.1.3 R.</p> <p>(ii) An issuer which has not made public its half-yearly financial</p>	<p>(i) Where the issuer has not made public its annual financial report before the latest time specified in DTR 4.1.3 R, £250 in respect of that annual financial report.</p> <p>(ii) Where the issuer has not made public its half-yearly financial</p>	<p>Within 30 days of the date of the invoice.</p>

Part 1: Application, notification and vetting fees

report before the latest time specified in DTR 4.2.2 R (2).	report before the latest time specified in DTR 4.2.2 R (2), £250 in respect of that half-yearly financial report.
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[Note: *Guidance* on how a firm liable to pay a fee under both rows (s) and (ze) of this table for the same transaction should expect to be treated is set out in ■ FEES 3 Annex 11 G.]

3.2.7A
PRA

R Table Table of application, notification and vetting fees payable to the PRA

(1) Fee payer	(2) Fee payable	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) which includes a <i>PRA-regulated activity</i>	<p>(1) Unless (2) applies, in respect of a particular application, the highest of the tariffs set out in FEES 3 Annex 1 R part 1 which apply to that application.</p> <p>(2) In respect of a particular application which is:</p> <p>(i) a straightforward or moderately complex case for the purposes of FEES 3 Annex 1 R part 1, and</p> <p>(ii) only involves a simple change of legal status as set out in FEES 3 Annex 1 R part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 1 R part 1.</p>	On or before the application is made
(aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made be-	As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application.	Within 30 days of the date of the invoice.

fore 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013 (the "relevant application")

(b) Any *Treaty firm* that wishes to exercise a *Treaty right* to qualify for *authorisation* under Schedule 4 to the *Act* (Treaty rights) in respect of *regulated activities* for which it does not have an *EEA right*, except for a *firm* providing *cross border services* only

(1) Where no certificate has been issued under paragraph 3(4) of Schedule 4 to the *Act* the fee payable is, in respect of a particular exercise, set out in FEES 3 Annex 1 R, part 4. (2) Where a certificate in (1) has been issued no fee is payable.

On or before the notice of exercise is given

(c) A *firm* applying for a variation of its *Part 4A permission* or an *FCA-authorised person* applying to carry on a *PRA-regulated activity*

(1) Unless (2), (2A), (3), (3A) or (3B) applies, if the proposed new business of the *firm* would fall within one or more activity groups specified in Part 1 of FEES 4 Annex 1A R or Part 1 of FEES 4 Annex 1B R not applicable before the application, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R which apply to that application. (2)

On or before the date the application is made

Subject to (2A) below, if the *firm's* application includes an application for a *Part 4A permission* to carry on a new *credit-related regulated activity*, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R that would be payable under (1)

above or, if higher, 50% of the highest of the tariffs set out in FEES 3 Annex 1 R that would be payable in relation to the new *credit-related regulated activity*.

(2A) If the applicant which already has a *Part 4A permission* to carry on a *credit-related regulated activity* exclusively applies for a *Part 4A permission* to carry on a new *credit-related regulated activity*, that is specified in Part 3 of FEES 3 Annex 1AR in the straightforward category (or if it exclusively applies for a number of such *permissions*), the fee is £250

(3) If the *firm* is in the A.1 fee-block at the date of the application and the variation involves adding any of the *regulated activities of meeting of repayment claims or managing dormant account funds (including the investment of such funds)*, the fee is 50% of the fee in FEES 3 Annex 1 R that applies to that application.

(3A) If the applicant had a *limited permission* prior to the application to vary its *Part 4A permission*, 100% of the highest of the tariffs set out in FEES 3 Annex 1 R which apply to that application

	<p>(3B) If the applicant has a <i>limited permission</i> and its application exclusively relates to another <i>limited permission</i>, the fee is 0</p>	
	<p>(4) In all other cases, other than applications by <i>credit unions</i>, the fee payable is 125, unless the variation involves only the reduction (and no other increases) in the scope of a <i>Part 4A permission</i> in which case no fee is payable.</p>	
<p>(ca) A person who makes an application under section 30(1) of the Consumer Credit Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (the "relevant variation application")</p>	<p>As (a) above, less any amount paid to the Office of Fair Trading in relation to the relevant variation application.</p>	<p>Within 30 days of the date of the invoice.</p>
<p>(d) Any person to which the Special Project Fee for restructuring applies under FEES 3 Annex 9.</p>	<p>Special Project Fee for restructuring in accordance with FEES 3 Annex 9 .</p>	<p>30 days of the date of the invoice.</p>
<p>(e) In the case of an <i>insurance business transfer scheme</i>, a transferor.</p>	<p>Either (1) or (2) as set out below:</p> <p>(1) In the case of an <i>insurance business transfer scheme</i> involving</p>	<p>On or before any application is made to the PRA for the appointment of a person as an <i>independent expert</i>.</p>
<p>Note - for the purpose of this paragraph an <i>insurance business</i></p>	<p><i>long term insurance business</i>, 9,250 is payable to the PRA; or</p>	

transfer scheme consists of a single transferor and a single transferee. Where however such a scheme is part of a single larger scheme, that larger scheme is treated as a single *insurance business transfer scheme*. If an *insurance business transfer scheme* includes more than one transferor in accordance with this paragraph, the transferors are liable to pay the fee under column (2) jointly.

(f) Either:

(i) a *firm* applying to the *appropriate regulator* for permission to use one of the internal approaches listed in FEES 3 Annex 6B (or guidance on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the *appropriate regulator* as consolidating supervisor under the *EU CRR*) any *firm* making such an application; or

(ii) in the case of an application to the consolidating supervisor other than the *appropriate regulator* for the use of the IRB approach and the consolidating supervisor requesting the *appropriate regulator's* assistance in accordance with the *EU CRR*, any

(2) in the case of an *insurance business transfer scheme* not involving *long term insurance business*, 5,000 is payable to the *PRA*.

The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

(a) Unless (2) applies, FEES 3 Annex 6B. (2) (a) Unless (b) applies a *firm* submitting a second application for the permission or *guidance* described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under FEES 3 Annex 6B, but only in respect of that second application.

(b) No fee is payable by a *firm* in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for *guidance* in accordance with prescribed submission requirements.

(c) No fee is payable where the consolidating supervisor has request-

Where the *firm* has made an application directly to the *appropriate regulator*, on or before the date the application is made, otherwise within 30 days after the *appropriate regulator* notifies the *firm* that its *EEA* parent's consolidating supervisor has requested assistance.

<p>firm to which the <i>appropriate regulator</i> would have to apply any decision to permit the use of that approach.</p>	<p>ed the assistance described in paragraph (f)(ii) of column 1 except in the cases specified in FEES 3 Annex 6B</p>	
<p>(g) An applicant for a <i>ceding insurer's waiver</i>.</p>	<p>20,000</p>	<p>On or before the date the application is made.</p>
<p>(h) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> and SUP 5.2.</p>	<p>Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166(3)(b) of the <i>Act</i>.</p>	<p>Within 30 <i>days</i> of the date of the invoice.</p>
<p>(i) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to collect or update information pursuant to section 166A(2)(b) of the <i>Act</i>.</p>	<p>Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166A(2)(b) of the <i>Act</i>.</p>	<p>Within 30 <i>days</i> of the date of the invoice.</p>

Authorisation fees payable

FCA **PRA**

Part 1 - Authorisation fees payable

For *PRA-authorised persons* and *persons* seeking to become *PRA-authorised persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorised persons* and *persons* seeking to become *FCA-authorised persons*, the amount payable to the *FCA* is the amount payable under Part 1, No amount is payable to the *PRA*.

The table below sets out the following:

- (1) fees for applications by *credit unions* and *community finance organisations*;
- (2) application fees in respect of the complexity groupings that relate to *regulated activities* that are not *credit-related regulated activities*; and
- (3) application fees in respect of the complexity groupings that relate to *credit-related regulated activities*.

Application type	Amount payable (£)
(1) Credit unions and community finance organisations	
(a) <i>Credit unions</i> - registration of a common bond	200
(aa) <i>Credit unions or community finance organisations</i> - where application is for a <i>Part 4A permission</i> limited to <i>permission to carry on credit-related regulated activity</i>	200
(b) <i>Version 1 credit unions</i> - authorisation (other than where (aa) applies)	300
(c) <i>Version 2 credit unions</i> - authorisation (other than where (aa) applies)	1,800
(2) Complexity groupings not relating to credit-related regulated activities - see Part 2	
(d) Straightforward	1,500 (unless otherwise specified in Part 2)
(e) Moderately complex	5,000 (unless otherwise specified in Part 2)
(f) Complex	25,000
(3) Complexity groupings relating to credit-related regulated activity - see Part 3	

(g) Limited permission	Consumer credit annual income (£)				
	0 - 50,000	> 50,000			
	100 unless the application is for limited permission as a not-for-profit debt advice body, in which case the amount payable is 0			500 unless the application is for limited permission as a not-for-profit debt advice body, in which case the amount payable is 0	
(h) Straightforward	Consumer credit annual income (£)				
	0 -50,000	> 50,000 - 100,000	> 100,000 - 250,000	> 250,000 - 1,000,000	> 1,000,000
	600	750	1,000	1,500	5,000
(i) Moderately complex	800	1,000	1,500	5,000	10,000
(j) Complex	1,000	1,250	2,000	7,000	15,000

Part 2 - Complexity Groupings not relating to *credit-related regulated activities* Straightforward Cases

Straightforward cases	
Activity grouping	Description
A.3	<i>Friendly societies only</i>
A.4	<i>Friendly societies only</i>
A.10	<i>A firm to the extent it is bidding in emissions auctions</i>
A.13	<i>Advisors, arrangers, dealers or brokers</i>
A.14	<i>Corporate finance advisers</i>
A.18	<i>Home finance providers , advisers and arrangers (excluding home finance providers).</i>
A.19	<i>General insurance mediation</i>
A.21	<i>Holding client money or assets or both.</i>

Moderately Complex Cases

Moderately complex cases	
Activity grouping	Description
[deleted]	[deleted]
A.2	<i>Home finance providers and administrators .</i>
A.3	<i>UK ISPVs</i>

Moderately complex cases	
Activity grouping	Description
[deleted]	[deleted]
A.5	<i>Managing agents at Lloyd's</i>
A.7	<i>Portfolio managers</i>
A.9	<i>Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes</i>
A.10	<i>Firms dealing as principal, except to the extent the firm is bidding in emissions auctions</i>
B.	<i>Service companies</i>

Complex Cases R

Complex cases	
Activity grouping	Description
A.1	<i>Deposit acceptors (excluding e-money issuers and credit unions) and dormant account fund operators</i>
A.3	<i>Insurers - general (excluding friendly societies and UK ISPVs)</i>
A.4	<i>Insurers - life (excluding friendly societies)</i>
B	<i>MTF operators</i>

Part 3 - Complexity Groupings relating to *credit-related regulated activity*

Straightforward cases

Activity grouping	Description
CC.2	<i>Credit broking;</i> <i>Providing credit information services</i>

Moderately complex cases

Activity grouping	Description
CC.2	<i>Debt adjusting</i> <i>Debt counselling</i> <i>Entering into a regulated consumer hire agreement as owner</i> <i>Entering into a regulated credit agreement as lender (excluding in relation to high-cost short-</i>

	<i>term credit, bill of sale loan agreements and home credit loan agreements)</i>
	<i>Exercising, or having the rights to exercise, the owner's rights and duties under a regulated consumer hire agreement</i>
	<i>Exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</i>
	<i>Operating an electronic system in relation to lending</i>

Complex cases

Activity grouping	Activity grouping
CC.2	<i>Debt adjusting</i>
	<i>Debt counselling</i>
	<i>Entering into a regulated credit agreement as lender in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</i>
	<i>Exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</i>
	<i>Providing credit references</i>

Part 4 - Authorisation Fees for Treaty Firms R

If the *Treaty firm* wishes to undertake the permitted activities in question through its branch in the *United Kingdom*, the fee is 50% of the fee that would be payable under FEES 3.2.7 R and/or FEES 3.2.7A R for an applicant for *Part 4A permission*.

If the *Treaty firm* wishes to undertake the permitted activities in question by providing services in the *United Kingdom*, the fee is 25% of the fee which would be payable under FEES 3.2.7 R and/or FEES 3.2.7A R for an applicant for *Part 4A permission*.

Part 5 - Activity Groupings R

The activity group definitions are set out in FEES 4 Annex 1A R and FEES 4 Annex 1B R.

Part 6 - Change of legal status

An application involving only a simple change of legal status for the purposes of FEES 3.2.7 R, FEES 3.2.7A R (a), FEES 3.2.7R (y) , FEES 3.2.7R (za), FEES 3.2.7 R (zg) and FEES 3.2.7 R (zh) is from an applicant:

(1) which is a new legal entity intending to carry on the business, using the same business plan, of an existing *firm* with no outstanding regulatory obligations cancelling its *Part 4A permission* or authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, and

(2) which is to:

- (a) have the same or narrower *permission*, scope of authorisation or registration under the *Payment Services Regulations* or *Electronic Money Regulations* and the same *branches* (if any), as the *firm*;
- (b) assume all of the rights and obligations in connection with any of the *regulated activities*, *payment services* and *electronic money* issuance carried on by the *firm*;
- (c) continue the same compliance arrangements and compliant client asset and *client money* procedures, as the *firm*, subject to any changes required only as a result of the change of legal status;
- (d) continue with a risk profile and arrangements for controlling and monitoring risk which will not be materially different from those of the *firm*; and
- (e) have the individuals within the *firm* that are responsible for *insurance mediation activity* perform the same role for the applicant.

Part 7 - Change of legal status - sponsors fees

An application involving only a simple change of legal status for the purposes of FEES 3.2.7 R(j) is from an applicant:

(1) which is a new legal entity intending to carry on the business of an existing *sponsor* (as defined in the *listing rules*) in respect of which the *FCA* does not currently require, and is not proposing to require, remedial action relating to any aspect of its provision of *sponsor services*); and

(2) which (subject to any changes required only as a result of the change in legal status) is to:

- (a) assume all of the rights and obligations in connection with any of the *sponsor* activities of the existing *sponsor* under the *listing rules*;
- (b) make no changes to the systems and controls of the existing *sponsor* which ensure that the existing *sponsor* can carry out its role as *sponsor* in accordance with LR 8 (Sponsors: Premium listing);
- (c) have the individuals within the existing *sponsor* that are engaged in the provision of *sponsor services* engaged in the same role for the applicant; and
- (d) otherwise continue to comply in all respects with the criteria for approval as a *sponsor* set out in LR 8.6.5 R.

[deleted] [Deleted]

Chapter 4

Periodic fees

4.1 Introduction

Application

4.1.1 **R** This chapter applies to every *person* set out in **■ FEES 1.1.2 R (2)**.

FCA **PRA**

4.1.1A **R** A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider* and a *fee-paying electronic money issuer*.

FCA

Purpose

4.1.2 **G** The purpose of this chapter is to set out the requirements on *firms* and others to pay periodic fees and transaction reporting fees in certain circumstances.

FCA **PRA**

Background

4.1.3 **G** Most of the detail of the periodic fees that are payable by *firms* is set out in **■ FEES 4 Annexes 1A to 11BR**. **■ FEES 4 Annex 12 G** and (for the *FCA* only) **■ FEES 4 Annex 13** provide guidance on the calculation of certain tariffs. Most of the provisions of the Annexes will vary from one *fee year* to another. Accordingly fresh **■ FEES 4 Annexes** will come into force, following consultation, for each *fee year*.

FCA **PRA**

4.1.4 **G** (1) The periodic fees for *collective investment schemes* reflect the estimated costs to the *FCA* of considering proposals to change *regulated collective investment schemes*, maintaining up to date records about them, and related policy work.

FCA

(2) [deleted]

(3) The periodic fees for *fee-paying payment service providers*, *fee-paying electronic money issuers* and *issuers of regulated covered bonds* are set out in **■ FEES 4 Annex 11 R**. This annex sets out the activity groups, tariff base, valuation dates and, where applicable, the flat fees due for these *firms*.

4.1.5 **G** The *Society of Lloyd's*, which has *permission*, has its own fee block.

FCA **PRA**

4.1.6 **G** [deleted]

4.1.7 **G** In the case of periodic fees for *firms*, fees are calculated individually for each *firm*, but they may be paid on a *group* basis, if the *group* so wishes.

FCA **PRA**

4.2 Obligation to pay periodic fees

General

4.2.1

FCA PRA

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A *person* shown in column (1) of the table in ■ FEES 4.2.11 R and, if applicable, ■ FEES 4.2.11AR as the relevant fee payer must pay each periodic fee applicable to it, calculated in accordance with the provisions referred to in column (2) of the applicable table, as adjusted by any relevant provision in this chapter:

- (1) in full and without deduction (unless permitted or required by a provision in *FEES*); and
- (2) on or before the date given in column (3) of that table, unless ■ FEES 4.2.10 R applies.

4.2.2

FCA PRA

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- (1) A relevant fee payer will be required to pay a periodic fee for every year during which they have the status in column 1 of the table in ■ FEES 4.2.11 R and/or ■ FEES 4.2.11AR (or in relation to collective investment schemes, for every year during which it is a regulated collective investment scheme) subject to any reductions or exemptions applicable under this chapter. If a *person* is the relevant fee payer for more than one status listed in column 1 of the table in ■ FEES 4.2.11 R and/or ■ FEES 4.2.11AR (or in relation to collective investment schemes, the relevant fee payer for more than one regulated collective investment scheme) he will be required to pay a fee in relation to each.

- (2) [deleted]

4.2.2A

FCA

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A *recognised body* may also have obligations to pay fees to the *FCA* under other *rules* arising from legislation other than the *Act*. For example a *recognised body* may have an obligation to pay a fee as an approved operator of a relevant system under the Uncertificated Securities Regulations 1995 (SI 1995/3272).

4.2.3

FCA PRA

G

The *FCA* will issue invoices in respect of the *FCA* and *PRA* to *firms* and other fee payers and expects to do so at least 30 *days* before the dates on which payments fall due under ■ FEES 4.2.1 R.

Method of payment

4.2.4
FCA PRA

R

(1) A periodic fee must be paid using either direct debit, credit transfer (BACS/CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only). Any payment by permitted credit card must include an additional 2% of the sum paid.

(2) [deleted]

4.2.4A
FCA

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The FCA does not specify a method of payment for a *recognised body* or a *designated professional body*.

4.2.5
FCA

G

The FCA expects a *recognised body* or a *designated professional body* will generally pay their respective fees by electronic credit transfer.

Modifications for persons becoming subject to periodic fees during the course of a fee year

4.2.6
FCA PRA

R

(1) Unless (2) applies, for the *fee year* during which the event described in column 4 of the table in ■ FEES 4.2.11 R and/or ■ FEES 4.2.11AR , giving rise to, or giving rise to an increase in, the fee payable in ■ FEES 4.2.1 R occurs , the periodic fee required under ■ FEES 4.2.1 R is modified for:

(a) *firms* (other than *AIFM qualifiers*, *ICVCs* and *UCITS qualifiers*) in accordance with ■ FEES 4.2.7 R and ■ FEES 4.2.8 R;

(b) all other fee payers in column (1) of the table in ■ FEES 4.2.11 R or ■ FEES 4.2.11A R, in accordance with the formula set out below .

Formula for the calculation of fees payable under FEES 4.2.6 R (1)

- (1) calculate the number of calendar months between and including:
 - (i) the calendar month in which the event described in column 4 of the table in FEES 4.2.11 R and/or FEES 4.2.11A R occurred; and
 - (ii) the last month of the relevant *fee year*;
- (2) divide the number of calendar months calculated in (1) by 12;
- (3) multiply the total fee payable for the relevant *fee year* by the number calculated in (2).

4.2.7

FCA PRA

R

A *firm* (other than an *AIFM qualifier*, *ICVC* or *UCITS qualifier*) which becomes authorised or registered, or whose *permission* and/or *payment service* activities are extended, during the course of the *fee year* must pay a fee which is calculated by:

- (2) For *recognised bodies*, if the recognition order is made during the course of the relevant *fee year*, the periodic fee required is set out in Column (4) of the table in ■ FEES 4.2.11 R.
- (1) identifying each of the tariffs set out in Part 1 of ■ FEES 4 Annex 2AR, Part 1 of ■ FEES 4 Annex 2BR and/or Part 1 of ■ FEES 4 Annex 11 R as appropriate for the relevant *fee year* that apply to the *firm* only after the *permission* is received or extended or *payment service* activities are authorised or registered or extended or *electronic money* issuance activities are authorised or registered under the *Electronic Money Regulations*; ;
 - (2) calculating the amount for each of the applicable tariffs which is the higher of:
 - (a) any applicable minimum fee specified in relation to a particular tariff in ■ FEES 4 Annex 2AR or ■ FEES 4 Annex 2BR (but note, for the avoidance of doubt, that these are not the A.0 or PA.0 minimum fees set out under Part 2 of ■ FEES 4 Annex 2AR and Part 2 of ■ FEES 4 Annex 2BR); and
 - (b) the result of applying the tariff to the projected valuation, for its first year (as provided in the course of the *firm's* application), of the business to which the tariff relates;
 - (3) adding together the amounts calculated under (2) in relation to fees payable to the *FCA* and, if applicable, separately adding together the amounts calculated under (2) in relation to the fees payable to the *PRA*;;
 - (4) working out whether an A.0 or a PA.0 minimum fee is payable under Part 2 of ■ FEES 4 Annex 2AR or Part 2 of ■ FEES 4 Annex 2BR (except that minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension);
 - (4A) working out whether an AP.0 *FCA* prudential fee is payable under Part 2 of ■ FEES 4 Annex 2AR and if so how much;
 - (4B) working out whether a PT.1 *PRA* transitional fee is payable under Part 2 of ■ FEES 4 Annex 2BR and if so how much;
 - (5) adding together the amounts calculated under (3) , (4) and (4A) that relate to fees payable to the *FCA* and then adding this sum to

any applicable flat rate fee, and, if applicable, separately adding together the amounts calculated under (3), (4) and (4B) that relate to fees payable to the *PRA* and then adding this sum to any applicable flat rate fee; and

- (6) modifying the result for the *FCA* and, if applicable, the *PRA* in accordance with the formula set out in ■ FEES 4.2.6 R (except that ■ FEES 4 Annex 10 R (Periodic fees for MTF operators) deals with a *firm* that receives *permission* for *operating a multilateral trading facility* or has its *permission* extended to include this activity during the course of the relevant *fee year* and ■ FEES 4.2.6 R does not apply).

4.2.7A

FCA PRA

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Projected valuations for a *firm's* first year will be collected for the 12 month period beginning with the date a *firm* becomes authorised or registered, or the date its *permission* and/or *payment service* activities are extended. That information will be used to calculate the periodic fee for the remainder of the *fee year* in which the *firm* was authorised or registered or its *permission* and/or *payment service* activities were extended (adjusted in accordance with ■ FEES 4.2.7 R) and to calculate the periodic fee for the following *fee year*. Projected valuations are not relevant for those fee payers that are only required to pay fixed fees.

4.2.7B

FCA PRA

R

- (1) This *rule* deals with the calculation of:
- (a) a *firm's* fees for its second and subsequent *fee year*. These are the *fee years* following the *fee year* in which it was given *permission* and/or was authorised or registered under the *Payment Services Regulations* or the *Electronic Money Regulations* or had its *permission* and/or *payment services* activities extended (the relevant permissions); and
 - (b) the tariff base for the fee block or fee blocks that relate to each of the relevant permissions.
- (2) The starting point for calculating the fees referred to in (1)(a) is determining whether or not the *firm's* tariff base for the relevant *fee year* can be calculated using data from a complete period (as specified in Part 5 of ■ FEES 4 Annex 1AR, Part 5 of ■ FEES 4 Annex 1BR or Part 4 of ■ FEES 4 Annex 11 R) that begins on or after the date that the *firm* obtained the relevant *permission* to which that tariff base relates.
- (a) If it can, the *firm* must use that data for calculating its tariff base.
 - (b) If it cannot, the tariff base must be calculated using the projected valuations for its first year of the business to which the tariff relates (as provided in the course of the *firm's* application), unless (5)(b) or 5(c) applies.

(3) This *rule* does not apply to a *firm* with a *permission* for operating a *multilateral trading facility*.

(4) [deleted]

(5) (a) [deleted]

(b) If a *firm*:

(i) receives a relevant permission between 1 April and 31 December inclusive; and

(ii) is, but for this *rule*, required to calculate its tariff base for that relevant permission by reference to the average of its modified eligible liabilities for October, November and December;

it must calculate that tariff base as at the December before the start of the *fee year* .

(c) If a *firm*:

(i) is, but for this *rule*, required to calculate its tariff base for the relevant permission by reference to the *firm*'s financial year ended in the calendar year ending on the 31 December before the start of the *fee year* and, since obtaining the relevant permission, the *firm* has yet to complete a full financial year ended in the calendar year ending on the 31 December before the start of the *fee year*; or

(ii) is, but for this *rule*, required to calculate its tariff base by reference to the twelve *months* ending on the 31 December before the start of the *fee year* and, since obtaining the relevant permission, the *firm* has yet to complete a full twelve *months* ending on the 31 December before the start of the *fee year*;

it must calculate the tariff base under (d) below unless it is in its second *fee year* and was authorised between 1 January and 1 April (in which case it must use the projected valuations provided for in (2)(b) above).

(d) If a *firm* satisfies either of the conditions in (c) it must calculate its tariff base as follows:

(i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;

(ii) in respect of firms satisfying condition (5)(c)(i), the tariff is calculated by reference to the period beginning on the date it acquired the relevant permission relating to the tariff, and ending on either the 31 December before the start of the *fee year* or, if earlier, the start date of the *firm*'s financial year; and

in respect of *firms* satisfying condition (5)(c)(ii), the tariff is calculated by reference to the period beginning on the date on which it acquired the relevant permission, and ending on the 31 December before the start of the *fee year*

(iii) the figures are annualised by increasing them by the same proportion as the period of 12 months bears to the period starting from when the *firm* received its relevant permission to to the relevant period end date specified in (ii).

(e) Where a *firm* is required to use the method in (d) it must notify the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) of this by the date specified in ■ FEES 4.4 (Information on which Fees are calculated).

(f) Where a *firm* is required to use actual data under this *rule* ■ FEES 4 Annex 1AR Part 5, ■ FEES 4 Annex 1BR Part 5 and ■ FEES 4 Annex 11 R Part 4, are modified, where applicable, in relation to the calculation of that *firm's* valuation date in the *fee years* to which this *rule* applies.

Application of FEES 4.2.7BR

4.2.7C

FCA PRA

G

The table below sets out the period within which a *firm's* tariff base is calculated (the data period) for second year fees calculated under ■ FEES 4.2.7BR. The example is based on a *firm* that acquires *permission* on 1 November 2009 and has a financial year ending 31 March. Where valuation dates fall before the *firm* receives *permission* it should use projected valuations in calculating its fees.

References in this table to dates or months are references to the latest one occurring before the start of the *appropriate regulator's fee year* unless otherwise stated.

Type of permission acquired on 1 November	Tariff base	Valuation date but for FEES 4.2.7BR	Data period under FEES 4.2.7BR
<i>Accepting deposits</i> (monthly reporting <i>firms</i>)	Modified eligible liabilities (MELs)	Average of the MELs for October, November, December - so projected valuations will be used	MELs for December 2009.
<i>Accepting deposits</i> (quarterly reporting <i>firms</i>)	MELs	December 2009	December 2009.
<i>Entering into a home finance transaction</i>	Number of mortgages, home purchase plans or home reversion plans entered into	12 months ending 31 December 2009 - so projected valuations will be used	1 November to 31 December 2009.

<i>Effecting contracts of insurance</i>	Gross premium income and gross technical liabilities	31 March 2009 - so projected valuations will be used	1 November to 31 December 2009.
(Insurers - general)			

4.2.7D

FCA

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If an *issuer of a regulated covered bond* becomes registered after 31 December its valuation date will be calculated in the manner described in ■ 1 R Part 4.

4.2.8

FCA PRA

R

In relation to an *incoming EEA firm* or an *incoming Treaty firm* the modification provisions of ■ FEES 4.2.7 R apply only in relation to the relevant *regulated activities* of the *firm*, which are *passport activities* or *Treaty activities* and which are carried on in the *United Kingdom*, and which are not provided on a *cross border services* basis. For *payment services* and *electronic money* issuance, the adjustment only applies to the business to which the calculation made in ■ FEES 4.3.12A R relates.

Fee payers ceasing to hold relevant status or reducing the scope of their permission after start of relevant period

4.2.9

FCA PRA

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The *appropriate regulator* will not refund periodic fees if, after the start of the period to which they relate:

- (1) a fee payer ceases to have the status set out in column (1) of the table in ■ FEES 4.2.11 R or ■ FEES 4.2.11AR; or
- (2) a *firm* reduces its *permission* or *payment services* activities so that it then falls out of the fee-block previously applied to it ;

(but see ■ FEES 2.3 (Relieving Provisions) and ■ FEES 4.3.13 R (Firms Applying to Cancel or Vary Permission Before Start of Period)).

Extension of Time

4.2.10

FCA PRA

R

A *person* need not pay a periodic fee on the date on which it is due under the relevant provision in ■ FEES 4.2.1 R, if:

- (1) that date falls during a period during which circumstances of the sort set out in ■ GEN 1.3.2 R (Emergencies) exist, and that *person* has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case he must pay it on or before the fifth *business day* after the end of that period; or
- (2) unless ■ FEES 4.3.6 R (3), ■ FEES 4.3.6 R (4) or ■ FEES 4.3.6 R (4A) (Time and method for payment) applies, that date would otherwise fall on or before the 30th *day* after the date on which the *FCA* (in its own capacity or in its capacity as agent for the *PRA*) has sent written notification to that *person* of the fee payable on that date, in which case he must pay on or before the 30th *day* after the date on which the *FCA* sends the notification.

4.2.11

FCA

R

Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
Any <i>firm</i> (except an <i>AIFM qualifier</i> , <i>ICVC</i> or a <i>UCITS qualifier</i>)	As specified in FEES 4.3.1 R in relation to FEES 4 Annex 2AR and FEES 4 Annex 11 R	<p>(1) Unless (2) or (3) apply, on or before the relevant dates specified in FEES 4.3.6 R.</p> <p>(2) Unless (3) applies, if an event specified in column 4 occurs during the course of a <i>fee year</i>, 30 days after the occurrence of that event, or if later the dates specified in FEES 4.3.6 R.</p> <p>(3) Where the <i>permission</i> is for <i>operating a multi-lateral trading facility</i>, the date specified in FEES 4 Annex 10 (Periodic fees for MTF operators).</p>	<i>Firm</i> receives <i>permission</i> , or becomes authorised or registered under the <i>Payment Services Regulations</i> or the <i>Electronic Money Regulations</i> ; or <i>firm</i> extends <i>permission</i> or its <i>payment service</i> activities
<i>Persons</i> who hold a certificate issued by the <i>FCA</i> under article 54 of the <i>Regulated Activities Order</i> (Advice given in newspapers etc.)	£1,000	(1) Unless (2) applies, on or before 1 August or, if later, within 30 days of the date of the invoice	Certificate issued to <i>person</i> by <i>FCA</i> under Article 54 RAO
Any <i>manager</i> of an <i>AUT</i> ;	In relation to each unit trust	(2) If an event in column 4 occurs during the course of a <i>fee</i>	<i>Authorisation order</i> is made in re-

4

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p><i>Any authorised fund manager of an authorised contractual scheme;</i></p>	<p>the amount specified in part 1 of FEES 4 Annex 4 R</p> <p>In relation to each authorised contractual scheme the amount specified in part 1 of FEES 4 Annex 4 R</p>	<p>year, 30 days after the occurrence of that event</p>	<p>relation to the relevant scheme</p>
<p><i>Any ACD of an ICVC; and</i></p>	<p>In relation to each ICVC, the amount specified in part 1 of FEES 4 Annex 4 R</p>		
<p><i>Persons who, under the constitution or founding arrangements of a recognised scheme, is responsible for the management of the property held for or within the scheme;</i></p>	<p>In relation to each recognised scheme the amount specified in part 1 of FEES 4 Annex 4 R</p>	<p>The relevant scheme becomes a recognised scheme</p>	
<p><i>Designated professional body</i></p>	<p>FEES 4 Annex 5 R</p>	<p>On or before the relevant dates specified in FEES 4.3.6 R</p>	<p>Not applicable</p>
<p><i>UK recognised body</i></p>	<p>FEES 4 Annex 6 R, part 1 for a UK RIE ; and</p> <p>FEES 4 Annex 6 R, part 1A for a UK RIE that is also an RAP</p>	<p>(1) On or before the relevant dates specified in FEES 4.3.6 R</p> <p>(2) If the event in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event</p>	<p>Recognition order is made.</p> <p>The modified periodic fee is specified in FEES 4 Annex 6 R, Part 1 and (in the case of an RAP) Part 1A.</p>

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>ROIE</p> <p>Listed issuers (in LR) of shares, depositary receipts and securitised derivatives (in LR), unless the conditions set out below apply.</p> <p>The first condition is that the listed issuer, or a related entity, has already paid a periodic fee in respect of the period concerned. The second condition is that the listed issuer is subject to listing rules as a result of a reverse takeover, or that the listed issuer is a newly formed entity, created as a result of a restructuring.</p>	<p>FEES 4 Annex 6 R, part 2</p> <p>FEES 4 Annex 7 R</p>	<p>(1) On or before the relevant dates specified in FEES 4.3.6 R</p> <p>(2) If the event in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event.</p> <p>Within 30 days of the date of the invoice</p>	<p>Recognition order is made.</p> <p>The modified periodic fee is specified in FEES 4 Annex 6 R, Part 2.</p> <p>Listed issuer (in LR) becomes subject to listing rules</p>

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<i>Sponsors</i>	£25,000 per year for the period from 1 April to 31 March the following year (see Note)	Within 30 days of the date of the invoice	<p>(1) Approval of <i>sponsor</i> , unless (2) applies.</p> <p>(2) In the case of approval of a <i>sponsor</i> following a change of legal status in accordance with FEES3 Annex 1 R Part 7, the balance of the fee otherwise due from the original <i>sponsor</i>.</p> <p>Where a payment is made in accordance with (2) the original <i>sponsor's</i> obligation to pay that fee ceases.</p>
All non-listed issuers (in DTR) of shares, depositary receipts and securitised derivatives.	FEES 4 Annex 8 R, except for Table 3	Within 30 days of the date of the invoice	Non-listed issuer (in DTR) becomes subject to disclosure rules and transparency rules
Any primary information provider	FEES 4 Annex 8 R, Table 3	Within 30 days of the date of the invoice	A person is approved as a primary information provider
All firms reporting transactions in securities derivatives to the FCA in accordance with SUP 17, and market operators who provide facilities for trading in securities derivatives.	FEES 4 Annex 9 R	Within 30 days of the date of the invoice	Not applicable

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>Any issuer of a regulated covered bond.</p>	<p>1 R</p>	<p>(1) Unless (2) applies, on or before the relevant dates specified in FEES 4.3.6 R</p> <p>(2) If an event specified in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event or, if later, the dates specified in FEES 4.3.6 R</p>	<p>A person becomes registered as an issuer of a regulated covered bond</p>
<p>(i) An AIFM (other than a UK AIFM or an EEA AIFM with a branch in the UK) which has notified the FCA of its intention to market an AIF in the UK under regulation 57 of the AIFMD UK regulation and which has not ceased to market that AIF in the UK as at 1 April of the current fee year.</p>	<p>For each notification made by the AIFM of the kind specified in part 2 of FEES 4 Annex 4 R, the amount specified in part 2 of FEES 4 Annex 4 R</p>	<p>(1) Unless (2) applies, on or before 1 August, or, if later, within 30 days of the date of the invoice</p> <p>(2) If an event in column 4 occurs during the course of a financial year, 30 days after the occurrence of that event</p>	<p>The FCA receives a notification to market in the UK</p>
<p>(ii) An AIFM which has notified the FCA of its intention to market an AIF in</p>			

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>the <i>UK</i> under regulation 58 or 59 of the <i>AIFMD UK regulation</i> and which has not ceased to market that <i>AIF</i> in the <i>UK</i> as at 1 April of the current <i>fee year</i>.</p> <p><i>A small registered UK AIFM</i></p>	<p>The basic fee contained in part 3 of FEES 4 Annex 4 R</p>		<p>The <i>AIFM</i> is registered by the <i>FCA</i> under regulation 10 of the <i>AIFMD UK regulation</i>.</p>

Note: *Sponsors* on the list of approved *sponsors* as at 1 April each year will be liable for the full year's annual fee unless ■ FEES 4.3.13 R applies.

4.2.11A

PRA

R

Table of periodic fees payable to the PRA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>Any firm</p>	<p>As specified in FEES 4.3.1 R in relation to FEES 4 Annex 2BR</p>	<p>(1) Unless (2) applies, on or before the relevant dates specified in FEES 4.3.6 R.</p> <p>(2) if an event specified in column 4 occurs during the course of a <i>fee year</i>, 30 days after the occurrence of that event, or if later the dates specified in FEES 4.3.6 R.</p>	<p><i>Firm</i> receives <i>permission</i>; or <i>firm</i> extends <i>permission</i></p>

4.3 Periodic fee payable by firms (other than AIFM qualifiers, ICVCs and UCITS qualifiers)

4.3.1

FCA **PRA**

R

The periodic fee payable by a *firm* (except an *AIFM qualifier*, *ICVC* or a *UCITS qualifier*) is:

- (1) each periodic fee applicable to it calculated in accordance with
 - FEES 4.3.3 R, using information obtained in accordance with
 - FEES 4.4; plus
- (1A) any periodic fee applicable to it calculated in accordance with
 - FEES 4.3.3A R using information relating to its *UK* business obtained in accordance with ■ FEES 4.4 (or by other means in the case of the Bank of England); less
- (2) any deductions from the periodic fee specified in Part 2 of
 - FEES 4 Annex 2AR, ■ FEES 4 Annex 2BR or Part 7 of
 - FEES 4 Annex 11 R.

4.3.2

FCA **PRA**

G

- (1) The amount payable by each *firm* will depend upon the category (or categories) of *regulated activities* or *payment services* it is engaged in (fee-blocks) and whether it is issuing *electronic money*, and on the amount of business it conducts in each category (tariff base). The fee-blocks and tariffs are identified in ■ FEES 4 Annex 1AR in respect of the *FCA* and ■ FEES 4 Annex 1BR in respect of the *PRA* (and guidance on calculating certain of the tariffs is at ■ FEES 4 Annex 12 G and (for the *FCA* only) ■ FEES 4 Annex 13G), while ■ FEES 4 Annex 2AR in respect of the *FCA* and ■ FEES 4 Annex 2BR in respect of the *PRA* set out the tariff rates for the relevant *fee year*. In the case of *firms* that provide *payment services* and/or issue *electronic money*, the relevant fee blocks, tariffs and rates are set out in ■ FEES 4 Annex 11 R.
- (2) *Incoming EEA firms*, *incoming Treaty firms*, *EEA authorised payment institutions* and *EEA authorised electronic money institutions* receive a discount to reflect the reduced scope of the *appropriate regulator's* responsibilities in respect of them. The level of the discount varies from fee-block to fee-block, according to the division of responsibilities between the *appropriate regulator* and *Home state regulators* for *firms* in each fee-block (see ■ FEES 4.3.11 G, ■ FEES 4.3.12 R and ■ FEES 4.3.12A R).

4.3.3

FCA PRA

R

Calculation of periodic fee (excluding fee-paying payment service providers and fee-paying electronic money issuers)

The periodic fee referred to in ■ FEES 4.3.1 R is (except in relation to the *Society*, *fee-paying payment service providers* and *fee-paying electronic money issuers*) calculated as follows:

- (1) identify each of the tariffs set out in Part 1 of ■ FEES 4 Annex 2AR and Part 1 of ■ FEES 4 Annex 2BR which apply to the business of the *firm* for the period specified in that annex;
- (2) for each of the applicable tariffs, calculate the sum payable in relation to the business of the *firm* for that period;
- (3) add together the amounts calculated under (2) in relation to fees payable to the *FCA* and, if applicable, separately add together the amounts calculated under (2) in relation to the fees payable to the *PRA*;
- (4) work out whether an A.0, CC.0 or a PA.0 minimum fee is payable under Part 2 of ■ FEES 4 Annex 2AR and Part 2 of ■ FEES 4 Annex 2BR and if so how much (except that that minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension) ;
 - (a) work out whether an AP.0 *FCA* prudential fee is payable under Part 2 of ■ FEES 4 Annex 2AR and if so how much;
 - (b) work out whether a PT.1 *PRA* transitional fee is payable under Part 2 of ■ FEES 4 Annex 2BR and if so how much;
- (5) add together the amounts calculated under (3), (4) and (4A) that relate to fees payable to the *FCA* and, if applicable, separately adding together the amounts calculated under (3), (4) and (4B) that relate to fees payable to the *PRA*; and
- (6) apply any applicable payment charge specified in ■ FEES 4.2.4 R, provided that:
 - (a) for payment by direct debit, successful collection of the amount due is made at the first attempt by the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) ; or
 - (b) for payment by credit transfer, the amount due is received by the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) on or before the due date.

Calculation of periodic fee for fee-paying payment service providers and fee-paying electronic money issuers

4.3.3A

FCA

R

The periodic fee referred to in ■ FEES 4.3.1 R in relation to *fee-paying payment service providers* and *fee-paying electronic money issuers* is calculated in accordance with ■ 1 R .

Modification for firms with new or extended permissions

4.3.4

FCA PRA

G

- (1) A *firm* which becomes authorised or registered during the course of a *fee year* will be required to pay a proportion of the periodic fee which reflects the proportion of the year for which it will have a *permission* or the right to provide particular *payment services* or the right to issue *electronic money* - see ■ FEES 4.2.5 G and ■ FEES 4.2.6 R.
- (2) Similarly a *firm* which extends its *permission* or its right to provide particular *payment services* so that its business then falls within additional fee blocks will be required to pay a further periodic fee under this section for those additional fee blocks, but discounted to reflect the proportion of the year for which the *firm* has the extended permission or *payment services* activity - see ■ FEES 4.2.6 R and ■ FEES 4.2.7 R.
- (3) These provisions apply (with some changes) to *incoming EEA firms* , *incoming Treaty firms*, *EEA authorised payment institutions* and *EEA authorised electronic money institutions*.
- (4) These provisions do not apply to a *firm's* periodic fees in relation to its *permission* for *operating a multilateral trading facility* obtained from the FCA during the course of a *fee year*.

Amount payable by the Society of Lloyd's

4.3.5

FCA PRA

R

The periodic fee referred to in ■ FEES 4.3.1 R in relation to the *Society* is specified against its name in ■ FEES 4 Annex 2AR and ■ FEES 4 Annex 2BR .

Time of payment

4.3.6

FCA PRA

R

- (1) Subject to ■ FEES TP 8, if the *firm's*, *designated professional body's*, *recognised investment exchange's*, or *regulated covered bond issuer's* periodic fee for the previous *fee year* was at least £50,000, it must pay the FCA:
 - (a) an amount equal to 50% of the FCA periodic fee payable for the previous *fee year*, by 30 April or, if later, within 30 *days* of the date of the invoice, in the *fee year* to which the sum due under ■ FEES 4.2.1 R relates; and
 - (b) the balance of the FCA periodic fee due for the current *fee year* by 1 September or, if later, within 30 *days* of the date of the invoice, in the *fee year* to which that sum relates.
- (1A) Subject to ■ FEES TP 8, if the *firm* is also a *PRA-authorised person* and its periodic fee for the previous *fee year* was at least

50,000, it must pay the *PRA* (through the *FCA* acting as its collection agent):

- (a) an amount equal to 50% of the *PRA* periodic fee payable for the previous *fee year*, by 30 April in the *fee year* to which the sum due under ■ FEES 4.2.1 R relates; and
 - (b) the balance of the *PRA* periodic fee due for the current *fee year* by 1 September or, if later, within 30 *days* of the date of the invoice, in the *fee year* to which that sum relates.
- (1B) If the *firm* paid periodic fees to both the *FCA* and the *PRA* in the previous *fee year*, ■ FEES 4.3.6R (1) and (1A) only apply if the *firm's* combined *FCA* and *PRA* periodic fees for that *fee year* were at least £50,000.
- (2) If the *firm's*, *designated professional body's*, *recognised investment exchange's*, or *regulated covered bond issuer's* periodic fee for the previous *fee year* was less than £50,000, it must pay the periodic fee due in full by 1 August or, if later, within 30 *days* of the date of the invoice in the *fee year* to which that sum relates.
- (3) If a *firm* has applied to cancel its *Part 4A permission* in the way set out in ■ SUP 6.4.5 D (Cancellation of permission), or its status as a *payment institution* under regulation 10 of the *Payment Services Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 14 of the *Payment Services Regulations* (Supplementary provisions), or its status as an *electronic money issuer* under regulation 10 of the *Electronic Money Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 15 of the *Electronic Money Regulations* (Supplementary provisions), then (1) and (2) do not apply but it must pay the total amount due when the application is made.
- (4) If the *appropriate regulator* has exercised its *own-initiative powers* to cancel a *firm's Part 4A permission*, then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.
- (4A) If the *FCA* has cancelled a *firm's* authorisation or registration under regulation 10 of the *Payment Services Regulations* or regulation 10 of the *Electronic Money Regulations* or its registration under regulation 10 as applied by regulation 14 of the *Payment Services Regulations* or its registration under regulation 10 as applied by regulation 15 of the *Electronic Money Regulations*, then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.
- (5) [deleted]

- (5A) (In relation to *PRA-authorized persons* only) paragraphs (1A) and (2) do not apply to any Solvency 2 Special Project fee or Solvency 2 Implementation fee (as defined in ■ FEES 4 Annex 2B R) and such fees are not taken into account for the purposes of the split in (1A). Instead any Solvency 2 Special Project fee or Solvency 2 Implementation fee is payable on the date specified in (1A)(b) or (2) (depending on which applies to the rest of its periodic fee) or any earlier date required by (3) or (4).
- (6) Paragraphs (1) and (2) do not apply to any periodic fee in relation to a *firm's permission for operating a multilateral trading facility* and such a fee is not taken into account for the purposes of the split in (1). Instead any fee for this *permission* is payable on the date specified in ■ FEES 4 Annex 10 (Periodic fees for MTF operators).

Groups of firms

4.3.7

FCA PRA

R

A *firm* which is a member of a *group* may pay all of the amounts due from other *firms* in the same *group* under ■ FEES 4.2.1 R, if:

- (1) it notifies the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) in writing of the name of each other *firm* within the *group* for which it will pay; and
- (2) it pays the fees, in accordance with this chapter, as a single amount as if that were the amount required from the *firm* under ■ FEES 4.2.1 R.

4.3.8

FCA PRA

G

A notification under ■ FEES 4.3.7 R (1) should be made in accordance with ■ SUP 15.7 (Form and method of notification).

4.3.9

FCA PRA

G

If the payment made does not satisfy in full the periodic fees payable by all of the members of the *group* notified to the *FCA* under ■ FEES 4.3.7 R, the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) will apply the sum received among the *firms* which have been identified in the notification given under ■ FEES 4.3.7 R (1) in proportion to the amounts due from them. Each *firm* will remain responsible for the payment of the outstanding balance attributable to it.

4.3.10

FCA PRA

G

If a *firm* pays its fees through an agent outside the scope of ■ FEES 4.3.7 R, the *firm* is responsible for ensuring that the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) is informed that the sum being paid is for that *firm's* periodic fees.

Incoming EEA firms, incoming Treaty firms, EEA authorised payment institutions and EEA authorised electronic money institutions

4.3.11

FCA PRA

G

The *appropriate regulator* recognises that its responsibilities in respect of an *incoming EEA firm*, an *incoming Treaty firm*, an *EEA authorised payment institution* or an *EEA authorised electronic money institution* are reduced compared with a *firm* which

is incorporated in the *United Kingdom*. Accordingly the periodic fees which would otherwise be applicable to *incoming EEA firms*, *incoming Treaty firms*, *EEA authorised payment institutions* and *EEA authorised electronic money institutions* are reduced.

4.3.12

FCA PRA

R

For an *incoming EEA firm*, (excluding *MTF operators*), or an *incoming Treaty firm*, the calculation required by ■ FEES 4.3.3 R is modified as follows:

- (1) the tariffs set out in Part 1 of ■ FEES 4 Annex 2AR and, if applicable, Part 1 of ■ FEES 4 Annex 2BR are applied only to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 3 of ■ FEES 4 Annex 2AR and, if applicable, Part 3 of ■ FEES 4 Annex 2BR.

4.3.12A

FCA

R

For:

- (-1) (a) a *full credit institution* which is a *fee-paying payment service provider* and an *EEA firm*; or
- (b) a *full credit institution* which is a *fee-paying electronic money issuer* and an *EEA firm*; or
- (c) an *EEA authorised payment institution*; or
- (d) an *EEA authorised electronic money institution*;

the calculation required by ■ FEES 4.3.3A R is modified as follows:

- (1) the tariffs set out in Part 5 of ■ FEES 4 Annex 11 R are only applied to the *payment services* or *electronic money issuance* of the *firm* carried on from an establishment in the *United Kingdom*, including any *payment services* carried on through any of its *agents* established in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 7 of ■ FEES 4 Annex 11 R.

Firms Applying to Cancel or Vary Permission Before Start of Period

4.3.13

FCA PRA

R

(1) If:

- (a) a *firm* makes an application to vary its *permission* (by reducing its scope), or cancel it, in the way set out in ■ SUP 6.3.15 D (3) (Variation of permission) and ■ SUP 6.4.5 D (Cancellation of permission), or applies to vary (by reducing its scope) or cancel its authorisation or registration (regulation 8 and 10(1) of the *Payment Services Regulations* including as applied by regulation 14 of the *Payment Services Regulations*) or applies to cancel its authorisation or registration (regulation 10 and 12 of the *Electronic Money Regulations* including as applied by regulation 15 of the *Electronic Money Regulations*); an

issuer makes an application for de-listing; or a *sponsor* notifies the *FCA* of its intention to be removed from the list of approved *sponsors*; and

- (b) the *firm*, *issuer* or *sponsor* makes the application or notification referred to in (a) before the start of the *fee year* to which the fee relates;

■ FEES 4.2.1 R applies to the *firm* as if the relevant variation or cancellation of the *firm's permission* or authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, de-listing or removal from the list of approved *sponsors*, took effect immediately before the start of the *fee year* to which the fee relates.

- (2) But (1) does not apply if, due to the continuing nature of the business, the variation, cancellation, de-listing or removal is not to take effect on or before 30 June of the *fee year* to which the fee relates.

4.3.14

FCA PRA

G

Where a *firm* has applied to cancel its *Part 4A permission*, or its authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, or the *appropriate regulator* has exercised its *own-initiative powers* to cancel a *firm's Part 4A permission* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 14 (Supplementary provisions) of the *Payment Services Regulations* to cancel a *firm's* authorisation or registration under the *Payment Services Regulations* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 15 (Supplementary provisions) of the *Electronic Money Regulations*, the due dates for payment of periodic fees are modified by

■ FEES 4.3.6 R (3), ■ FEES 4.3.6 R (4) and ■ FEES 4.3.6 R (4A) respectively.

Firms acquiring businesses from other firms

4.3.15

FCA PRA

R

- (1) This *rule* applies if:

- (a) a *firm* (A) acquires all or a part of the business of another *firm* (B), whether by merger, acquisition of goodwill or otherwise, in relation to which a periodic fee would have been payable by B, unless no periodic fee was payable by A in the financial year that the business was acquired from B; or
- (b) A became authorised or registered as a result of B's simple change of legal status (as defined in ■ FEES 3 Annex 1 R Part 6).

- (2) If, before the date on which A acquires the business, B had paid any periodic fee payable for the period in which the acquisition occurred, ■ FEES 4.2.6 R to ■ FEES 4.2.7 R do not apply to A in relation to the business acquired from B.

(3) If the acquisition occurs after the valuation date applicable to the business (as set out in ■ FEES 4 Annex 1AR, ■ FEES 4 Annex 1BR and ■ FEES 4 Annex 11 R) which A acquired from B, for the period following that in which the acquisition occurred, ■ FEES 4.2.1 R applies to A, in relation to that following period, as if the acquisition had occurred immediately before the relevant valuation date.

4.3.16

R

(1) [deleted]

(2) [deleted]

(3) [deleted]

4

4.4 Information on which Fees are calculated

- 4.4.1** **R** A *firm* (other than the *Society*) must notify to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) the value (as at the valuation date specified in Part 5 of **■ FEES 4 Annex 1AR** in relation to fees payable to the *FCA* or Part 5 of **■ FEES 4 Annex 1BR** in relation to fees payable to the *PRA*) of each element of business on which the periodic fee payable by the *firm* is to be calculated.
- 4.4.2** **R** A *firm* (other than the *Society*) must send to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) in writing the information required under **■ FEES 4.4.1 R** as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 5 of **■ FEES 4 Annex 1AR** in relation of fees payable to the *FCA* or Part 5 of **■ FEES 4 Annex 1B R** in relation to fees payable to the *PRA* (or **■ FEES 4.2.7B R** where applicable).
- 4.4.3** **R** To the extent that a *firm* has provided the information required by this section to the *appropriate regulator* as part of its compliance with another provision of the *Handbook*, it is deemed to have complied with the provisions of this section.
- 4.4.4** **G** In most cases a *firm* will provide the information required by this section as part of its compliance with the provisions of *SUP*. To the extent that the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*), does not obtain sufficient, or sufficiently detailed, information the *FCA* or the *PRA*, as appropriate, may seek this by using the general information gathering powers (see **■ SUP 2** (Information gathering by the *appropriate regulator* on its own initiative)).
- 4.4.5** **R** For an *incoming EEA firm* or an *incoming Treaty firm*, the information required under **■ FEES 4.4** is limited to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*, except those provided on a *cross border services* basis.
- 4.4.6** **R** The obligations of a *firm* to supply information as set out in **■ FEES 4.4.1 R** and **■ FEES 4.4.2 R** do not apply in respect of any of its *payment services* business.

Information relating to payment services and the issuance of electronic money

4.4.7

FCA

D

A *fee-paying payment service provider* and a *fee-paying electronic money issuer* must notify to the *FCA* the value (as at the valuation date specified in Part 4 of ■ FEES 4 Annex 11 R) of each element of business on which the periodic fee (other than a flat fee) payable by the *firm* under ■ 1 R is to be calculated, including any *payment services* carried on by its *agents* from an establishment in the *United Kingdom*.

4.4.8

FCA

D

A *firm* must send to the *FCA* in writing the information required under ■ FEES 4.4.7 D as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 4 of ■ FEES 4 Annex 11 R.

4.4.9

FCA

PRA

D

To the extent that a *firm* has provided the information required by ■ FEES 4.4.7 D to the *FCA* as part of its compliance with another provision of the *Handbook*, it is deemed to have complied with the provisions of that direction.

FCA Activity groups, tariff bases and valuation dates

FCA

Part 1

This table shows how the *FCA* links the *regulated activities* for which a *firm* has *permission* to activity groups (fee-blocks). A *firm* can use the table to identify which fee-blocks it falls into based on its *permission*.

Activity group	Fee payer falls in the activity group if
A.1 Deposit acceptors	its <i>permission</i> includes <i>accepting deposits</i> or <i>operating a dormant account fund</i> BUT DOES NOT include either of the following: <i>effecting contracts of insurance</i> ; <i>carrying out contracts of insurance</i> .
A.2 Home finance providers and administrators	its <i>permission</i> includes a <i>regulated activity</i> within one or more of the following: <i>entering into a home finance transaction</i> ; or <i>administering a home finance transaction</i> ; or <i>agreeing to carry on a regulated activity</i> which is within either of the above.
A.3 Insurers - general	its <i>permission</i> includes one or more of the following: - <i>effecting contracts of insurance</i> ; - <i>carrying out contracts of insurance</i> ; in respect of <i>specified investments</i> that are: - <i>general insurance contracts</i> ; or - <i>long-term insurance contracts other than life policies</i> .

A.4 Insurers - life its *permission* includes one or more of the following:

- *effecting contracts of insurance;*

- *carrying out contracts of insurance;*

in respect of specified investments including life policies;

- *entering as provider into a funeral plan contract.*

A.5 Managing agents at Lloyd's its *permission* includes *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's.*

A.6 The Society of Lloyd's it is the *Society of Lloyd's*

Note for authorised professional firms:

Generally, for fee-blocks A.7 to A.19 below, only those *regulated activities* that are not limited to *non-mainstream regulated activities* should be taken into account in determining which fee-block(s) fee-payers belong to for the purpose of charging periodic fees. However, in the case that all the *regulated activity* within a *firm permission* are limited to *non-mainstream regulated activities*, then that *firms* will be allocated to fee-block A.13 alone. This does not prevent a fee being payable by an *authorised professional firm* under FEES 3.2.7 R and/or FEES 3.2.7A R(c) where it applies to vary its *Part 4A permission* such that it would normally be allocated to fee-block(s) other than A.13 if the variation was granted.

A.7 Portfolio managers (1) its *permission* includes *managing investments* (a *firm* falling within this category is a class (1) *firm*);

OR

(2) its *permission* includes

ONLY either one or both of:

safeguarding and administering of investments (without arranging); and

arranging safeguarding and administration of assets (a *firm* falling within this category is a class (2) *firm*);

OR

(3) the *firm* is a *venture capital firm* (a *firm* falling within this category is a class (3) *firm* if it is not a class (1) or (2) *firm*).

OR

(4) its *permission* includes *managing an AIF* or *managing a UCITS*

Note:

Class (1) firms are subdivided into three classes:

- class (1)A, where the funds managed by the *firm* belong to one or more *occupational pension schemes*;

- class (1)B, where:

(a) the *firm* is not a class (1)A *firm*; and

(b) the *firm* permission includes **NEITHER** of the following:

safeguarding and administering investments (without arranging);

arranging safeguarding and administration of assets; and (c) the *firm* **EITHER**:

has a *requirement* that prohibits the *firm* from holding or controlling *client money*, or both; OR

if it does not have such a *requirement*, only holds or controls *client money* (or both), arising from an agreement under which *commission* is rebated to a *client*; and

- class (1)C, where the *firm* is not within class (1)A or class (1)B.

A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes (1) *its permission:*

(a) includes one or more of the following:

- managing an AIF;*
- managing a UCITS;*
- acting as trustee or depositary of an AIF;*
- acting as trustee or depositary of a UCITS; establishing, operating or winding up a collective investment scheme;*
- establishing, operating or winding up a regulated collective investment scheme;*
- establishing, operating or winding up an unregulated collective investment scheme;*
- acting as trustee of an authorised unit trust scheme; acting as the depositary of an authorised contractual scheme; acting as the depositary or sole director of an open-ended investment company;*
- establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme (but only if the firm does not fall within activity group A1 or A4);*

AND

(b) **PROVIDED** the *firm* is **NOT** one of the following:

OR

- a corporate finance advisory firm;*
- a firm in which the above activities are limited to carrying out corporate finance business;*
- a venture capital firm;*
- a firm which would be a venture capital firm but for the inclusion of managing an AIF on its permission; but only where the firm is managing an AIF exclusively in respect of AIFs which only invest in venture capital investments.*

OR

(2) if the fee-payer has none of the *regulated activities* above within its *permission*, but **ALL** the remaining *regulated activities* in its *permission* are limited to carrying out trustee activities.

A.10 Firms *its permission includes:*
dealing as

principal (a) *dealing in investments as principal;* and/or

(b) *bidding in emissions auctions;*

BUT NOT if one or more of the following apply:

the *firm* is acting exclusively as a matched principal broker;

the above activity is limited either to *establishing, operating or winding up a collective investment scheme, establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme, or to carrying out depositary activities;*

the *firm* is a *corporate finance advisory firm;*

the above activity is otherwise limited to carrying out *corporate finance business;*

the *firm* is subject to a *limitation* to the effect that the *firm*, in carrying on this *regulated activity*, is limited to entering into transactions in a manner which, if the *firm* was an *unauthorised person*, would come within article 16 of the *Regulated Activities Order (Dealing in contractually based investments);*

the above activity is limited to not acting as a *market maker;*

the *firm* is an *oil market participant, energy market participant or a local (except where the firm is bidding in emissions auctions);*

its permission includes either:

- *effecting contracts of insurance; or*

- *carrying out contracts of insurance.*

A.13 Advisors, arrangers, dealers or brokers (1) it is an *authorised professional firm* and ALL the regulated activities in its permission are limited to non-mainstream regulated activities (a firm falling within this category is a *class (1) firm*);

OR

(2) its permission:

(a) includes one or more of the following, in relation to one or more *designated investments*:

dealing in investments as agent;

arranging (bringing about) deals in investments;

making arrangements with a view to transactions in investments;

dealing as principal in investments where the activity is carried on as a matched principal broker, *oil market participant, energy market participant* or *local*;

advising on investments (except pension transfers and pension opt-outs);

giving basic advice on a stakeholder product;

advising on pension transfers and pension opt-outs;

advising on syndicate participation at Lloyd's;

(b) BUT NONE of the following:

effecting contracts of insurance; or

carrying out contracts of insurance;

AND (c) PROVIDED the fee-payer is NOT any of the following:

a corporate finance advisory firm;

a firm for whom all of the applicable activities above are otherwise limited to carrying out *corporate finance business*;

a firm for whom all the applicable activities above are limited to carrying out *venture capital business*;

a firm for whom all the applicable activities above are limited to acting as a *residual CIS operator*;

a firm for whom all the applicable activities above are limited to *acting as trustee or depositary of an AIF* and/or *acting as trustee or depositary of a UCITS*;

a *service company*.

A *firm* falling within (2) and not (1) is a *class 2 firm*.

A.14 Corporate finance advisers the *firm* is carrying on *corporate finance business* PROVIDED the fee-payer is NOT a *venture capital firm*.

A.18 Home finance providers, advisers and arrangers its *permission* includes a *regulated activity* within one or more of the following:
entering into a home finance transaction; or
arranging (bringing about) a home finance transaction ; or
making arrangements with a view to a home finance transaction; or
advising on a home finance transaction; or

agreeing to carry on a regulated activity which is within any of the above.

A.19 General insurance mediation its *permission* includes one or more of the following in relation to a *non-investment insurance contract*:
dealing in investments as agent; or

arranging (bringing about) deals in investments; or

making arrangements with a view to transactions in investments; or

assisting in the administration and performance of a contract of insurance; or

advising on investments; or

agreeing to carry on a regulated activity which is within any of the above.

A.21 Firms holding client money or assets, or both (1) It is a *firm* carrying on a *regulated activity* defined in fee-block A.13;
 AND EITHER OR BOTH:
 (2A) It is a *firm* to which the *client money rules* apply

AND/OR

(2B) Its *permissions* includes *safeguarding and administration of assets (without arranging)*

UNLESS

CASS does not apply to that firm in accordance with CASS 1.2

B. Market operators	<i>firms</i> that have been prescribed as an operator of a prescribed market under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996).
B. Service companies	it is a <i>service company</i> .
B. MTF operators	its <i>permission</i> includes <i>operating a multilateral trading facility</i> .
B. Benchmark administrators	It is a <i>benchmark administrator</i>
CC1. Credit-related regulated activities with limited permission	it carries on <i>credit-related regulated activities</i> ; and it has a <i>limited permission</i> ; and it is not a <i>not-for-profit debt advice body</i> ; and it is not a <i>credit union</i> or <i>community finance organisation</i> with annual income as defined in FEES 4 Annex 11B R of less than £250,000.
CC2. Credit-related regulated activities	it carries on <i>credit-related regulated activities</i> ; and it does not have a <i>limited permission</i> ; and it is not a <i>not-for-profit debt advice body</i> ; and it is not a <i>credit union</i> or <i>community finance organisation</i> with annual income as defined in FEES 4 Annex 11B R of less than £250,000.

Part 2

This table sets out the activity groups (fee blocks) in relation to (i) the minimum fees payable to the *FCA* and (ii) the prudential fee payable to the *FCA*.

Activity group	Fee payer falls into the fee-block if
A.0 FCA minimum fee	(1) it is in at least one of the fee blocks under Part 1; and (2) it is not: (a) a <i>UK ISPV</i> ; or (b) a <i>firm</i> whose only <i>permission</i> is <i>operating a dormant fund account</i> ; or (c) a <i>firm</i> exclusively carrying on <i>credit-related regulated activities</i> .

AP.0 FCA (1) it is an *FCA authorised person* other than an *FCA authorised person* exclusively prudential carrying on *credit-related regulated activities*; and
fee

(2) the periodic fee it pays to the *FCA* is not limited to the *A.0 FCA* minimum fee.

Part 3

This table indicates the tariff base for each fee-block set out in Part 1.

The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the annual periodic fees payable to the *FCA* by that *firm*.

Activity group	Tariff base
A.1	<p>MODIFIED ELIGIBLE LIABILITIES</p> <p>For <i>banks</i> and <i>building societies</i>:</p> <p>Item B of Form ELS (Note (1)):</p> $(1 + 2 + 3 + 4 + 0.6*5 + 6 - 8 - 9A - 9B - 10A - 10B - 10C - 11A - 11B - 0.6*12) + (1/3)*(F1 + F2 + F3 + F4 + 0.6*F5 + F6 - F8 - F9A - F9B - F10A - F10B - F10C - F11A - F11B - 0.6*F12)$ <p>- 13M</p> <p>Notes:</p> <p>(1) All references in the above formula are to entries on Form ELS (that is, the Eligible Liabilities Return completed to provide information by <i>banks</i> and <i>building societies</i> to the Bank of England as required by the Bank of England Act 1998).</p> <p>(2) The figures reported on the Form ELS relate to business conducted out of offices in the <i>United Kingdom</i>.</p> <p>For <i>credit unions</i>:</p> <p>Deposits with the <i>credit union</i> (share capital)</p> <p>LESS</p> <p>the <i>credit union's</i> bank deposits (investments + cash at bank)</p> <p>Note:</p> <p>Only <i>United Kingdom</i> business is relevant for calculating <i>credit unions'</i> MELs.</p>

Note:

For a *dormant account fund operator* the tariff base is not relevant and the flat fee in FEES 4 Annex 2A R is payable.

A.2 NUMBER OF MORTGAGES OR OTHER HOME FINANCE TRANSACTIONS ENTERED INTO AND ADMINISTERED

The number of new mortgage contracts, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* entered into;

AND

The number of mortgage contracts, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* being administered, multiplied by 0.05 for mortgage outsourcing *firms* or other home finance outsourcing *firms* and by 0.5 for all other *firms*.

Notes:

(1) Mortgage outsourcing *firms* are *firms* with *permission* for *administering regulated mortgage contracts*, but not to enter the contract as lender.

Home finance outsourcing *firms* are *firms* with *permission* for *administering a home finance transaction*, but not *entering into a home finance transaction*.

(2) In this context a 'mortgage' means a loan secured by a first charge over residential property in the *United Kingdom*. For the measure of the number of contracts being administered, each first charge counts as one contract, irrespective of the number of loans involved.

(3) Mortgages, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* administered include those that the *firm* administers on behalf of other *firms*.

A.3 GROSS PREMIUM INCOME AND GROSS TECHNICAL LIABILITIES

For insurers:

The amount of *premium* receivable which must be included in the documents required to be deposited under *IPRU(INS) 9.6* in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a waiver or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to *IPRU(INS)* under transitional provisions relating to written concessions in *SUP*;

AND the amount of gross technical liabilities (*IPRU(INS) Appendix 9.1 - Form 15, line 19*) which must be included in the documents required to be deposited under *IPRU(INS) 9.6R* in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a *waiver* or an order under section 68 of the Insurance Companies Act 1982

carried forward as an amendment to *IPRU(INS)* under transitional provisions relating to written concessions in *SUP*.

Notes:

(1) in the case of either:

(a) a *pure reinsurer* carrying on *general insurance business* through a *branch* in the *United Kingdom*; or

(b) an *insurer* whose head office is not in an *EEA State* carrying on *general insurance business* through a *branch* in the *United Kingdom*; or

(c) an *EEA-deposit insurer*;

the amount only includes *premiums* received and gross technical liabilities held in respect of its *United Kingdom* business;

(2) for a *Swiss general insurance company*, premiums and gross technical liabilities include those relevant to the operations of the company's *United Kingdom branch*; and

(3) a *firm* need not include premiums and gross technical liabilities relating to *pure protection contracts* which it reports, and pays a fee on, in the A.4 activity group.

For *friendly societies*:

Either:

(a) the value of contributions as income under Schedule 7: Part I item 1(a) to the *Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983)* (the regulations) for a *non-directive friendly society*, included within the income and expenditure account; or

(b) the value of gross premiums written under Schedule 1: Part I items I.1(a) and II.1.(a) of the regulations for a *directive friendly society* included within the income and expenditure account.

Notes:

(1) In both (a) and (b) above only *premium* receivable in respect of *United Kingdom* business are relevant.

(2) For *UK ISPVs* the tariff base is not relevant and a flat fee set out in FEES 4 Annex 2AR is payable.

A.4 ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES
(see FEES 4 Annex 12 G)

Amount of new regular *premium* business (yearly *premiums* including reassurances ceded but excluding cancellations and reassurances accepted), times ten;

Plus:

amounts of new single *premium* business (total including reassurances ceded but excluding cancellations and reassurances accepted). Group protection business (life and private health insurance) must be included;

Less:

***premiums* relating to *pension fund management*;**

Less:

***premiums* relating to Trustee Investment Plans.**

For each of the above, business transacted through independent practitioners or tied agents (either single or multi-tie) will be divided by two in calculating the adjusted gross premium income;

AND

the amount of mathematical reserves (*IPRU(INS)* Appendix 9.1R - Form 14 , Line 11) which must be included in the documents required to be deposited under *IPRU(INS)* 9.6R in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a *waiver* or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to *IPRU(INS)* under transitional provisions relating to written concessions in*SUP*;

Less

mathematical reserves relating to *pension fund management*.

Less

mathematical reserves relating to Trustee Investment Plans.

Notes:

(1) Only *premiums* receivable and mathematical reserves held in respect of *United Kingdom* business are relevant.

(2) An *insurer* must include in its calculation of adjusted gross premium income (AGPI) and mathematical reserves (MR) the value of MR and AGPI relating to all risks ceded to *ISPVs*.

(3) Trustee Investment Plans are the class of *contract of insurance* specified in Class III of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance) and which are invested in pooled funds beneficially owned by the *insurer* and not earmarked to individual beneficiaries by that *insurer*.

A.5 ACTIVE CAPACITY

The capacity of the *syndicate(s)* under management in the year in question. This includes the capacity for *syndicate(s)* that are not writing new business, but have not been closed off in the year in question.

A.6 Not applicable.

A.7 FUNDS UNDER MANAGEMENT (FuM)

The total value, in pounds sterling, of all assets (see note (a) below) in portfolios which the *firm* manages, on a discretionary basis (see note (b) below), in accordance with its terms of business, less:

a) funds covered by the exclusion contained in article 38 (Attorneys) of the *Regulated Activities Order*;

(b) funds covered by the exclusion contained in article 66(3) (Trustees, nominees and personal representatives) of the *Regulated Activities Order*;

(c) funds covered by the exclusion contained in article 68(6) (Sale of goods or supply of services) of the *Regulated Activities Order*;

(d) funds covered by the exclusion contained in article 69(5) (Groups and joint enterprises) of the *Regulated Activities Order*; and

(e) the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated to another *firm* (and which *firm* will include the value of the assets in question in its own FuM total); any such deduction should identify the *firm* to which management responsibility has been delegated.

Notes on FuM

(a) Except for funds under management where the *fund* is an *AIF*, for the purposes of calculating the value of funds under management, assets means all assets that consist of or include any *investment* which is a *designated investment* or those assets in respect of which the arrangements for their management are such that the assets may consist of or include such *investments*, and either the assets have at any time since 29 April 1988 done so or the arrangements have at any time (whether before or after that date) been held out as arrangements under which the assets would do so.

(aa) for funds under management, where the *fund* is an *AIF*, assets means all assets or property of any description of the *fund*.

(b) Assets managed by the *firm* on a discretionary basis exclude the *firm's* own assets. Assets managed on a non-discretionary basis, being assets that the *firm* has a contractual duty to keep under continuous review but in respect of which prior specific consent of the *client* must be obtained for proposed transactions, are also excluded as this activity is covered in those charged to fees in activity group A.13.

(c) In respect of *collective investment schemes*, assets means the total value of the assets of the scheme.

(d) For an *OPS firm*, the FuM should also be reduced by the value of the assets held as a result of a decision taken in accordance with article 4(6) of The Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (investments in *collective investment scheme* or *bodies corporate* which have as their primary purpose the acquisition, directly, or indirectly, of relevant investments, as defined in that article).

(e) Only assets that are managed from an establishment maintained by the *firm* in the *United Kingdom* are relevant.

(f) If the *firm* is managing an overlay portfolio of *derivative* instruments and the underlying assets are managed by itself or a *firm* within the same *group* that has not reported them separately to the *FCA*, or by a *firm* outside its *group*, then it should calculate the value of the *derivatives* and other assets as prescribed in the *guidance* in FSA038 in SUP 16 Annex 25 G.

If the underlying assets are managed by another *firm* within the same *group* who has reported their value separately to the *FCA*, then to avoid double-counting within the *group*, the calculation must be restricted to the exposure of the overlay.

A.9

GROSS INCOME(1) For *AIFMs* (excluding *internally managed AIFs*), *management companies*, *operators* (including *ACDs* and *authorised fund managers* of *unit trusts* or *authorised contractual schemes* but excluding *operators* of a *personal pension scheme* or a *stakeholder pension scheme*) and *residual CIS operators*

gross income from the activity relating to fee-block A.9 is defined as:

the amount of the annual charge on investments in the *fund* received or receivable in the latest accounting period (this is calculated as a % of funds invested, typically 1% p.a.);

PLUS

the front-end or exit charge levied on sales or redemptions of *collective investment schemes* (typically 4-5% of sales/redemptions) in that same accounting period;

PLUS

any additional initial or management charges levied through a product wrapper such as an *ISA*;

BUT EXCLUDING box management profits.

(2) For *depositories* (including *trustees* of *collective investment schemes* and *ICVC* or *ACS depositories*):

The amount of the annual charge levied on investments in *funds* for which they act as *depository* (typically a % of the total funds for which they act as *depository*). (3)

For *operators* of a *personal pension scheme* or a *stakeholder pension scheme* gross income from the activity relating to fee block A.9 is defined as:

The amount of the charges levied on the *personal pension scheme* or *stakeholder pension scheme* for which they act as *operator*:

including up-front charges, fund related charges, transaction related charges and periodic charges; but

excluding charges made to an investor in respect of third party suppliers; for example, charges for stock broking, borrowing, banking services and charges for arranging third party legal services, surveys or environmental screening in connection with property.

Note:

Only the gross income corresponding to *United Kingdom* business is relevant.

(4) *Internally managed AIFs* must use a proxy for gross income for the activities relating to fee block A.9. This is the total value of funds under management (as defined in fee block A.7) multiplied by 0.01.

A.10 NUMBER OF TRADERS

Any *employee* or agent, who:

ordinarily acts within the *United Kingdom* on behalf of an *authorised person* liable to pay fees to the *FCA* in its fee-block A.10 (firms dealing as principal); and who,

as part of their duties in relation to those activities of the *authorised person*, commits the *firm* in market dealings or in transactions in *securities* or in other *specified investments* in the course of *regulated activities*.

But not any *employees* or agents who work solely in the *firm's MTF* operation.

A *firm* may, as an option, report *employees* or agents as full-time equivalents (FTE), taking account of any part-time staff. In calculating the FTE, *firms* must take into account the total hours *employees* or agents have contracted to work for the *firm* and not the time *employees* or agents devote to the *dealing in investments as principal* and

bidding in emissions auctions functions set out in fee-block A.10. Any figures using the FTE calculation to be recorded to one decimal place, rounded down to the nearest decimal place.

A.13 ANNUAL INCOME

Annual income as defined in FEES 4 Annex 11A R

A.14 ANNUAL INCOME

Annual income as defined in FEES 4 Annex 11A R.

A.18 Annual income as defined in FEES 4 Annex 11A R

A.19 Annual income as defined in FEES 4 Annex 11A R

A.21 CLIENT MONEY/ASSETS HELD:

A value in pound sterling equal to:

Highest total amount of *client money* held by the *firm* during the 12 months ending 31 December before the relevant *fee year*

PLUS

Highest total value of *safe custody assets* held by the *firm* during the 12 months ending 31 December before the relevant *fee year*

B. Market operators Not applicable.

B. Service companies Not applicable.

B. MTF operators Not applicable.

B. Benchmark administrators Not applicable.

CC1. Credit-related regulated activities with limited permission Annual income as defined in FEES 4 Annex 11B R.

CC2. Credit-related regulated activities Annual income as defined in FEES 4 Annex 11B R.

Part 4

This table indicates the tariff base for each fee block set out in Part 2.

The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the annual periodic fees payable to the *FCA* by that *firm*.

Activity Group	Tariff base
A.0	Not applicable because the minimum fee is a specified amount.
AP.0	The total periodic fees payable as a result of fee blocks A.2 and A.7 to A.19 in Part 1 of FEES 4 Annex 2A R excluding any periodic fee for <i>operating a dormant fund account</i> .

Part 5

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of fees payable to the *FCA* by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

Activity group	Valuation date
<p>IN THIS TABLE, REFERENCES TO SPECIFIC DATES OR MONTHS ARE REFERENCES TO THE LATEST ONE OCCURRING BEFORE THE START OF THE PERIOD TO WHICH THE FEE APPLIES, UNLESS OTHERWISE SPECIFIED - E.G. FOR 2013/14 FEES (1 APRIL 2013 TO 31 MARCH 2014), A REFERENCE TO DECEMBER MEANS DECEMBER 2012.</p> <p>Where a <i>firm's</i> tariff data is in a currency other than sterling, it should be converted into sterling at the exchange rate prevailing on the relevant valuation date.</p>	
A.1	<p>For banks:</p> <p>Modified eligible liabilities (MELs), valued at:</p> <p>for a <i>firm</i> which reports monthly, the average of the MELs for October, November and December;</p> <p>for a <i>firm</i> which reports quarterly, the MELs for December. For <i>credit unions</i>:</p> <p>For <i>credit unions</i>:</p> <p>MELs, valued at December or as disclosed by the most recent annual return made prior to that date.</p> <p>For <i>building societies</i>:</p> <p>MELs, valued at the average of the MELs for October, November and December.</p>

- A.2** Number of mortgages, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* entered into in the twelve months ending 31 December.
- AND
- Number of mortgages, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* being administered on 31 December.
- A.3** Annual gross *premium* income (GPI), for the financial year ended in the calendar year ending 31 December.
- AND
- Gross technical liabilities (GTL) valued at the end of the financial year ended in the calendar year ending 31 December.
- A.4** Adjusted annual gross *premium* income (AGPI) for the financial year ended in the calendar year ending 31 December.
- AND
- Mathematical reserves (MR) valued at the end of the financial year ended in the calendar year ending 31 December.
- A.5** Active capacity (AC), in respect of the Underwriting Year (as reported to the *Society of Lloyd's*) which is current at the beginning of the period to which the fee relates.
- [Note: this is the Underwriting Year which is already in progress at the start of the fee period - e.g. for 2013/14 fees, the fee period will begin on 1 April 2013, which is in the 2013 Underwriting Year, so the AC for that Underwriting Year is the relevant measure.]
- A.6** Not applicable.
- A.7** Funds under management (FuM), valued at 31 December.
- A.9** Annual gross income (GI), valued at the most recent financial year ended before 31 December.
- A.10** Number of traders as at 31 December.
- A.13** Annual income for the financial year ended in the calendar year ending 31 December.
- A.14** Annual income for the financial year ended in the calendar year ending 31 December.
- A.18** Annual income (AI) for the financial year ended in the calendar year ending 31 December.
- A.19** Annual income (AI) for the financial year ended in the calendar year ending 31 December.
- A.21** In respect of *client money*, the highest amount of *client money* held over the 12 months ending 31 December before the relevant *fee year*.
- In respect of *safe custody assets*, the highest amount of *safe custody assets* held over the 12 months ending 31 December before the relevant *fee year*.

B. Market operators Not applicable.

B. Service companies Not applicable.

B. MTF operators Not applicable.

B. Benchmark administrators Not applicable

CC1. Credit-related regulated activities with limited permission Annual income for the financial year ended in the calendar year ending 31 December.

CC2. Credit-related regulated activities Annual income for the financial year ended in the calendar year ending 31 December.

FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2013 to 31 March 2014

FCA

Part 1

This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 of FEES 4 Annex 1A R.

- (1) For each activity group specified in the table below, the fee is the total of the sums payable for each of the tariff bands applicable to the *firm's* business, calculated by multiplying the value of the *firm's* tariff base by the rate applicable to each tranche of the tariff base, as indicated.
- (2) A *firm* may apply the relevant tariff bases and rates to non-UK business, as well as to its UK business, if:
 - (a) it has reasonable grounds for believing that the costs of identifying the *firm's* UK business separately from its non-UK business in the way described in Part 3 of FEES 4 Annex 1A R are disproportionate to the difference in fees payable; and
 - (b) it notifies the FCA in writing at the same time as it provides the information concerned under FEES 4.4 (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned.
- (3) For a *firm* which has not complied with FEES 4.2.2 G (Information on which fees are calculated) for this period:
 - (a) the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10;
 - (b) an additional fee of £250 is payable, unless the *firm* is a PRA-*authorised person* in which case an additional fee of £125 is payable instead; and
 - (c) The minimum total fee (including the administrative fee in (b)) is £430, unless the *firm* is a PRA-*authorised person* in which case the total minimum total fee (including the administrative fee in (b)) is £215.

Activity group	Fee payable
A.1	Band width (£million of Modified Eligible Liabilities (MELs))
	Fee (£/£m or part £m of MELs)
	General Periodic fee
	>10 - 140
	14.13
	>140 - 630
	14.13

>630 - 1,580 14.13

>1,580 - 13,400 17.66

>13,400 23.31

The tariff rates in A.1 are not relevant for the *permissions* relating to *operating a dormant account fund*. Instead a flat fee of 6,000 is payable in respect of these *permissions*

A.2 Band width (No. of mortgages and/or home finance transactions) Fee (£/mortgage)

>50 2.07

A.3 Gross premium income (GPI) Periodic fee

Band Width (£million of GPI) Fee (£/m or part m of GPI)

>0.5 322.00

PLUS

Gross technical liabilities (GTL) General Periodic fee

Band Width (£million of GTL) Fee (£/£m or part £m of GTL)

>1 16.97

For *UK ISPV's* the tariff rates are not relevant and a flat fee of 430 is payable in respect of each *FCA* financial year (the 12 *months* ending 31 March).

A.4 Adjusted annual gross premium income (AGPI) General Periodic fee

Band Width (£million of AGPI) Fee (£/£m or part £m of AGPI)

>1 473.00

PLUS

Mathematical reserves (MR) General Periodic fee

Band Width (£million of MR) Fee (£/£m or part £m of MR)

>1 10.64

A.5 Band Width (£million of Active Capacity (AC)) Fee (£/£m or part £m of AC)

>50 8.31

A.6 Flat fee (£) 297,642

A.7 For class 1(C), (2) and (3) *firms*:

Band Width (£million of Funds under Management (FuM)) Fee (£/£m or part £m of FuM)

>10 8.54

For class 1(B) *firms*: the fee calculated as for class 1(C) *firms* above, less 15%. For class 1(A) *firms*: the fee calculated as for class 1(C) *firms* above, less 50%.

A.9 Band Width (£million of Gross Income (GI)) Fee (£/£m or part £m of GI)

>1 1,309.00

A.10 Band Width (No. of traders) Fee (£/person)

	>1	5,018.00
	<i>For firms carrying on auction regulation bidding, the fee in A.10 is calculated as above less 20% for each trader that carries on auction regulation bidding but not MiFID business bidding or dealing in investments as principal.</i>	
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	6.89
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	2.85
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	17.40
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	1.76
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	more than £1 billion	[tbc]
	an amount equal to or greater than £1 million but less than or equal to £1 billion	[tbc]
	less than £1 million	[tbc]
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	more than £100 billion	[tbc]
	an amount equal to or greater than £10 million and less than or equal to £100 billion	[tbc]
	less than £10 million	[tbc]
B. Market operators		£45,000
B. Service companies	Bloomberg LP	£58,000
	LIFFE Services Ltd	£45,000
	OMGEO Ltd	£45,000
	Reuters Ltd	£58,000

	Swapswire Ltd	£45,000
	Plus Derivative Exchange Ltd	£45,000
	DTCC Derivatives Repository Limited	£45,000
	Avelo Portal Limited	£45,000
	Calestone Ltd	£45,000
	Xtracter Ltd	£45,000
	Pirum Systems Limited	£45,000
	Fidessa	£45,000
B. Bench-	£175,000	
mark ad-		
ministra-		
tors		
B. MTF	As set out in FEES 4 Annex 10 (Periodic fees for	
operators	MTF operators).	
CC1.	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thou-
Credit-re-		sand of AI)
lated regu-		
lated activ-		
ities with		
limited		
permission		
	[tbc]	[tbc]
	[tbc]	[tbc]
	[tbc]	[tbc]
	[tbc]	[tbc]
	[tbc]	[tbc]
CC2.	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thou-
Credit-re-		sand of AI)
lated regu-		
lated activ-		
ities		
	[tbc]	[tbc]
	[tbc]	[tbc]
	[tbc]	[tbc]
	[tbc]	[tbc]

Part 2

This table shows the tariff rates applicable to each of the fee blocks set out in Part 2 of FEES 4 Annex 1A R.

A.0	<p>(1) £1,000 unless:</p> <ul style="list-style-type: none"> (a) It is a <i>credit union</i> that meets the conditions in (2), in which case the minimum fee payable is as set out in (2); (b) it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out in (3)(a), in which case the minimum fee payable is £430; or (c) it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and meets the conditions in (3)(b), in which case the minimum fee payable is £430; or (d) it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is £430. <p>(2) The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:</p> <ul style="list-style-type: none"> (a) 0 to 0.5million, in which case a minimum fee of £160is payable; or (b) greater than 0.5million but less than 2.0million, in which case a minimum fee of £540is payable. <p>(3) The conditions referred to in (1) are that:</p> <ul style="list-style-type: none"> (a) the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross <i>premium</i> income and holds gross technical liabilities of 1.0 million or less; (b) the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less. <p>The figures for gross <i>premium</i> income, gross technical liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex.</p> <p>(4) For <i>PRA-authorized persons</i>, the minimum fee is 50% of any fee stated in (1) or (2) above.</p>
AP.0	Periodic fees payable under fee blocks A.2 and A.7 to A.19 in Part 1 multiplied by rate £0.078

Part 3

This table shows the modifications to fee tariffs that apply in respect of the *FCA* to *incoming EEA firms* and *incoming Treaty firms* which have established branches in the UK.

Activity Group	Percentage deducted from the tariff payable under Part 1 applicable to the <i>firm</i>
A.1	10%
A.3	10%
A.4	10%
A.7	10%

A.9	10%
A.10	In relation to each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i>, 100%. In relation to all other traders, 10%.
A.13	10%
A.19	50%
B. MTF operators	Not applicable
AP.0	100%
Note 1	The modifications to fee tariffs payable by an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> which has established a branch in the UK apply only in relation to the relevant <i>regulated activities</i> of the firm which are passported activities or <i>Treaty activities</i> and which are carried on in the <i>UK</i>.
Note 2	The <i>FCA</i> minimum fee described in Part 2 of FEES 4 Annex 2A R applies in full and the modifications in this Part do not apply to it.

Periodic fees in relation to collective investment schemes, AIFs marketed in the UK and small registered UK AIFMs payable for the period 1 April 2013 to 31 March 2014

FCA

Part 1 - Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
ICVC,	680	1-2	1	680
AUT,		3-6	2.5	1,700
ACS,		7-15	5	3,400
Section 264 of the Act,		16-50	11	7,480
		>50	22	14,960
<i>(for fee year 2013/2014 only), schemes formerly recognised under section 270 of the Act, as in force immediately before 22 July 2013,</i>				
<i>schemes other than non-EEA AIFs recognised under section 272 of the Act,</i>				
Non-EEA AIFs recognised under section 272 of the Act,	2,770	1-2	1	2,770
		3-6	2.5	6,925
		7-15	5	13,850
<i>(from fee year 2014/2015), schemes formerly recognised under section 270 of the Act, as in force im-</i>		16-50	11	30,470
		>50	22	60,940

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
mediately before 22 July 2013				

Fees are charged according to the number of funds or *sub-funds* operated by a *firm* as at 31 March preceding the relevant *fee year*. Where a new *collective investment scheme* becomes authorised during a *fee year*, fees are charged according to the number of funds or *sub-funds* operated by a *firm* as at the date of authorisation. Where more than one fund or *sub-fund* is operated, the number of funds (not including the *umbrella* or parent fund) produces a 'fund factor' in accordance with the table above, which is then applied to a basic fee to produce one total fee per *operator*. Fund factors are applied per *operator* rather than per *scheme* so that the fees relate to the number of funds rather than the number of *schemes*. This means that, for example, an *authorised fund manager* of three *schemes* pays the same as an *operator* or *authorised fund manager* of one *scheme* with three *sub-funds* (as only the *sub-funds* are counted).

Schemes set up under section 264 of the *Act* are charged according to the number of funds or *sub-funds* which a *firm* is operating and *marketing* into the *UK* as at 31 March immediately before the start of the period to which the fee applies. For example, for 2010/11 fees a reference to 31 March means 31 March 2010.

Part 2 - Periodic fees for *AIFs* marketed in the *UK*, following a notification to the *FCA* under regulation 57, 58 or 59 of the *AIFMD UK regulation*

Kind of notification	Fee per <i>AIF</i> (£)
Notification under regulation 57 of the <i>AIFMD UK regulation</i>	500
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	350
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	500

Part 3 - Periodic fees paid by *small registered UK AIFMs*

The annual fee for *small registered UK AIFMs* is £750

Definition of annual income for the purposes of calculating fees in fee blocks A.13, A.14, A.18 and A.19

FCA

Annual income definition

General definition for all relevant fee-blocks

"Annual income" for a particular fee block (the "relevant fee block") is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm's* accounts during the reporting year in respect of, or in relation to, the provision in the *UK* of the *regulated activities* specified in **FEES 4 Annex 1A R Part 1** as belonging to the relevant fee block .

The figure should be reported for the relevant fee block without netting off the operating costs or business expenses, but including:

(a) all brokerages, *commissions*, *fees*, and other related income (for example, administration charges, overrides, profit shares etc) due to the *firm* in respect of, or in relation to, the provision in the *UK* of the *regulated activities* specified in **FEES 4 Annex 1A R Part 1** as belonging to the relevant fee block and which the *firm* has not rebated to *clients* or passed on to other *authorised firms* (for example, where there is a commission chain).

PLUS:

(b) any ongoing *commission* from previous business received by the *firm* during the reporting year.

PLUS:

(c) the "fair value" of any goods or services the *firm* provided to *clients*. This is the *commission equivalent* or an estimate of the amount the *firm* would otherwise have received for any *regulated activity* under (a) above, but for which it has made a business decision to waive or discount its charges.

Where the relevant fee-block is fee-block A.18

For the purposes of calculating annual income for fee-block A.18, also include the following:

(d) for any *home finance mediation activity* carried out by the *firm* for which it receives payment from the lender or provider on a basis other than that in (a), the value of all new mortgage advances and amounts provided under other *home finance transactions* resulting from that activity multiplied by 0.004;

Annual income definition

PLUS:

(e) if the *firm* is a *home finance provider*, the value of all new mortgage advances and amounts provided under other *home finance transactions* which are *regulated mortgage contracts*, *home purchase plans*, *home reversion plans* or *regulated sale and rent back mediation activity*, multiplied by 0.004m, excluding mortgage advances and *home finance transactions* which result from *home finance mediation activity* carried on by another *firm*, where payment has been made by the *home finance provider* to that other *firm* under (a);

PLUS:

(f) for *firms* whose *permission* includes *administering regulated mortgage contracts*, but not entering into a *regulated mortgage contract* and *firms* whose *permission* includes *administering a home finance transaction* but not entering into a *home finance transaction*, and in either case whose *permission* does not include *advising on a home finance transaction*, the relevant amounts are multiplied by 0.15.

Where the relevant fee-block is fee-block A.19

For the purposes of calculating annual income for fee-block A.19, also include the following:

(g) in relation to any activities in (a), for any *insurance mediation activity* carried out by the *firm* for which it receives payment from the *insurer* on a basis other than that in (a), the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.07;

PLUS:

(h) if the *firm* is an *insurer* in relation to the activities in (a), the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.7, excluding those *contracts of insurance* which:

- result from *insurance mediation activity* by another *firm*, where payment has been made by the *insurer* to the *firm* under (a); or

- are not *general insurance contracts* or *pure protection contracts*.

AND

(i) for the purposes of calculating annual income for fee-block A.19: - the provision in the *UK* of the *regulated activities* specified in FEES 4 Annex 1A R Part 1 as belonging to the relevant fee block includes the provision of activities that would have been *insurance mediation activity* in relation to *general insurance contracts* or *pure protection contracts* if they had been carried on after 13 January 2005 or, in relation to *connected travel insurance contracts*, from 1 January 2009; - a reference to a "*firm*" includes a reference to any *person*, including a *connected travel insurance intermediary*, who carried on activities which would be *insurance mediation activity* (in respect of *general insurance contracts* or *pure protection contracts*) if they had been carried on after 13 January 2005 or, in relation to *connected travel insurance contracts*, from 1 January 2009. Guidance on the interpretation of this definition is presented in FEES 4 Annex 13 G.

Definition of annual income for the purposes of calculating fees in fee blocks CC1 and CC2

FCA

Annual income definition for *credit related regulated activities*

"Annual income" is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm's* accounts during the reporting year in respect of, or in relation to, the provision in the UK of the *regulated activities* specified in FEES 4 Annex 1A R Part 1 as belonging to fee-blocks CC1 or CC2 as applicable.

The figure should be reported without netting off the operating costs or business expenses, but including:

(a) all interest received on loans, brokerages, *commissions, fees*, and other related income (for example, administration *charges*, overrides, profit shares etc) due to the *firm* in respect of, or in relation to, the provision in the UK of the *credit-related regulated activities* specified in FEES 4 Annex 1A R Part 1 as belonging to fee-blocks CC1 and CC2 and which the *firm* has not rebated to *clients* or passed on to other *authorised firms* (for example, where there is a commission chain).

Plus:

(b) any ongoing *commission* from previous business received by the *firm* during the reporting year.

Plus:

(c) the "fair value" of any goods or services the *firm* provided to *clients*. This is an estimate of the amount the *firm* would otherwise have received for any *regulated activity* under (a) above, but for which it has made a business decision to waive or discount its charges.

Guidance on the interpretation of this definition is presented in Table 2 of FEES 4 Annex 13 G.

Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3 and FEES 4 Annex 1BR Part 3

FCA **PRA**

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee-block A.4.

Adjusted Gross Premium Income and Mathematical reserves - calculation of new regular premium business

- (1) In calculating the new regular *premium* business element of its Adjusted Gross Premium Income, a *firm* (A) should not include business transferred from another *firm* (B) under the procedure set out at Part VII of the *Act*, during the relevant financial year, provided that that transfer did not involve the creation of new contracts between the policyholders subject to the transfer and A. This is because that business is existing business even though it is new from the point of view of A. This means that if new contracts are created as part of the transfer, that business should be included in the calculation of As new regular *premium* income business.
- (2) If any business is transferred to a *firm* (A) from another *firm* (B) under the procedure set out at Part VII of the *Act* and that business would have been included in Bs tariff base as new regular *premium* business in the absence of such a transfer, this business should be included in either As or Bs tariff base, depending on the date of transfer. FEES 4.3.15R explains in whose tariff base it should be included.
- (3) Mathematical reserves should take account of all of As business, including all new business transferred from B.

Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3

FCA

Table 1

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee blocks A.13, A.14, A.18 and A.19. Calculating and apportioning annual income - FEES 4 Annex 11AR

Calculating annual income

Defining relevant income streams

- (1) The *firm* should refer to the fee-block definitions in FEES 4 Annex 1A R, Part 1 to decide which particular income streams should be taken into account when calculating its annual income for the purposes of fee-blocks A.13, A.14, A.18 and A.19.
- (2) For the avoidance of doubt, the only income streams reportable for a relevant fee-block are those income streams which relate to a *regulated activity* listed in that fee-block. Income streams that do not relate to a *regulated activity* listed in the relevant fee-block should not be reported.

As such, *firms* should exclude from the calculation of its annual income any income earned in relation to *regulated activities* belonging to fee-blocks A.13, A.14, A.18 and A.19 where the income is directly derived from the performance of *regulated activities* belonging to other fee blocks, for example, interest from loans made in the course of providing or administering home finance (A.2), premium interest from carrying out or effecting life insurance contracts (A.3), income from managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyds (A.5), income from managing investments, collective investment schemes or pensions schemes (A.7 or A.9) or income from operating multi-lateral trading facilities (FEES 4 Annex 10R).

- (3) *Firms* should only include revenue streams that relate to *regulated activities* which are carried on 'in the *United Kingdom*'. In many cases, it will be quite straightforward to identify where an activity is carried on. But when there is a cross-border element, for example because a client is outside the *United Kingdom* or because some other element of the activity happens outside the *United Kingdom*, the question may arise as to where the activity is carried on. PERG 2.4 generally and PERG 4.11 regarding activities relating to *regulated mortgage contracts*, PERG 5.12 regarding activities relating to *insurance mediation activities* and PERG 14.6 regarding *home reversion plans* and *home purchase plans* describe the legislation that is relevant to this question and gives the *FCA's* views on various scenarios.

Reporting period

- (4) The "reporting year" is the *firm's* financial year end during the calendar year prior to the *FCA fee year*. This *fee year* starts on 1 April. This is specified in part 5 of FEES 4 Annex 1A R.
- (5) The income that should be included is the income that was recognised in the accounts of the relevant reporting year. This means that some income due may not be reported until the following year because it has not yet been recognised in the accounts, while other income may be carried forward from previous years.

Fair value

(6) Except in relation to fee-block A.18 and A.19 where one or more of paragraphs (d) to (f) or (g) to (i) of FEES 4 Annex 11A R apply, the *firm* should report a "fair value" price for any services for which it has made a business decision not to charge to *clients*.

We consider fair value to refer to the amount at which goods or services could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale.

For example, where a *firm* has forgone or discounted the *commission* or *fee* would actually have charged but for the business decision to grant a discount in a particular case or on a temporary basis, it should report the amount it would have otherwise have charged for providing equivalent activities.

In the case of *home finance mediation* in fee-block A.18 and *general insurance intermediation* in fee-block A.19 where one or more of paragraphs (e) to (f) or (g) to (i) of FEES 4 Annex 11A R apply, instead of asking for firms to estimate fair value, certain ratios are prescribed in FEES 4 Annex 11BR where the *client* is not charged directly for the service provided.

Inclusions

- (7) Annual income should include:
- (a) all amounts due to the *firm* arising out of the *regulated activities* referred to in the relevant fee block for which the *firm* holds *permission*, including regular *charges* and instalments due to the *firm* during the reporting year;
 - (b) any payment from a *parent* to facilitate the discounting or forgoing of any amounts that would otherwise be charged in full to a *client*, to the extent that the payment exceeds the "fair value" price reported in accordance with paragraph (6) above;
 - (c) earnings from those who will become its *appointed representatives* immediately after authorisation;
 - (d) administrative charges and any interest from income related to the *regulated activities* specified in the relevant fee block.
- (8) Additional inclusions in respect of fee-block A.18:
- (a) a *firm* must include in paragraph (a) any survey and booking fees due to it in respect of *home finance mediation activity*.

Prohibited deductions

- (9) Deductions should not be made for:
- (a) bad debts;

- (b) customer benefits such as cash rewards, complimentary travel insurance, air miles vouchers etc.;
- (c) items such as general business expenses (e.g. employees' salaries and overheads);
- (d) fines or penalties levied against the *firm*;
- (e) commission a *firm* pays another party to arrange a transaction with a *client* unless it receives a *fee* in respect of the same transaction;
- (f) the difference (if positive) between the fee payable by a *firm* to another party for arranging a transaction and the amount payable to the *firm* by the end *client* in respect of that transaction (here, the *firm* must net any excess payable by the end *client* to zero);
- (g) payments made to *clients* by way of redress.

Exclusions

(10)

The following should be excluded from the calculation of annual income:

- (a) To avoid double-counting, amounts which have been passed on to other *firms* may be excluded from the calculation of annual income, for example, where there is a commission chain. Transfers of income to other *firms* may be especially common within *groups* where, to present a single interface to *clients*, all amounts due to the *group* may be collected by one *firm* for subsequent redistribution to other *firms* within the *group*. It is for *groups* themselves to decide the most convenient way to report such annual income - i.e. whether the *firm* which receives the full amount should declare that full amount, or whether each *firm* in the *group* should report its separate distribution.
- (b) Any payment from a *parent* to facilitate the discounting or forgoing of any amount that would otherwise be charged in full to a *client* should be excluded to the extent that the payment does not exceed or equal the "fair value" price reported in accordance with paragraph (6) above.
- (c) Rebates to *customers* and *fees* or *commissions* passed onto other *firms* should be excluded.
- (d) *Authorised professional firms* should exclude the income from *non-main-*

stream regulated activities. They may estimate the proportion of their business that is derived from those activities and split the income from individual invoices accordingly.

(e)

For the avoidance of doubt, income relating to or in respect of an activity is not part of annual income for the purposes of the definition in FEES 4 Annex 11A R to the extent that the activity benefits from the exclusion in article 69 of the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (Groups and joint enterprises). *Firms* should refer to the *guidance* on the application of this exclusion is contained in PERG 2.9.

Apportioning annual income

Where a *firm* cannot separate its income on the basis of activities, it may apportion the income on the basis of the proportionate split of business that the *firm* otherwise undertakes. For instance:

- (1) If a *firm* receives annual income from a platform-based business it may report this in line with a wider breakdown of its activities.
- (2) A *firm* providing corporate finance advice which does not maintain records of the split between *regulated activities* and non-regulated activities for individual cases may calculate that regulated business accounts for a certain proportion of its business overall and apply that as a multiplier across its income.
- (3) A *firm* may allocate ongoing *commission* from previous business on the basis of the type of *firm* it receives the *commission* from. This avoids tracking back legacy business which may no longer match the provider's current business model.
- (4) An *authorised professional firm* may estimate the proportion of its business that is derived from *regulated activity* and split its income for individual invoices accordingly.
- (5) If a *firm* has invested income from *regulated activities*, then any interest received should be reported as income, in proportion to the volume of regulated business it undertakes to avoid tracking back old payments.
- (6) *Firms'* systems ought to be able to distinguish *UK* from non-*UK* business to establish which conduct of business regime it was conducted under. If, however, they do not relate the figures back to income streams for the specific *regulated activities* in a particular fee-block then the *firm* may make a proportionate split as described above, calculating its regulated *UK* income on the basis of the overall split between *UK* and overseas income.
- (7) It is for individual *firms* to determine how they should calculate the appropriate split of income. The *FCA* is not prescriptive about the methodology. It requires only that:
 - (a) the approach should be proportionate - the *FCA* is looking for *firms* to make their best efforts to estimate the split;
 - (b) the *firm* must be able on request to provide a sound and clearly expressed rationale for its approach - for example, if all invoices were analysed over a particular period, the *firm* should be able to justify

(c)	the period as representative of its business across the year;
(d)	the methodology should be objective - for example, based on random sampling of invoices or random stratified sampling;
	the <i>firm</i> must on request be able to provide an audit trail which demonstrates that the choice of methodology was properly considered at an appropriate level or in the appropriate forums within the <i>firm</i> , and the decision periodically reviewed at the same level or in an equivalent forum.

Table 2

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee blocks CC.1 and CC.2

Calculating and apportioning annual income - FEES 4 Annex 11BR

Calculating annual income

Defining relevant income streams

- (1) *Firms* should report the total income from the *credit-related regulated activities* for which they have *permission*.
- (2) *Firms* should only include revenue streams that relate to *regulated activities* which are carried on 'in the *United Kingdom*'. In many cases, it will be quite straightforward to identify where an activity is carried on. But when there is a cross-border element, for example because a client is outside the *United Kingdom* or because some other element of the activity happens outside the *United Kingdom*, the question may arise as to where the activity is carried on. [PERG 2.4](#) describes the legislation that is relevant to this question.

Reporting period

- (3) The "reporting year" is the *firm's* financial year end during the calendar year prior to the *FCA fee year*. This *fee year* starts on 1 April. This is specified in part 5 of [FEES 4 Annex 1A R](#).
- (4) The income that should be included is the income that was recognised in the accounts of the relevant reporting year. This means that some income due may not be reported until the following year because it has not yet been recognised in the accounts, while other income may be carried forward from previous years.

Fair value

- (5) The *firm* should report a "fair value" price for any services for which it has made a business decision not to charge to *clients*. We consider fair value to refer to the amount at which goods or services could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale.

Some examples where fair value may be relevant in the context of consumer credit are:

- (a) "Imputed interest": where a loan has been provided interest-free or at a discounted rate, the charge should be rounded up to the prevailing rate normally chargeable to a *client* with a similar credit rating;

(b) "Commission-equivalent" or "fee-equivalent": where a *firm* has foregone or discounted the *commission* or *fee* it would actually have charged but for the business decision to grant a discount in a particular case or on a temporary basis, it should report the amount it would otherwise have charged for providing equivalent *credit-related regulated activity*.

(6)

Firms should not estimate a fair value where:

(a) there is a statutory prohibition on charging interest (such as bankruptcy debts); or

(b) they have reduced or suspended their normal charging structure because the debtor is unable to meet contractual repayments and an alternative repayment arrangement has been agreed with the creditor; or

(c) they have made a "borrower-lender-supplier" agreement to allow a customer to pay the cash price of goods or services in instalments - any penalties or interest charged where the customer is in default should be declared as income.

Inclusions

(7)

Annual income should include:

(a) all amounts due to the *firm* arising out of *credit-related regulated activities* for which the *firm* holds *permission*, including regular *charges* and instalments due to the *firm* during the reporting year;

(b) income received in relation to the provision of current account overdrafts interest charges, arrangement fees and credit cards charges;

(c) any payment from a *parent* to facilitate the discounting or forgoing of any amounts that would otherwise be charged in full to a *client*, to the extent that the payment exceeds the "fair value" price reported in accordance with paragraph (5) above;

(d) earnings from those who will become its *appointed representatives* immediately after authorisation; and

(e) administrative charges and any interest from income related to its *credit-related regulated activity*.

Prohibited deductions

(8)

Deductions should not be made for:

(a) bad debts;

(b) customer benefits such as cash rewards, complimentary travel insurance, air miles vouchers etc;

(c) items such as general business expenses (eg, employees' salaries and overheads);

(d) fines or penalties levied against the *firm*;

- (e) commission a *firm* pays to another party to arrange a transaction with a *client* unless it receives a *fee* in respect of the same transaction;
- (f) the difference (if positive) between the fee payable by a *firm* to another party for arranging a transaction and the amount payable to the *firm* by the end *client* in respect of that transaction (here, the firm must net any excess payable by the end client to zero); and
- (g) payments to *clients* made by way of re-dress.

Exclusions

- (9) The following should be excluded from the calculation of annual income:
- (a) Any income arising from business which is not a *credit-related regulated activity*.
 - (b) (i) Repayments of principal lent by the *firm* in the course of it carrying on a *credit-related regulated activity* and (ii) sums received by the *firm* in exchange for the rights to principal owed to the *firm* where the principal was lent by the *firm* in the course of carrying on a *credit-related regulated activity* and where the rights are not sold at a premium to the value of the principal outstanding, should not be included. By the same token, the money a *firm* has received for the purpose of lending on to consumers as principal (e.g. money raised through wholesale borrowing, grant-aid, intra-group transfers, etc) should not be treated as income.
 - (c) On the same principle, the income on debt purchase is the difference between the price paid for the purchased book and the amount collected.
 - (d) To avoid double-counting, amounts which have been passed on to other *firms* carrying on *credit-related regulated activity* may be excluded from the calculation of annual income, for example where there is a commission chain. Transfers of income to other *firms* may be particularly common within *groups* where, to present a single interface to *clients*, all amounts due to the *group* may be collected by one firm for subsequent redistribution to other *firms* within the *group*. It is for *groups* themselves to decide the most convenient way to report such annual income, ie whether the *firm* which receives the full amount should

- declare that full amount or whether each *firm* in the *group* should report its separate distribution.
- (e) Any payment from a *parent* to facilitate the discounting or forgoing of any amount that would otherwise be charged in full to a *client* should be excluded to the extent that the payment does not exceed or equal the "fair value" price reported in accordance with paragraph (6) above.
- (f) Rebates to *customers* and *fees* or *commissions* passed onto other *firms* should be excluded.
- (g) The costs of wholesale funding should be excluded from the calculation - ie interest payments on money borrowed in order to lend on to customers.
- (h) If the total income a *firm* reports to us in one year includes an estimate for potential income which had been recognised in the accounts but not in practice received, and which has subsequently been written off as a bad debt, the amount may be deducted from the following year's reported income.
- (i) Any debit backs deducted from an intermediary by a lender where a customer settles the loan early or defaults.
- (j) *Authorised professional firms* should exclude the income from *non-mainstream regulated activities*. They may estimate the proportion of their business that is derived from those activities and split the income from individual invoices accordingly.
- (k) For the avoidance of doubt, income relating to operating current accounts and debit card transactions should be excluded except where the income relates to the provision of overdrafts (see paragraph (6)(c) above).
- (l) For the avoidance of doubt, income relating to or in respect of an activity is not part of annual income to the extent that the activity benefits from the exclusion in article 69 of the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (Groups and joint enterprises). *Firms* should refer to the *guidance* on the application of this exclusion is contained in PERG 2.9.

Apportioning annual income

Where a *firm* cannot separate its income on the basis of *credit-related regulated activities*, it may apportion the income on the basis of the proportionate split of business that the *firm* otherwise undertakes. Examples are outlined below.

- (1) If a *firm* receives annual income from a platform-based business it may report this in line with a wider breakdown of its activities.
- (2) A *firm* may allocate ongoing *commission* from previous business on the basis of the type of *firm* it receives the *commission* from. This avoids tracking back legacy business which may no longer match the provider's current business model.
- (3) If a *firm* has invested income from *credit-related regulated activities*, then any interest received should be reported as income, in proportion to the volume of business relating to *credit-related regulated activities* it undertakes to avoid tracking back old payments.
- (4) *Firms'* systems ought to be able to distinguish *UK* from non-*UK* business to establish which conduct of business regime it was conducted under. However, if, a *firm* has a mix of business and its systems do not relate the figures back to the income streams from *credit-related regulated activities*, then it may make a proportionate split as described above, calculating its regulated *UK* income on the basis of the overall split between *UK* and non-*UK* income.
- (5) An *authorised professional firm* may estimate the proportion of its business that is derived from *regulated activity* and split its income for individual invoices accordingly.
- (6) It is for individual *firms* to determine how they should calculate the appropriate split of income. The *FCA* is not prescriptive about the methodology. It requires only that:
 - (a) the approach should be proportionate - the *FCA* is looking for *firms* to make their best efforts to estimate the split;
 - (b) the *firm* must be able on request to provide a sound and clearly expressed rationale for its approach - for example, if all invoices were analysed over a particular period, the *firm* should be able to justify the period as representative of its business across the year;
 - (c) the methodology should be objective - for example, based on random sampling of invoices or random stratified sampling; and
 - (d) the *firm* must on request be able to provide an audit trail which demonstrates that the choice of methodology was properly considered at an appropriate level or in the appropriate forums within the *firm*, and the decision periodically reviewed at the same level or in an equivalent forum.

Chapter 5

Financial Ombudsman Service Funding



5.1 Application and Purpose

Application

5.1.1 **R** **FCA** *Rules and guidance made by the FCA in this chapter apply to every firm which is subject to the Compulsory Jurisdiction.*

5.1.1-A **G** **FCA** Whilst no rule made by the FCA in this chapter applies to VJ participants, some of the guidance may do. The application of rules made by the FOS Ltd in this chapter is set out in ■ FEES 5.5A and described in ■ FEES 5.1.2 AG.

5.1.1A **R** **FCA** A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider* and *fee-paying electronic money issuer*.

5.1.1B **R** **FCA** ■ FEES 5.1.1A R does not apply to ■ FEES 5.5A or ■ FEES 5 Annex 2R or ■ Annex 3R unless otherwise stated in rules made by the FOS Ltd.

5.1.2 **G** **FCA** The rules set out in the table under ■ FEES 5.1.2 AG are made by the FOS Ltd. All other ■ FEES 5 rules are made by the FCA .

5.1.2A **G** **FCA** Table of FEES 5 rules made by the FOS Ltd

FEES 5 rules made by the FOS Ltd	Description
FEES 5.5A	Rules relating to case fees
FEES 5 Annex 2R	Annual Levy Payable in Relation to the Voluntary Jurisdiction
FEES 5 Annex 3R	Case Fees Payable

5.1.3 **G** [deleted]

5.1.3A **G** [deleted]

Exemption

5.1.4 **R** **FCA** A *firm* which is exempt under ■ DISP 1.1.12 R is also exempt from ■ FEES 5.1 , ■ 5.2, ■ 5.3, ■ 5.4 and ■ 5.6.

5.1.4A **R** A *firm* will only be exempt from ■ FEES 5.7 for any given *financial year* if
FCA it met the conditions in ■ DISP 1.1.12 R on 31 March of the immediately
preceding *financial year*.

5.1.5 **R** A *firm* which ceases to be exempt under ■ FEES 5.1.4 R is to be treated, for
FCA the purposes of its contribution to the *general levy*, as a *firm* to which
■ FEES 5.8 applies.

5.1.6 **R** [deleted]

5.1.6A **G** *Firms* which cease to be *authorised* and therefore subject to the *Compulsory Jurisdiction*
FCA part way through the year will not receive a refund of their *general levy* except in
exceptional circumstances.

Purpose
.....

5.1.7 **G** The purpose of this chapter is to set out the requirements on *firms* to pay annual fees
FCA (through a *general levy* invoiced and collected by the *FCA* on behalf of *FOS Ltd*) and case
fees (invoiced and collected directly by *FOS Ltd*) in order to fund the operation of the
Financial Ombudsman Service. This Chapter also provides for *unauthorised persons* to
pay case fees to *FOS Ltd* in respect of any *relevant complaints* which it handles.

5.1.8 **G** [deleted]



5.2 Introduction

- 5.2.1** FCA G Paragraph 9 of Schedule 17 to the *Act* (The Ombudsman Scheme) requires *FOS Ltd* to adopt an *annual budget* which has been approved by the *FCA* . The *annual budget* must distinguish between the costs of operating the *Compulsory Jurisdiction* and the *Voluntary Jurisdiction*.
- 5.2.2** FCA G Section 234 of the *Act* (Industry Funding) enables the *FCA* to require the payment to it or to *FOS Ltd*, by *firms* or any class of *firm*, of specified amounts (or amounts calculated in a specified way) to cover the costs of:
- (1) the establishment of the *Financial Ombudsman Service*; and
 - (2) its operation in relation to the *Compulsory Jurisdiction*.
- 5.2.2A** G [deleted]
- 5.2.2B** G [deleted]
- 5.2.3** FCA G Paragraph 15 of Schedule 17 to the *Act* enables *FOS Ltd* to require *firms* subject to the *Compulsory Jurisdiction* and any other respondents to a complaint to pay specified fees to it in respect of complaints closed by the *Financial Ombudsman Service*.
- 5.2.3A** G [deleted]
- 5.2.4** FCA G The *Ombudsman Transitional Order* provides for *unauthorised persons* to be charged fees in respect of any *relevant complaints* against them which the *Financial Ombudsman Service* handles.
- 5.2.5** FCA G Paragraph 18 of Schedule 17 to the *Act* enables *FOS Ltd* to require *VJ participants* to pay to it such amounts at such times as it specifies in the *standard terms*.
- 5.2.6** FCA G The relevant provisions of the rules in ■ FEES 5 and ■ FEES 2 will be applied to *VJ participants* through the *standard terms* made by *FOS Ltd* under paragraph 18 of Schedule 17 to the *Act* (see ■ DISP 4).

5.2.7

FCA

G

This chapter sets out the framework for the funding arrangements of the *Financial Ombudsman Service*, including, where relevant, the method by which fees will be calculated. Details of the actual fees payable will vary from year to year, depending on the *annual budget* of the *Financial Ombudsman Service*. These details will be set out in annexes to this chapter. New annexes will be prepared and consulted on for each *financial year*.

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5.3 The general levy

- 5.3.1** FCA G Each *financial year*, the *FCA* and *FOS Ltd* will consult on the amount of the *annual budget* of the *Financial Ombudsman Service* which is to be raised by the *general levy*.
- 5.3.2** FCA G For the purposes of the *general levy*, a *firm* will fall into one or more of the *industry blocks* set out in ■ FEES 5 Annex 1 R depending on the business activities which it conducts.
- 5.3.3** FCA G The *FCA* will determine, following consultation, the amount to be raised from each *industry block*. This will be based on the budgeted costs and numbers of *Financial Ombudsman Service* staff required to deal with the volume of complaints which the *Financial Ombudsman Service* expects to receive about the *firms* in each *industry block*. Modified arrangements have been made for certain types of small *firms* (see ■ FEES 5.5.3 R to ■ FEES 5.5.5 G).
- 5.3.4** FCA G ■ FEES 5 Annex 1 R sets out the fee tariffs for each *industry block*.
- 5.3.5** FCA G The *FCA* will specify a *minimum levy* for *firms* in each *industry block*.
- 5.3.6** FCA R **A *firm* must pay to the *FCA* a *general levy* towards the costs of operating the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*.**
- 5.3.7** FCA G Under the *standard terms*, *VJ participants* will be required to pay to *FOS Ltd* an amount calculated on a similar basis towards the costs of operating the *Voluntary Jurisdiction* of the *Financial Ombudsman Service*, see ■ FEES 5 Annex 2R. *FOS Ltd* will be responsible for invoicing and collecting this amount.
- 5.3.8** FCA R **A *firm's general levy* under the *compulsory jurisdiction* is calculated as follows:**
- (1) identify each of the tariff bases set out in ■ FEES 5 Annex 1 R which apply to the *relevant business* of the *firm* for the relevant year;
 - (2) for each of those tariff bases, calculate the sum payable in relation to the *relevant business* of the *firm* for that year;

(3) add together the amounts calculated under (2).

5.3.9

FCA

R

For the purpose of ■ FEES 5.3.6 R and ■ FEES 5.3.8 R, a *member* of the *Society* of Lloyd's or a *managing agent* at Lloyd's will not in that capacity be treated as a *firm*. But the *Society* of Lloyd's will pay a *general levy* in respect of Lloyd's *insurance business* conducted with *eligible complainants*.

5.3.10

FCA

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For the purpose of ■ FEES 5.3, references to *relevant business* for a *firm* which falls in *industry block* 16 or 17 and which so elects under ■ FEES 5 Annex 1 R, are references to the *firm's* total amount of annual income reported in accordance with Part 2 of ■ FEES 4.

5.4.1

FCA

R

5.4 Information requirement

- (1) A *firm* must provide the *FCA* by the end of February each year (or, if the *firm* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, by the date requested by the *FCA*) with a statement of the total amount of *relevant business* (measured in accordance with the appropriate tariff base(s)) which it conducted, as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff base for each of the relevant *industry blocks* set out in ■ FEES 5 Annex 1 R.
- (2) Paragraph (1) does not apply if the *firm* pays a *general levy* on a flat fee basis only or if it is the Bank of England.
- (3) If a *firm* cannot provide a statement of the total amount of *relevant business* as required by ■ FEES 5.4.1 R, it must provide the best estimate of the amount of *relevant business* that it conducted.
- (4) For the purpose of ■ FEES 5.4.1 R, references to *relevant business* for a *firm* which falls in *industry block* 16 or 17 and which so elects under ■ FEES 5 Annex 1 R, are references to the *firm's* total amount of annual income reported in accordance with Part 3 of ■ FEES 4 Annex 1A R.
- (5) If a *firm* does not submit a complete statement by the date on which it is due in accordance with this *rule* and any prescribed submission procedures:
 - (a) the *firm* must pay an administrative fee of 250 (but not if it is already subject to an administrative fee under ■ FEES 4 Annex 2A R, Part 1 , Part 1 or ■ FEES 6.5.16 R for the same *financial year*); and
 - (b) the *general levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if a *firm* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, on the basis

of the information provided to the *FCA* for the purposes of ■ FEES 4.4.2 R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.

5.4.1A
FCA

D

The information requirement set out under ■ FEES 5.4.1 R is applied under this direction to a *fee-paying payment service provider* and a *fee-paying electronic money issuer*.

5.4.2
FCA

G

Failure to submit a statement in accordance with the *rules* in this chapter may also lead to the imposition of a financial penalty and other disciplinary sanctions (see ■ DEPP 6.6.1 G to ■ DEPP 6.6.5 G).

5.4.3
FCA

G

■ SUP 16.3 (General provisions on reporting) contains further *rules* on the method of submission of reports under ■ FEES 5.4.1 R.

5.4.4
FCA

G

A *firm* should not provide a statement of *relevant business* if it deals only with *eligible complainants* who are not *consumers*. *Relevant business* is defined in the *Glossary* as business done with *consumers* only. So ■ FEES 5.4.1 R does not apply in relation to business done with other types of *eligible complainant* described in ■ DISP 2.7.3R (2), ■ DISP 2.7.6 R (12)(a) and ■ DISP 2.7.6 R (12)(a); the funding of *FOS Ltd* in relation to that business is by special case fee only (see ■ FEES 5.5.6 R).

5



5.5

[Deleted]



5.5A [Deleted]



5.5B Case fees

Application

- 5.5B.1** **R** ■ FEES 5.5B applies to *respondents*.
FCA
- 5.5B.2** **G** VJ participants are included as a result of ■ DISP 4.2.6 R.
FCA
- 5.5B.3** **R** Any firm falling into either *industry block 13* or *industry block 15* in ■ FEES 5 Annex 1 R is not required to pay any case fee in respect of *chargeable cases* relating to those *industry blocks*.
FCA
- 5.5B.4** **G** The firms in *industry blocks 13* and *15* are cash plan health providers and small *friendly societies*. The case fee exemption takes into account that the amount in issue is likely to be small relative to the case fee. Instead, the full unit cost of handling complaints against these firms will be recovered through the setting of the relevant *general levy*.
FCA
- 5.5B.5** **R** A *credit union* which is subject to the *minimum levy* in an *industry block* is not required to pay any case fee in respect of *chargeable cases* relating to that *industry block*.
FCA
- 5.5B.6** **G** Arrangements similar to those for firms in *industry blocks 13* and *15* have been made for small *credit unions* under ■ FEES 5.5B.5 R.
FCA
- 5.5B.7** **R** A firm, *payment service provider* or *electronic money issuer* which is exempt under ■ DISP 1.1.12 R is also exempt from ■ FEES 5.5B, save that it will only be exempt from ■ FEES 5.5B in any *financial year* if it met the conditions in ■ DISP 1.1.12 R on 31 March of the immediately preceding *financial year*.
FCA

Purpose

- 5.5B.8** **R** The purpose of ■ FEES 5.5B is to set out the requirements on *respondents* to pay fees in relation to cases referred to the *Financial Ombudsman Service*.
FCA
- 5.5B.9** **R** These fees are towards funding the *Financial Ombudsman Service*, and are invoiced and collected directly by the *FOS Ltd*.
FCA

5.5B.10 **G** In each of the *Financial Ombudsman Service's* jurisdictions, the *annual budget* reflects the total expected to be raised by levies plus the total expected to be raised by case fees for the relevant *financial year*.
FCA

5.5B.11 **G** The amount of the case fees will be subject to consultation each year.
FCA

Standard case fee

5.5B.12 **R** **A respondent must pay to the FOS Ltd the standard case fee specified in ■ FEES 5 Annex 3R Part 1 in respect of each chargeable case relating to that respondent which is closed by the Financial Ombudsman Service, unless the respondent is identified as part of a charging group as defined in ■ FEES 5 Annex 3R Part 3.**
FCA

5.5B.13 **G** The exclusion of *respondents* that are identified as part of a *charging group* as defined in ■ FEES 5 Annex 3R Part 3 applies only from 1 April 2013. Those *respondents* continue to be liable for the standard case fee under ■ FEES 5.5B.12 R in respect of *chargeable cases* closed by the *Financial Ombudsman Service* before 1 April 2013.
FCA

5.5B.14 **R** **But a respondent will only be liable for, and the FOS Ltd will only invoice for, the standard case fee in respect of the 26th and subsequent chargeable cases in any financial year.**
FCA

5.5B.15 **G** Until 31 March 2004 a standard case fee was payable for every *chargeable case*. From 1 April 2004 to 31 March 2005 the standard case was payable for the third and subsequent *chargeable cases*. From 1 April 2005 to 31 March 2013 the standard case fee was payable for the fourth and subsequent *chargeable cases*. ■ FEES 5.5B.12 R does not apply retrospectively to *financial years* before 1 April 2013.
FCA

5.5B.16 **R** **A respondent must pay to the FOS Ltd any standard case fee which it is liable to pay under ■ FEES 5.5B and which is invoiced by the FOS Ltd within 30 calendar days of the date when the invoice is issued by the FOS Ltd.**
FCA

Supplementary Case fee

5.5B.17 **R** **A respondent must pay to the FOS Ltd the supplementary case fee specified in ■ FEES 5 Annex 3R Part 2 in respect of each chargeable case (PPI) relating to that respondent which is referred to the Financial Ombudsman Service, as well as any standard case fee under ■ FEES 5.5B.12 R, unless the respondent is identified as part of a charging group as defined in ■ FEES 5 Annex 3R Part 3.**
FCA

5.5B.18 **G** The exclusion of *respondents* that are identified as part of a *charging group* as defined in ■ FEES 5 Annex 3R Part 3 applies only from 1 April 2013. Those *respondents* continue to be liable for the supplementary case fee under ■ FEES 5.5B.17 R in respect of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* before 1 April 2013.
FCA

5.5B.19 **R** **Notwithstanding the above, a respondent will only be liable for, and the FOS Ltd will only invoice for the supplementary case fee in respect of the**
FCA

26th and subsequent cases relating to that *respondent* that fall within
■ FEES 5.5B.17 R in any *financial year*.

Special case fee

5.5B.20 **R** If the *respondent* is identified as part of a *charging group* as defined in
FCA ■ FEES 5 Annex 3R Part 3, the *charging group* must pay the special case
fee calculated under ■ FEES 5 Annex 3R Part 4 (from 1 April 2013) instead
of the *respondent* paying the standard case fee or the supplementary
case fee.

5.5B.21 **R** The *FOS Ltd*:
FCA

- (1) will invoice the special case fee as described in
■ FEES 5 Annex 3R Part 4; and
- (2) may invoice the relevant *charging group* through any of the
individual *respondents* in the relevant *charging group*.

5.5B.22 **R** A *charging group* must pay to the *FOS Ltd* any special case fee (including
FCA any year-end adjustment) as described in ■ FEES 5 Annex 3R Part 4 within
30 calendar *days* of the date when the invoice is issued by the *FOS Ltd*.

5.5B.23 **R** In respect of the special case fee, individual *respondents* are jointly and
FCA individually liable for the obligations of the *charging group* of which
they are identified as forming part in ■ FEES 5 Annex 3R Part 3.

Leaving the Financial Ombudsman Service

5.5B.24 **R** Where a *respondent* ceases to be a *firm*, *payment service provider*,
FCA *electronic money issuer* or *VJ participant* (as the case may be) part way
through a *financial year* it will remain liable to pay case fees under
■ FEES 5.5B in respect of cases within the jurisdiction of the *Financial
Ombudsman Service*.

Late payment and remission of case fees

5.5B.25 **R** If a *respondent* does not pay a case fee payable under ■ FEES 5.5B in full
FCA to the *FOS Ltd* before the end of the date on which it is due, that
respondent must pay to the *FOS Ltd* in addition:

- (1) an administrative fee of £250; plus
- (2) interest on any unpaid amount at the rate of 5% per annum
above the Official Bank Rate from time to time, accruing on a
daily basis from the date on which the amount concerned
became due.

5.5B.26 **G** The *FOS Ltd* may take steps to recover any money owed to it (including interest).
FCA

- 5.5B.27**
FCA **R** If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case the payment of any case fee under **■ FEES 5.5B** would be inequitable, the *FOS Ltd* may (unless **■ FEES 5.5B.29 R** applies) reduce or remit all or part of the case fee in question which would otherwise be payable.
- 5.5B.28**
FCA **R** If it appears to the *FOS Ltd* that in the exceptional circumstances of a particular case to which **■ FEES 5.5B.27 R** does not apply the retention by the *FOS Ltd* of any case fee which has been paid would be inequitable, the *FOS Ltd* may (unless **■ FEES 5.5B.29 R** applies) refund all or part of that case fee.
- 5.5B.29**
FCA **R** The *FOS Ltd* may not consider a claim under **■ FEES 5.5B.27 R** and/or **■ FEES 5.5B.28 G** in respect of any amount overpaid due to a mistake of fact or law by the payer, if the claim is made by the payer more than 2 years after the beginning of the *financial year* to which the payment relates.



5.6 The supplementary levy

5.6.1 **G** [deleted]

5.6.2 **G** [deleted]

5.6.3 **G** [deleted]

5.6.4 **G** [deleted]

5.6.5 **R** [deleted]

5.6.6 **R** [deleted]

5.6.7 **G** [deleted]



5.7 Payment

- 5.7.1 FCA R A *firm* must pay annually to the *FCA* the *general levy* on or before the later of 1 April and 30 calendar *days* after the date when the invoice is issued by the *FCA* .
- 5.7.2 R [deleted]
- 5.7.2A R [deleted]
- 5.7.3 R [deleted]
- 5.7.4 FCA R A *firm* liable to pay fees under ■ FEES 5.7.1 R must do so using one of the methods set out in ■ FEES 4.2.4 R save that no additional amount or discount is applicable.

5

5.8 Joining the Financial Ombudsman Service

5.8.1

FCA

R

A *firm* which becomes subject to the *Financial Ombudsman Service* part way through a *financial year* must pay a rateable proportion of the *general levy* as specified in the formula set out in ■ FEES 4.2.6 R.

5.8.2

FCA

R

- (1) This *rule* deals with the calculation of:
 - (a) a *firm's general levy* in the 12 months ending on the 31 March in which it obtains *permission*, or was authorised under the *Payment Services Regulations* or the *Electronic Money Regulations* or had its *permission* and/or *payment services* activities extended (relevant permissions) and the following 12 months ending on the 31 March; and
 - (b) the tariff base for the industry blocks that relate to each of the relevant permissions.
- (2) Unless this *rule* says otherwise, the tariff base is calculated using the projected valuation for its first year of the business to which the tariff relates.
- (3) The rest of this *rule* only applies to a *firm* that becomes authorised, or extends its *permission* and/or *payment services* activities , on or after 1 April 2009.
 - (a) If the tariff base is calculated using data from a period that begins on or after the date that the *firm* obtains the relevant permission to which that tariff base relates , the *firm* must use that data.
 - (b) If a *firm* satisfies the following conditions it must calculate its tariff base under (c) for the *FCA* financial year following the *FCA* financial year it obtained a relevant permission :
 - (i) the *firm* receives a relevant permission between 1 April and 31 December inclusive; and
 - (ii) the *firm's* tariff base for that relevant permission is, but for this *rule*, calculated by reference to the *firm's* financial year ended in the calendar year ending on the 31 December before the start of the *FCA* financial year

or the twelve *months* ending 31 December before the start of the *FCA* financial year.

- (c) If a *firm* satisfies the conditions in (b) it must calculate its tariff base as follows:
 - (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
 - (ii) the tariff is calculated by reference to the period beginning on the date it acquired the relevant permission relating to the tariff and ending on the 31 December before the start of the *FCA* financial year; and
 - (iii) the figures are annualised by increasing them by the same proportion as the period of 12 *months* bears to the period starting from when the *firm* received any relevant permissions to 31 December .
- (d) Where a *firm* is required to use the method in (c) it must notify the *FCA* of its intention to do so by the date specified in ■ FEES 5.4 (Information requirement).
- (e) Where a *firm* is required to use actual data under this *rule* ■ FEES 4 Annex 1R Part 3 is modified in relation to the calculation of that firms valuation date in its second financial year.

Application of FEES 5.8.2R

5.8.3

FCA

G

The table below sets out the period within which a *firm's* tariff base is calculated (the data period) for second year levies calculated under ■ FEES 5.8.2R. The example is based on a *firm* that acquires *permission* on 1 November 2009 and has a financial year ending 31 March. Where valuation dates fall before the *firm* receives *permission* it should use projected valuations in calculating its levies.

References in this table to dates or months are references to the latest one occurring before the start of the *FCA's* financial year unless otherwise stated.

Type of permission acquired on 1 November	Tariff base	Valuation date but for FEES 5.8.2R	Data period under FEES 5.8.2R
Insurers - general	Relevant annual gross premium income	31 March 2009 - so projected valuations will be used	1 November to 31 December 2009.
Fund managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>)	Relevant funds under management	Valued at 31 December	Valued at 31 December
Advisory <i>arrangers</i> , dealers or brokers holding and control-	Number of relevant <i>persons</i> approved to perform the <i>customer</i>	Relevant <i>approved persons</i> as at 31 December	Relevant <i>approved persons</i> as at 31 December

ling *client money* *function* with certain
and/or assets exclusions

Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2013/14

FCA

Introduction: annual budget

1. The *annual budget* for 2013/14 approved by the FSA is £283.6m.
2. The total amount expected to be raised through the *general levy* in 2013/14 will be £ 23m (net of £ 2.3m to be raised from consumer credit firms).

Compulsory jurisdiction - general levy

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers</i> , <i>home finance administrators</i> (excluding firms in block 14) and <i>dormant account fund operators</i>	Number of accounts relevant to the activities in DISP 2.6.1 R as at 31 December In the case of <i>dormant account fund operators</i> , the tariff base is the number of eligible activated accounts (8).	£0.04309 per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding firms in blocks 13 & 15)	Relevant annual gross premium income	£0.1306 per £ 1,000 of relevant annual gross premium income, subject to a minimum levy of £ 100
3-The <i>Society</i> (of Lloyd's)	Not applicable	£25,989 to be allocated by the <i>Society</i>
4-Insurers - life (excluding firms in block 15)	Relevant adjusted annual gross premium income	£0.01663 per £ 1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £130
5. Portfolio managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>)	Flat fee	Levy of £270
6. Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Flat fee	Levy of £65
7-Dealers as principal	Flat fee	Levy of £75

Industry block	Tariff base	General levy payable by firm
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in FEES 4 Annex 11A R relating to <i>firm's relevant business</i> .	£0.15282 per £1,000 of annual income subject to a minimum fee of £45
9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	Annual income as defined in FEES 4 Annex 11A R relating to <i>firm's relevant business</i> .	£0.1170 per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	Flat fee	Levy of £55
11-fee-paying payment service providers (but excluding firms in any other Industry block except Industry block 18)	For <i>authorised payment institutions, electronic money issuers</i> (except for <i>small electronic money institutions</i>), the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in FEES 4 Annex 11 R Part 3 For <i>small payment institutions</i> and <i>small electronic money institutions</i> a flat fee	£0.0046 per £ 1,000 of relevant income subject to a minimum levy of £75 Levy of £35
12-	N/A for 2013/14	
13-Cash plan health providers	Flat fee	Levy of £65
14- <i>Credit unions</i>	Flat fee	Levy of £55
15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £65
16- <i>Home finance providers, advisers and arrangers</i> (excluding firms in blocks 13, 14 & 15)	Flat fee	Levy of £85
17 - General insurance mediation (excluding firms in blocks 13, 14 & 15)	<i>Annual income</i> (as defined in MIPRU 4.3) relating to <i>firm's relevant business</i>	£0.4871 per £ 1,000 of <i>annual income</i> (as defined in MIPRU 4.3) relating to <i>firm's relevant business</i> subject to a minimum levy of £100
18 - fee-paying electronic money issuers	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic</i>	£0.0020 per £1,000 of average outstanding electronic money subject to a minimum levy of £75

Industry block	Tariff base	General levy payable by firm
	<i>money, as described in FEES 4 Annex 11 R Part 3.</i>	
	<i>For small electronic money institutions, a flat fee</i>	Levy of £50
19 - <i>Credit-related regulated activities with limited permission</i>	<i>For not-for-profit debt advice bodies, a flat fee</i>	Levy of £[tbc]
	<i>For all other firms with limited permission, a flat fee</i>	Levy of £[tbc]
20 - <i>Credit-related regulated activities</i>	<i>Annual income as defined in FEES 4 Annex 11BR</i>	£[tbc] per £[tbc] of annual income

Notes

- 4 [not used]
- 5 The *industry blocks* in the table are based on the equivalent activity groups set out in Part 1 of FEES 4 Annex 1A R and Part 2 and Part 2A of FEES 4 Annex 11 R.
- 6 Where the tariff base in the table is defined in similar terms as that for the equivalent activity group in Part 3 of FEES 4 Annex 1A R or Part 3 of FEES 4 Annex 11 R, it must be calculated in the same way as that tariff base - taking into account only the *firm's relevant business*.
- 7 [deleted]
- 8 Eligible activated accounts are the number of *repayment claims* met by the *dormant account fund operator* as at the 31 December.

Annual Levy Payable in Relation to the Voluntary Jurisdiction for 2013/14

FCA

Voluntary jurisdiction - annual levy for VJ participants					
Industry block and business activity	Tariff basis	Tariff rate	Minimum levy		
1V	Deposit acceptors, mortgage lenders and mortgage administrators and debit/credit/charge card issuers and merchant acquirers	number of accounts relevant to the activities in DISP 2.5.1 R	£ 0.0278	£ 100	
2V	<i>VJ participants</i> undertaking general insurance activities	per £1,000 of relevant annual gross premium income	£ 0.103	£ 100	
3V	<i>VJ participants</i> undertaking life insurance activities	Per £1,000 of relevant adjusted annual gross premium income	£ 0.025	£ 100	
6V	Intermediaries	n/a	n/a	£ 75	
7V	Freight-forwarding companies	n/a	n/a	£ 75	
8V	National Savings & Investments	n/a	n/a	£ 10,000	
9V	Post Office Limited	n/a	n/a	£ 2,000	
10V	Persons not covered by 1V to 9V undertaking activities which are: (a) <i>regulated activities</i> or (b) <i>payment services</i> or would be if they were carried on from an establishment in the <i>United Kingdom</i>	n/a	n/a	£ 75	
12V	Persons undertaking the activity which is the issuance of electronic money or would be if carried on from an establishment in the <i>United Kingdom</i>	Average outstanding electronic money as described in FEES 4 Annex 11 R Part 3	£ 0.15 per £1,000	£ 75	

Case Fees Payable for 2013/14

FCA

Part 1 - Standard case fees

	Standard case fee
In the:	[£550]
Compulsory jurisdiction and Voluntary jurisdiction	unless it is a <i>not-for-profit debt advice body</i> with <i>limited permission</i> in which case the amount payable is £0

Notes

- 1 The definition of standard case fee is in **FEES 5.5B** (Case fees). The definition of *chargeable case* is in the Glossary to the *Handbook*.
- 2 The standard case fee will be invoiced by the *FOS Ltd* on or after the date the case is closed.
- 3 A *respondent* will only be invoiced a case fee for the 26th and subsequent *chargeable case* in each *financial year*.
- 4 The definition of *not-for-profit debt advice body* is in the Glossary to the *Handbook*.
- 5 The definition of *limited permission* is in the Glossary to the *Handbook*.

Part 2 - Supplementary case fees

	Supplementary case fee
In the:	For the 26th and subsequent <i>chargeable cases (PPI)</i> £ 0
Compulsory jurisdiction and Voluntary jurisdiction	

Notes

- 1 The definition of supplementary case fee is in **FEES 5.5B** (Case fees). The definition of *chargeable case (PPI)* is in the Glossary to the *Handbook*.
- 2 The supplementary case fee when payable will be invoiced by the *FOS Ltd* on or after the date the case is referred to the *Financial Ombudsman Service*.

- 3 **The supplementary case fee when payable will be invoiced for the 26th and subsequent chargeable cases (PPI) against any respondent referred to the Financial Ombudsman Service in each financial year.**

Part 3 - Charging groups

The *charging groups*, and their constituent *group respondents*, are listed below. They are based on the position at 31 December immediately preceding the *financial year*. For the purposes of calculating, charging, paying and collecting the special case fee, they are not affected by any subsequent change of ownership.

- 1 **Barclays Group, comprising the following firms:**
- ABSA Bank Limited**
 - Barclays Asset Management Limited**
 - Barclays Assurance (Dublin) Limited**
 - Barclays Bank Ireland Plc**
 - Barclays Bank Plc**
 - Barclays Bank S.A.**
 - Barclays Bank Trust Company Limited**
 - Barclays Capital Securities Limited**
 - Barclays Capital Strategic Advisers Limited**
 - Barclays Courtage**
 - Barclays Infrastructure Funds Management Limited**
 - Barclays Insurance (Dublin) Limited**
 - Barclays Insurance Services Company Limited**
 - Barclays Mediador Operador de Banca Seguros Vinculado, S.A.**
 - Barclays Mercantile Business Finance Limited**
 - Barclays Patrimoine**
 - Barclays Private Clients International Limited**
 - Barclays Sharedealing**
 - Barclays Stockbrokers Limited**
 - Clydesdale Financial Services Limited**
 - CNP Barclays Vida y Pensiones Compania de Seguros S.A.**
 - Firstplus Financial Group Plc**
 - Gerrard Financial Planning Ltd**
 - Gerrard Investment Management Limited**
 - Home Retail Group Personal Finance Ltd**
 - Serco BPO Private Limited**
 - Solution Personal Finance Limited**

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Standard Life Bank Plc
Thomas Cook Personal Finance Ltd
Woolwich Plan Managers Limited
Oak Pension Asset Management Limited
HSBC Group, comprising the following *firms*:
Catalina Insurance Ireland Limited
CL Residential Limited
Halbis Capital Management (UK) Limited
HFC Bank Limited
HSBC Alternative Investments Limited
HSBC Bank Malta plc
HSBC Bank plc
HSBC Bank USA NA, London Branch
HSBC de Baecque Beau
HSBC Financial Products (France)
HSBC France
HSBC General Insurance Services (UK) Limited
HSBC Global Asset Management FCP (France)
HSBC Global Asset Management (UK) Limited
HSBC Herve
HSBC Index Tracker Investment Funds
HSBC International Financial Advisers (UK) Limited
HSBC Investment Funds
HSBC Life (Europe) Limited
HSBC Life (UK) Limited
HSBC Picardie
HSBC Private Bank (Luxembourg) S.A.
HSBC Private Bank (UK) Limited
HSBC Securities (France)
HSBC Securities (USA) Inc
HSBC SPECIALIST INVESTMENT FUNDS
HSBC Trinkaus & Burkhardt AG
HSBC Trust Company (UK) Ltd
HSBC UBP
HSBC Van Meer James Capel NV

InfraRed Capital Partners Limited
InfraRed (Infrastructure) Capital Partners Limited
Marks and Spencer Financial Services plc
Marks & Spencer Life Assurance Limited
Marks & Spencer Savings and Investments Ltd
Marks & Spencer Unit Trust Management Limited
Pantelakis Securities SA
Sinopia Asset Management (UK) Limited
The Hongkong and Shanghai Banking Corporation Limited
Lloyds Banking Group, comprising the following *firms*:
AMC Bank Ltd
Bank of Scotland (Ireland) Limited
Bank of Scotland Plc
Black Horse Limited
Cheltenham & Gloucester plc
Clerical Medical Financial Services Limited
Clerical Medical Investment Fund Managers Ltd
Clerical Medical Investment Group Limited
Clerical Medical Managed Funds Limited
CLERICAL MEDICAL OPEN ENDED INVESTMENT COMPANY
Halifax Assurance (Ireland) Limited
Halifax Financial Brokers Limited
Halifax General Insurance Services Limited
Halifax Insurance (Ireland) Limited
Halifax Insurance Ireland Ltd
Halifax Investment Services Ltd
Halifax Life Limited
Halifax Share Dealing Limited
HBOS Investment Fund Managers Limited
Insight Investment Global Investment Funds
INSIGHT INVESTMENT PROFESSIONAL FUNDS ICVC
Invista Real Estate Investment Management Ltd
IWeb (UK) Limited
LDC (Managers) Limited
Legacy Renewal Company Limited

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Lex Autolease Ltd
Lex Vehicle Leasing Ltd
Lloyds Development Capital (Holdings) Limited
Lloyds Bank Plc
Lloyds TSB Financial Advisers Limited
Lloyds Bank General Insurance Limited
Lloyds Bank Insurance Services Limited
Lloyds TSB Investments Limited
Lloyds Bank Private Banking Limited
Pensions Management (SWF) Limited
Scottish Widows Administration Services Limited
Scottish Widows Annuities Limited
Scottish Widows Bank Plc
Scottish Widows Fund Management Limited
Scottish Widows Investment Partnership Investment
Scottish Widows Investment Partnership Limited
Scottish Widows plc
Scottish Widows Tracker and Specialist Investment Funds ICVC
Scottish Widows Unit Funds Limited
Scottish Widows Unit Trust Managers Limited
St Andrew's Insurance plc
St Andrew's Life Assurance Plc
SWIP Fund Management Limited
SWIP Multi-Manager Funds Limited
The Mortgage Business Plc
TSB Bank plc
Uberior Fund Manager Ltd
RBS/NatWest Group, comprising the following firms:
Adam & Company Investment Management Ltd
Adam & Company Plc
Coutts & Company
Coutts Finance Company
First Active plc
National Westminster Bank Plc
National Westminster Home Loans Limited

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NatWest Stockbrokers Ltd
RBEF Limited
RBS Asset Management (ACD) Ltd
RBS Asset Management Ltd
RBS Collective Investment Funds Limited
RBS Corporate Finance Limited
RBS Equities (UK) Limited
RBS Investment Executive Limited
The Royal Bank of Scotland (Gibraltar) Ltd
The Royal Bank of Scotland Group Independent Financial Services Limited
The Royal Bank of Scotland N.V.
The Royal Bank of Scotland Plc
Topaz Finance PLC
Ulster Bank Ireland Limited
Ulster Bank Ltd
RBOS (UK) Limited
Aviva Group, comprising the following firms:
Aviva (Peak No. 1) UK Limited
Aviva Annuity UK Limited
Aviva Equity Release UK Limited
Aviva Health UK Limited
Aviva Insurance Limited
Aviva Insurance Services UK Limited
Aviva Insurance UK Limited
Aviva International Insurance Limited
Aviva Investors Global Services Limited
Aviva Investors London Limited
Aviva Investors Pensions Limited
Aviva Investors UK Fund Services Limited
Aviva Investors UK Funds Limited
Aviva Life & Pensions UK Limited
Aviva Life Services UK Limited
Aviva Pension Trustees UK Limited
Aviva Wrap UK Limited
CGU Bonus Limited

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CGU Underwriting Limited
Commercial Union Life Assurance Company Limited
Gresham Insurance Company Limited
Hamilton Life Assurance Company Limited
Hamilton Insurance Company Limited
Norwich Union Life (RBS) Limited
Orn Capital LLP
Scottish Boiler and General Insurance Company Ltd
The Ocean Marine Insurance Company Limited
World Auxiliary Insurance Corporation Limited
Direct Line Group, comprising the following firms:

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Churchill Insurance Company Limited
UK Insurance Limited
UK Insurance Business Solutions Limited
Nationwide Building Society Group comprising the following firms:
Cheshire Building Society
Derbyshire Building Society
Derbyshire Home Loans Ltd
Dunfermline Building Society (in building society special administration)
E-Mex Home Funding Limited
Nationwide Building Society
Nationwide Independent Financial Services Limited
The Mortgage Works (UK) Plc

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UCB Home Loans Corporation Ltd
Santander Group, comprising the following firms:
Abbey National Treasury Services Plc
Abbey Stockbrokers Limited
Cater Allen Limited
Santander Cards UK Limited
Santander Consumer (UK) Plc
Santander UK Plc

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Part 4 - Special case fees

The special case fee shall be calculated and paid as follows:

1

Proportions:

(1) In the calculations that follow in (2), (3) and (4):

new chargeable cases (PPI) for group respondents -

A = twice the number of new *chargeable cases (PPI)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*.

new chargeable cases (PPI) for all firms -

B = twice the number of new *chargeable cases (PPI)* that were referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*.

open chargeable cases (PPI) for group respondents -

C = the number of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.

open chargeable cases (PPI) for all firms -

D = the number of *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.

new chargeable cases (general) for group respondents -

E = twice the number of new *chargeable cases (general)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*.

new chargeable cases (general) for all firms -

F = twice the number of *chargeable cases (general)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) from 1 July to 31 December (both dates inclusive) in the immediately preceding *financial year*.

open chargeable cases (general) for group respondents -

G = the number of *chargeable cases (general)* that were referred to the *Financial Ombudsman Service* in respect of *group respondents* before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.

open *chargeable cases (general)* for all *firms* -

H = the number of *chargeable cases (general)* referred to the *Financial Ombudsman Service* in respect of all *firms* (whether or not they are part of a *charging group*) before 1 January in the immediately preceding *financial year* which had not been closed before 1 January in the immediately preceding *financial year*.

(2) 'Proportion X' for each *charging group* is a percentage calculated as follows -

$$A / B \times 100$$

(3) 'Proportion Y' for each *charging group* is a percentage calculated as follows -

$$\{A + C\} / \{B + D\} \times 100$$

(4) 'Proportion Z' for each *charging group* is a percentage calculated as follows -

$$\{E + G\} / \{F + H\} \times 100$$

2 The special case fee is intended to broadly reflect the budgeted workload capacity of the *Financial Ombudsman Service* and comprises elements in respect of:

- (1) new *chargeable cases (PPI)*;
 - (2) closed *chargeable cases (PPI)*; and
 - (3) closed *chargeable cases (general)*;
- with a free-case allowance of:
- (4) 125 new *chargeable cases (PPI)*; and
 - (5) 125 closed *chargeable cases (general)*.

3 The special case fee for each *charging group* is a total amount calculated as follows:

(1) in respect of new *chargeable cases (PPI)* -

$$\{£0 \times [200,000] \times \text{the 'proportion X'}\} - \{£0 \times 125\}$$

(2) in respect of closed *chargeable cases (PPI)* -

$$£550 \times [320,000] \times \text{the 'proportion Y'}$$

(3) In respect of closed *chargeable cases (general)*-

$$\{£550 \times [120,000] \times \text{the 'proportion Z'}\} - \{£550 \times 125\}$$

- 4 The *FOS Ltd* will invoice each *charging group* for the special case fee (calculated as above) in four equal instalments, payable in advance on the following dates during the *financial year*:
- (1) 1 April (or, if later, when *FOS Ltd* has sent the invoice);
 - (2) 1 July;
 - (3) 1 October; and
 - (2) 1 January.
- 5 Year-end adjustment:
- (1) If the actual number of new *chargeable cases (PPI)* referred to the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than 10,000 and is more than 115% of $\{[200,000] \times \text{'proportion X'}\}$:
 - (a) the *FOS Ltd* will invoice the *relevant charging group*; and
 - (b) the *relevant charging group* will pay to *FOS Ltd*;

an additional £35,000 for each block of 100 (or part thereof) new *chargeable cases (PPI)* in excess of the 115%.
 - (2) If the actual number of *chargeable cases (general)* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is more than 115% of $\{[120,000] \times \text{'proportion Z'}\}$:
 - (a) the *FOS Ltd* will invoice the *relevant charging group*; and
 - (b) the *relevant charging group* will pay to *FOS Ltd*;

an additional £55,000 for each block of 100 (or part thereof) new *chargeable cases (PPI)* over the 115%.
 - (3) If the actual number of *chargeable cases (general)* closed by the *Financial Ombudsman Service* in respect of *group respondents* during the *financial year* is less than 85% of $\{[120,000] \times \text{'proportion Z'}\}$, the *FOS Ltd* will promptly repay to the *relevant charging group* £55,000 for each block of 100 (or part thereof) closed *chargeable cases (general)* under the 85%.

Chapter 6

Financial Services Compensation Scheme Funding



6.1 Application

6.1.1 **R**
 FCA PRA

This chapter applies to:

- (1) every *participant firm* ;
- (2) the *FSCS*; and
- (3) the *Society*.

6.1.2 **G**
 FCA PRA

- (1) *Firms* which are not *participant firms* (such as certain types of *incoming EEA firms*, service companies and *ICVCs*) are not required to contribute towards the funding of the *compensation scheme*.
- (2) Although a *member* is a *participant firm* for the purposes of most provisions of *COMP*, a *member* is excluded from the definition of *participant firm* for the purposes of ■ FEES 6 (see definition of *participant firm* in *Glossary*). This is because the fees levied in relation to the carrying on of *insurance market activities* by *members* will be imposed on *Society* rather than individually on each *member* (see ■ FEES 6.3.24 R).

Purpose

6.1.3 **G**
 FCA PRA

The purpose of this chapter is to set out the requirements on *participant firms* to pay levies imposed by the *FSCS* to provide funding for its functions.

General structure

6.1.4 **G**
 FCA PRA

Section 213(3)(b) of the *Act* requires the *appropriate regulator* to make *rules* to enable the *FSCS* to impose levies on *authorised persons* in order to meet its expenses. These expenses include in particular expenses incurred, or expected to be incurred, in paying compensation, borrowing or insuring risks.

6.1.4A **G**
 FCA PRA

Section 224F of the *Act* enables the *appropriate regulator* to make *rules* to enable the *FSCS* to impose levies on *authorised persons* (or any class of *authorised persons*) in order to meet its management expenses incurred if, under Part 15A of the *Act*, it is required by HM Treasury to act in relation to *relevant schemes*. But those *rules* must provide that the *FSCS* can impose a levy only if the *FSCS* has tried its best to obtain reimbursement of those expenses from the *manager of the relevant scheme*.

6.1.5 G The FSCS may impose three types of levy: a *management expenses levy* (consisting of a *base costs levy* and a *specific costs levy*), a *compensation costs levy* and a *MERS levy*. The FSCS has discretion as to the amount and timing of the levies imposed.

FCA PRA

6.1.6 G In calculating a *compensation costs levy*, the FSCS:

- (1) for *claims for protected deposits*, may include compensation costs expected in the 12-month period following the date of the levy; and
- (2) for other *protected claims*, may include up to the greater of one third of the *compensation costs* expected in the 36-month period following the date of the levy, or the *compensation costs* expected in the 12 months following that date.

FCA PRA

6.1.6A G The total amount of all *management expenses levies* attributable to a financial year will be restricted to the amount set out on an annual basis in ■ FEES 6 Annex 1 R.

FCA PRA

6.1.7 G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into twelve *classes*. These are the *deposits class*; the *life and pensions provision class*; the *general insurance provision class*; the *investment provision class*; the *life and pensions intermediation class*; the *home finance intermediation class*; the *investment intermediation class* and the *general insurance intermediation class* and the four FCA provider contribution classes (the *deposit acceptor's contribution class*; the *insurers-life contribution class*; the *insurers - general contribution class*; and the *home finance providers and administrators' contribution class*). The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.

PRA

6.1.7A G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into twelve *classes*: the *deposits class*; the *life and pensions provision class*; the *general insurance provision class*; the *investment provision class*; the *life and pensions intermediation class*; the *home finance intermediation class*, the *investment intermediation class*; the *general insurance intermediation class*; the *deposit acceptor's contribution class*; the *insurers - life contribution class*; the *insurers - general contribution class*; and the *home finance providers and administrators' contribution class*. The *permissions* held by a participant firm determine into which *class*, or *classes*, it falls.

FCA

6.1.8 G The provisions on the allocation of levies to *classes* up to their *levy limits* meet a requirement of section 213(5) of the *Act* that the *appropriate regulator*, in making rules to enable the FSCS to impose levies, must take account of the desirability of ensuring that the amount of the levies imposed on a particular class of *authorised person* reflects, so far as practicable, the amount of claims made, or likely to be made, in respect of that class of person.

FCA PRA

The management expenses levy

6.1.9 G Section 223 of the *Act* (Management expenses) prevents the FSCS from recovering, through a levy, any *management expenses* attributable to a particular period in excess of the limit set in *COMP* as applicable to that period. 'Management expenses' are defined in section 223(3) to mean expenses incurred or expected to be incurred by the FSCS in connection with its functions under the *Act*, except:

FCA PRA

- (1) expenses incurred in paying compensation;
- (2) expenses incurred as a result of the *FSCS* making the arrangements to secure continuity of insurance set out in ■ COMP 3.3.1 R and ■ COMP 3.3.2 R or taking the measures set out in ■ COMP 3.3.3 R and ■ COMP 3.3.4 R when a *relevant person* is an *insurer* in financial difficulties;
- (3) expenses incurred under section 214B or section 214D of the *Act* as a result of the *FSCS* being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009; and
- (4) expenses incurred under Part XVA of the *Act* as a result of the *FSCS* being required by HM Treasury to act in relation to a *relevant scheme*.

6.1.10

FCA PRA

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A *management expenses levy* may consist of two elements. The first is a *base costs levy*, for the base costs of running the *compensation scheme* in a financial year, that is, costs which are not dependent upon the level of activity of the *compensation scheme* and which therefore are not attributable to any specific *class*. Included in this category are items such as the salary of the members of the board of the *FSCS*, the costs of the premises which the *FSCS* occupies, and its audit fees. It would also likely include the cost of any insurance cover secured by *FSCS* against the risk of it paying claims out in circumstances where the *levy limit* of the particular *class* to which the claim would otherwise be attributable has exceeded its *levy limit* for the year, as the insurance cover is likely to benefit all *classes* which may have costs allocated to them if the *levy limit* of another *class* is breached. The amount that each *participant firm* pays towards a *base costs levy* is calculated by reference to the *regulatory costs* paid by the *firm*. All *participant firms* are liable to contribute towards a *base costs levy*.

6.1.11

PRA

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The second element of a *management expenses levy* is a *specific costs levy* for the "specific costs" of running the *compensation scheme* in a financial year. These costs are attributable to a *class*, and include the salary costs of certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). The *specific costs* are attributed to the *class* which is responsible for those costs. When the *FSCS* imposes a *specific costs levy*, the levy is allocated to the *class* which is responsible for those costs up to the relevant *levy limits*. The *FSCS* may include in a *specific costs levy* the *specific costs* that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference to the amount of business conducted by the *firm* in each of the *classes* to which the *FSCS* has allocated *specific costs*. Each *class* has a separate "tariff base" for this purpose, set out in ■ FEES 6 Annex 3 R. *Participant firms* may be exempt from contributing to the *specific costs levy*.

6.1.11A

FCA

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The second element of a *management expenses levy* is a *specific costs levy* for the "specific costs" of running the *compensation scheme* in a financial year. These costs are attributable to a *class*, and include the salary costs of certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). The *specific costs* are attributed to the *class* which is responsible for those costs. When

the FSCS imposes a *specific costs levy*, the levy is allocated to the *class* which is responsible for those costs up to the relevant *levy limits*. *Specific costs* attributable to certain *classes*, which exceed the *class levy limits*, may be allocated to the *retail pool*. The FSCS may include in a *specific costs levy* the *specific costs* that the FSCS expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference to the amount of business conducted by the *firm* in each of the *classes* to which the FSCS has allocated *specific costs*. Each *class* has a separate "tariff base" for this purpose, set out in ■ FEES 6 Annex 3A. *Participant firms* may be exempt from contributing to the *specific costs levy*.

6.1.12 G [deleted]

6.1.13 G The limit on the *management expenses* attributable to the forthcoming financial year of the FSCS. will be consulted on in January each year.

FCA PRA

The compensation costs levy

6.1.14 G In imposing a *compensation costs levy* in each financial year of the *compensation scheme* the FSCS will take into account the *compensation costs* which the FSCS has incurred and has not yet raised through levies, any recoveries it has had made using the rights that have been assigned to it or to which it is subrogated and a further amount calculated taking into account:

FCA PRA

- (1) for *claims for protected deposits*, those *compensation costs* it expects to incur (including in respect of defaults yet to be declared) in the 12 *months* following the date of the levy; and
- (2) for other *protected claims*:
 - (a) the *compensation costs* it expects to incur in the 12 *months* following the date of the levy; or, if greater
 - (b) one third of the *compensation costs* it expects to incur in the 36 *months* following the date of the levy (see ■ FEES 6.3.1 R (Imposing management expenses and compensation costs levies)).

6.1.15 G *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred:

FCA PRA

- (1) in securing continuity of long-term insurance; or
- (2) in safeguarding eligible claimants when insurers are in financial difficulties; or
- (3) in making payments or giving indemnities under ■ COMP 11.2.3 R; or
- (4) as a result of the FSCS being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009; or
- (5) in paying interest, principal and other costs from borrowing to allow the FSCS to pay claims attributable to a particular *class*;

are also treated as *compensation costs*. *Compensation costs* are attributed to the *class* which is responsible for the costs. When the FSCS imposes a *compensation costs levy* the levy is allocated to the *class* which is responsible for the costs up to relevant *levy limits*. Certain *classes* may be funded, for *compensation costs levies* beyond the *class levy limit*, by the *retail pool*.

Participant firms that are members of more than one class

6.1.16

FCA PRA

G

If a *participant firm* is a member of more than one *class*, the total *compensation costs levy* and *specific costs levy* for that *firm* in a particular year will be the aggregate of the individual levies calculated for the *firm* in respect of each of the *classes* for that year. Each *class* has a *levy limit* which is the maximum amount of *compensation costs* and *specific costs* which may be allocated to a particular *class* in a financial year for the purposes of a levy.

The retail pool

6.1.16A

FCA

G

The FCA has made *rules* providing that *compensation costs* and *specific costs* attributable to the intermediation *classes* and the investment provision *class*, which exceed the *class levy limits*, may be allocated to the *retail pool*. Levies allocated to the *retail pool* are then allocated amongst the other such *classes*, together with certain *classes* (known as *FCA provider contribution classes*). The *FCA provider contribution classes* may contribute to *compensation costs levies* or *specific costs levies* funded by the *retail pool*, but not themselves receive any such funding. The *FCA provider contribution classes* have a different tariff structure to the other *classes*, based on *regulatory costs* (see ■ FEES 6.5A.6 R).

Incoming EEA firms

6.1.17

FCA PRA

G

Incoming EEA firms which obtain cover or 'top up' under the provisions of ■ COMP 14 are *firms* whose *Home State* scheme provides no or limited compensation cover in the event that they are determined to be in default. Under ■ FEES 6.6, the FSCS is required to consider whether *incoming EEA firm's* should receive a discount on the amount that they would otherwise pay as their share of the levy, to take account of the availability of their *Home State* cover. The amount of any discount is recoverable from the other members of the *incoming EEA firm's class*.

6.3 The FSCS's power to impose levies

Imposing management expenses and compensation costs levies

6.3.1

FCA PRA

R

The FSCS may at any time impose a *management expenses levy* or a *compensation costs levy*, provided that the FSCS has reasonable grounds for believing that the funds available to it to meet relevant expenses are, or will be, insufficient, taking into account expenditure already incurred, actual and expected recoveries and :

- (1) in the case of a *management expenses levy*, the level of the FSCS's expected expenditure in respect of those expenses in the financial year of the *compensation scheme* in relation to which the levy is imposed;
- (2) in the case of a *compensation costs levy* relating to *claims for protected deposits* , the level of the FSCS's expected expenditure in respect of *compensation costs* in the 12 *months* immediately following the levy; and
- (3) in the case of a *compensation costs levy* relating to other *protected claims*,
 - (a) the FSCS's expenditure in respect of *compensation costs* expected in the 12 *months* following the levy; or, if greater
 - (b) one third of the FSCS's expenditure in respect of *compensation costs* expected in the 36 *months* following the levy.

6.3.2

FCA PRA

G

The calculation of levies will also take into account previous levies, where funds raised in anticipation of meeting liabilities prove either more or less than the amount actually required.

6.3.2A

FCA PRA

G

The FSCS will usually levy once in each financial year (and in respect of *compensation costs*, for expenditure expected in the period of 12 *months* or, if greater, one third of the expenditure expected in the period of 36 *months* following 1 July in that year). However, if the *compensation costs* or *specific costs* incurred, or expected to be incurred, exceed the amounts held, or reasonably expected to be held, to meet those costs, the FSCS may, at any time during the financial year, do one or more of the following:

- (1) impose an interim *compensation costs levy* or *management expenses levy*; or

- (2) utilise other sources of funding such as commercial borrowing or other borrowing including from the National Loans Fund; or
- (3) utilise money collected from firms as set out in, and subject to, ■ FEES 6.3.17 R (Management of funds).

The FSCS will generally impose a levy rather than borrow or utilise funds as described in (3), unless the latter options appear to it to be preferable in the specific circumstances prevailing at the relevant time; for example, to address short-term liquidity issues, or in order to deal with a significant failure without having to wait for a levy to be imposed or collected.

6.3.3
FCA PRA

G

The FSCS has committed itself in Memorandum of Understanding with each of the FCA and the PRA to publish its policy in respect of levying.

6.3.4
FCA PRA

G

The discretion over levying in ■ FEES 6 also gives the FSCS, if it thinks this appropriate, the ability to use third parties as its agents in raising and collecting the levies.

Imposing a MERS levy

6.3.4A
FCA PRA

R

The FSCS may at any time impose a *MERS levy* provided that the FSCS has reasonable grounds for believing that the funds available to it to meet relevant expenses are or will be insufficient, taking into account relevant expenses incurred or expected to be incurred in the 12 months following the date of the levy.

Limits on compensation costs and specific costs levies on classes

6.3.5
FCA PRA

R

The maximum aggregate amount of *compensation costs* and *specific costs* for which the FSCS can levy each *class* in any one financial year of the *compensation scheme* is limited to the amounts set out in the table in ■ FEES 6 Annex 2 R.

6.3.6

R

[deleted]

6.3.7

R

[deleted]

6.3.8

R

[deleted]

6.3.9

R

[deleted]

Levy for compensation costs paid in error

6.3.10
FCA PRA

R

The FSCS may include in a *compensation costs levy* the costs of compensation paid by the FSCS in error, provided that the payment was not made in bad faith.

Management of funds

6.3.11
FCA PRA

R

The FSCS must hold any amount collected from a *specific costs levy* or *compensation costs levy* to the credit of the *classes* in accordance with the allocation established under ■ FEES 6.4.6 R and ■ FEES 6.5.2 R.

- 6.3.12** **R** Any funds received by the *FSCS* by way of levy or otherwise for the purposes of the *compensation scheme* are to be managed as the *FSCS* considers appropriate, and in doing this the *FSCS* must act prudently.
FCA **PRA**
- 6.3.13** **R** Interest earned by the *FSCS* in the management of funds held to the credit of a *class* must be credited to that *class*, and must be set off against the *management expenses* or *compensation costs* allocated to that *class*.
FCA **PRA**
- 6.3.14** **R** The *FSCS* must keep accounts which include:
FCA **PRA**
- (1) the funds held to the credit of each *class* ; and
 - (2) the liabilities of that *class* .
- 6.3.15** **R** [deleted]
- 6.3.15A** **G** [deleted]
- 6.3.16** **G** [deleted]
- 6.3.17** **R**
- (1) The *FSCS* may use any money held to the credit of one *class*(the creditor *class*) to pay *compensation costs* or *specific costs* attributable or allocated by way of levy to another *class* (the debtor *class*) if the *FSCS* has reasonable grounds to believe that this would be more economical than borrowing funds from a third party or raising a levy.
 - (2) Where the *FSCS* acts in accordance with (1), it must ensure that:
 - (a) the creditor *class* is reimbursed by the debtor *class* as soon as possible;
 - (b) the debtor *class* pays interest at a rate equivalent to the Bank of England's repo rate from time to time in force; and
 - (c) the amount lent by the creditor *class* to the debtor *class* is taken into account by the *FSCS* when considering whether to impose a *compensation costs levy* on the creditor *class* under
■ FEES 6.3.1 R.
- 6.3.18** **G** **■ FEES 6.3.17 R** deals with how *FSCS* may use money available to it and does not affect the *rules* on levy allocation in **■ FEES 6.4**, **■ 6.5** and **■ 6.5A** .
FCA **PRA**
- 6.3.19** **R** Unless **■ FEES 6.3.20 R** applies, any recoveries made by the *FSCS* in relation to *protected claims* must be credited to the *classes* to which the related *compensation costs* was attributable.
FCA **PRA**

6.3.20

FCA PRA

R

- (1) Where the *FSCS* makes recoveries in relation to *protected claims* where a related *compensation costs levy* would have been allocated to a *class* (class A) had the *levy limit* for class A not been reached and has been allocated to another *class* or *classes* in the *retail pool*, the recoveries must be applied:
 - (a) first, to the *classes* to which the costs levied were allocated in accordance with ■ FEES 6.5A in the same proportion as those *classes* contributed, up to the total amount of that allocation plus interest at a rate equivalent to the Bank of England's Official Bank Rate from time to time in force; and
 - (b) thereafter, to class A.
- (2) This *rule* applies even though the recovery is made in a subsequent financial year.
- (3) [deleted]

6.3.20A

FCA PRA

G

Recoveries under ■ FEES 6.3.20 R are net of the costs of recovery.

6.3.21

FCA PRA

R

If the *FSCS* has more funds (whether from levies, recoveries or otherwise) to the credit of a *class* than the *FSCS* believes will be required to meet levies on that *class* for the next 12 months, it may refund the surplus to members or former members of the *class* on any reasonable basis.

Adjustments to calculation of levy shares

6.3.22

FCA PRA

R

The *FSCS* may adjust the calculation of a *participant firm's* share of any levy to take proper account of:

- (1) any excess, not already taken into account, between previous levies of that type imposed in relation to previous periods and the relevant costs actually incurred in that period; or
- (2) *participant firms* that are exempt from the levy under ■ FEES 6.2; or
- (3) amounts that the *FSCS* has not been able to recover from *participant firms* as a result of ■ FEES 6.3.5 R ; or
- (4) amounts that the *FSCS* has not been able to recover from *participant firms* after having taken reasonable steps; or
- (5) ■ FEES 2.3 (Relieving Provisions), ■ FEES 6.4.8 R (New participant firms), ■ FEES 6.5.9 R (New participant firms), ■ FEES 6.3.23 R (Remission of levy or additional administrative fee) or ■ FEES 6.6 (Incoming EEA firms); or

- (6) anything else that the FSCS believes on reasonable grounds should be taken into account.

6.3.22A
FCA PRA

R

The FSCS may not adjust the calculation of a *participant firm's* share of any levy under ■ FEES 6.3.22 R on the grounds that it would be inequitable for that *firm* to pay that share or part of it or on the grounds that it would be inequitable for the FSCS to retain that share or part of it.

6.3.22B
FCA PRA

G

The reason for ■ FEES 6.3.22A R is that any such claim should be dealt with under ■ FEES 2.3 (Relieving Provisions).

Firms acquiring businesses from other firms

6.3.22C
FCA PRA

R

- (1) This *rule* applies to the calculation of the levies of a *firm* (A) if:
- (a) either:
 - (i) A acquires all or a part of the business of another *firm* (B), whether by merger, acquisition of goodwill or otherwise; or
 - (ii) A became authorised as a result of B's simple change of legal status (as defined in ■ FEES 3 Annex 1 R Part 6);
 - (b) B is no longer liable to pay a levy; and
 - (c) that acquisition or change takes place after the date to which, or as of which, A's most recent statement of business under ■ FEES 6.5.13 R is drawn up so far as concerns the *classes* covered by B's business.
- (2) A must pay an additional amount equal to the levy that would have been payable by B in relation to the relevant business and relevant *classes* if the acquisition or change in status had not taken place and B had remained liable to pay levies. The amount is based on the most recent information supplied by B under ■ FEES 6.5.13 R. A is included in the *classes* applicable to the relevant business.
- (3) This *rule* only applies with respect to those financial years of the FSCS for which A's levies are calculated on the basis of a statement of business under ■ FEES 6.5.13 R drawn up to a date, or as of a date, before the acquisition or change in legal status took place.

Remission of levy or additional administrative fee

6.3.23
FCA PRA

R

If a *participant firm's* share of a levy or an additional administrative fee under ■ FEES 6.7.4 R would be so small that, in the opinion of the FSCS, the costs of collection would be disproportionate to the amount payable, the FSCS may treat the *participant firm* as if its share of the levy or additional administrative fee amounted to zero.

Levies on the Society of Lloyd's

6.3.24

PRA

R

The FSCS may impose a levy on the *Society* to be calculated as the aggregate of the levies that would be imposed on each *member* if this chapter applied to *members*, as follows:

- (1) a proportionate share of a *base costs levy* in respect of the *compensation scheme's* costs for the period from 1 January 2004 to the end of the *compensation scheme's* financial year and a share of such levies for all subsequent financial years; and
- (2) a *specific costs levy* and a *compensation costs levy* in respect of costs arising out of a *relevant person being in default*, arrangements made under ■ COMP 3.3.1 R or measures taken under ■ COMP 3.3.3 R where:
 - (a) the default occurs or the circumstances giving rise to the arrangements being made or the measures being taken, as the case may be, occur; and
 - (b) the *protected contracts of insurance* in connection with which the costs arise were entered into;

on or after 1 January 2004.

Financial Services Compensation Scheme - Management Expenses Levy Limit

FCA **PRA**

This table belongs to FEES 6.4.2 R

Period	Limit on total of all management expenses levies attributable to that period (£)
1 December 2001 to 1 April 2002	£4,209,000
1 April 2002 to 31 March 2003	£13,228,000
1 April 2003 to 31 March 2004	£13,319,000
1 April 2004 to 31 March 2005	£17,590,000
1 April 2005 to 31 March 2006	£27,030,000
1 April 2006 to 31 March 2007	£37,060,000
1 April 2007 to 31 March 2008	£37,520,000
1 April 2008 to 31 March 2009	£1,000,000,000 provided that £600,000,000 may be recovered in respect of <i>specific costs</i> relating to the declaration by the FSA on 27 September 2008 that Bradford & Bingley plc is <i>in default</i> only.
1 April 2009 to 31 March 2010	£1,000,000,000
1 April 2010 to 31 March 2011	£1,000,000,000
1 April 2011 to 31 March 2012	£1,000,000,000
1 April 2012 to 31 March 2013	£1,000,000,000
1 April 2013 to 31 March 2014	£94,400,000
1 April 2014 to 31 March 2015	£80,000,000

CFEB levies for the period from 1 April 2013 to 31 March 2014

Part 1

FCAThis table shows the *CFEB levies* applicable to each activity group (fee-block)

Activity Group	<i>CFEB levy payable</i>			
A.1	Column 1		Column 2	
	Money advice levy		Debt advice levy	
			(Notes 3 - 6)	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fixed sum (£/£m or part m of MELs)	Bandwidth (£ million of unsecured debt)	Fixed sum (£/£m or part £m of unsecured debt)
	>10	5.08	>0	55.37
A.2	Column 1		Column 2	
	General levy		Debt advice levy	
			(Notes 5 -6)	
	Band Width (no. of mortgages and/or home finance transactions)	Fixed sum (£/mortgage)	Bandwidth (million of secured debt)	Fixed sum (£/£m or part £m of secured debt)
	>50	0.57	>0	24.30
A.3	Gross premium income (GPI)			
	Band Width (£ million of GPI)		Fixed sum (£/£m or part £m of GPI)	
	>0.5		39.42	
	PLUS			
	Gross technical liabilities (GTL)			
	Band Width (£ million of GTL)		Fixed sum (£/£m of part £m of GTL)	

	>1	2.08
A.4	Adjusted annual gross premium income (AGPI)	
	Band Width (£ million of AGPI)	Fixed sum (£/£m or part £m of AGPI)
	>1	66.59
	PLUS	
	Mathematical reserves (MR)	
	Band Width (£ million of MR)	Fixed sum (£/£m or part £m of MR)
	>1	1.50
A.5	Band Width (£ million of Active Capacity (AC))	Fixed sum ((£/£m or part £m of AC)
	>50	3.89
A.6	Flat levy	£85,716.00
A.7	For class 1(C), (2) and (3) firms:	
	Band Width (£ million of Funds under Management (FuM))	Fixed sum (£/£m of part £m of FuM)
	>10	0.81
	For class 1(B) firms: the fee calculated as for class 1(C) firms above, less 15%.	
	For class 1(A) firms: the fee calculated as for class 1(C) firms above, less 50%.	
	Class 1(A), (B) and (C) firms are defined in FEES 4 Annex 1A R	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum (£/£m of part £m of GI)
	>1	104.36
A.10	Band Width (no. of traders)	Fixed sum (£ /trader)
	>1	356.87
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)

	>100	0.48
	For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%.	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	> 100	0.13
A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum ((£/£ thousand or part £ thousand of AI)
	>100	1.18
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	0.146
A.21	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	more than £1 billion	[tbc]
	an amount equal to or greater than £1 million but less than or equal to £1 billion	[tbc]
	less than £1 million	[tbc]
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	more than £100 billion	[tbc]
	an amount equal to or greater than £10 million and less than or equal to £100 billion	[tbc]
	less than £10 million	[tbc]
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	0.027
G.4	Flat fee (£)	10

G.10	Minimum fee (£)	10
	£ million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	> 5.0	8.38
G.11	Flat fee (£)	10
CC.1	Minimum fee	[tbc]
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	[tbc]	[tbc]
CC.2	Minimum fee	[tbc]
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	[tbc]	[tbc]

Notes

(1) The definitions of fee-blocks G5 and G10 under Part 2 and Part 2A of FEES 4 Annex 11 R are modified, for the purposes of FEES 7, so that they exclude the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.

(2) The definitions of those fee-blocks are further amended to exclude EEA and those which hold a .

(3) The tariff base for column 2 in activity group A.1:

for *credit unions*:

the total sterling value of all loans LESS total sterling value of any residential loans.

for *banks and building societies*:

the sterling value of all outstanding loans to individuals in the *UK*, excluding bridging loans and loans secured on dwellings and land.

The *firm* must include:

(a) any credit card lending;

(b) any charge card lending, even if the outstanding balance has to be paid off in full at the end of each charging period;

(c) any other loans and advances to individuals that are not bridging loans or secured on dwellings or land;

provided that the *firm* only includes data that it is required to include in entries 29DB3A3 and 29DB3A4 of Form BE (that is, the Additional Sectoral Details Return that is completed to provide information by banks and building societies to the Bank of England).

(4) The valuation date for column 2 in activity group A.1 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the Form BE or other annual return made in the calendar year prior to the 31 December.

(5) The tariff base for column 2 in activity group A.2 is the sterling value of any residential loans to individuals being the sum of gross unsecuritised and securitised balances (applying the definitions of Unsecuritised balances and Securitised balances set out in SECTION A: BALANCE SHEET of SUP 16 Annex 19B G.

(6) The valuation date for column 2 in activity group A.2 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.

Part 2

(1)	This Part sets out the minimum <i>CFEB levy</i> applicable to the <i>firms</i> specified in (3) below.
(2)	The minimum <i>CFEB levy</i> payable by any <i>firm</i> referred to in (3) is 10.
(3)	A <i>firm</i> is referred to in this paragraph if it falls within the following activity groups: A.1; A.2; A.3 (excluding <i>UK ISPVs</i>); A.4; A.5; A.7; A.9; A.10; A.12; A.13; A.14; A.18; A.19; G.3 and G.10.

Fees Manual

FEES TP 10 Transitional Provisions relating to FEES 4.2.7BR for firms carrying on credit related regulated activities

(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
10.1	FEES 4.2.7R(2)(b)	R	Insert a new paragraph after (5)(c) as follows: "(5)(ca): paragraph (5)(c) does not apply to a <i>firm's credit-related regulated activities</i> ."	From 1 April 2014 until 1 April 2016	1 April 2014

Prudential sourcebook for Banks, Building Societies and Investment Firms

The definition of a BIPRU firm

1.1.6

R [Deleted]

1.1.7

R None of the following is a *BIPRU firm* :**FCA**

- (1) an *incoming EEA firm*;
- (2) an *incoming Treaty firm*;
- (3) any other *overseas firm*;
- (4) an *ELMI*;
- (5) an *insurer*; and
- (6) an *ICVC*.

1.1.7A

G In summary, a *BIPRU firm*:**FCA**

- (1) does not provide the *ancillary service* of safekeeping and administration of *financial instruments* for the account of *clients*, including custodianship and related services such as cash/collateral management, and is not authorised to do so;
- (2) is not authorised to provide the following *investment services*:
 - (a) to deal in any *financial instruments* for its own account;
 - (b) to underwrite issues of *financial instruments* on a firm commitment basis;
 - (c) to place *financial instruments* without a firm commitment basis; and
 - (d) to operate a *multilateral trading facility*;
- (3) is authorised to provide one or more of the following *investment services*:
 - (a) the execution of investors' orders for *financial instruments*; or
 - (b) the management of individual portfolios of investments in *financial instruments*;
- (4) may be authorised to provide one or more of the following *investment services*:
 - (a) reception and transmission of investors' orders for *financial instruments*;
or
 - (b) investment advice; and
- (5) does not hold clients' money and/or securities and is not authorised to do so (it should have a *limitation* or *requirement* prohibiting the holding of client money and its permission should not include *safeguarding and administering investments*).

1.1.8

R [Deleted]

1.1.9

G

[Deleted]

1.1.10

G

FCA

- (1) This paragraph applies to an *undertaking* that would be a *third country BIPRU firm* if it were *authorised* under the *Act*.
- (2) Except in exceptional circumstances, it is the *appropriate regulator's* policy that it will not give an overseas applicant a *Part 4A permission* unless the *appropriate regulator* is satisfied that the applicant will be subject to prudential regulation by its home state *regulatory body* that is broadly equivalent to that provided for in the *Handbook* and the applicable *EEA prudential sectoral legislation*. The *appropriate regulator* will take into account not only the requirements to which the *firm* is subject but how they are enforced. The *appropriate regulator* will also take into account the laws, regulations and administrative provisions to which it is subject in its home state. The reasons for that policy include:
- (a) it is unlikely that a *firm* that is not subject to equivalent supervision will be able to satisfy the *threshold conditions* (and in particular *threshold condition 5* (Suitability)) and it is unlikely that it will be possible to establish that the *firm* does satisfy them; and
- (b) such a *firm* is likely to pose a threat to the interests of *consumers* and potential *consumers*, particularly as effective supervision of an *overseas firm* depends on cooperation between the *appropriate regulator* and the *regulatory body* that authorises the *firm* in its home country and on the *appropriate regulator* being able to place appropriate reliance on the supervision carried out by such *regulatory body*.
- (c) [deleted]
- (3) If an *undertaking* is not subject to equivalent supervision in its home state and it wishes to carry on in the *United Kingdom regulated activities* coming within the scope of the activities that define a *BIPRU firm* it should establish a *subsidiary undertaking* in the *United Kingdom*. Such a *subsidiary undertaking* should be able to show, amongst other things, how it would comply with the *threshold conditions* (and in particular *threshold conditions 3* (Close links) and *5* (Suitability)).
- (4) If in exceptional circumstances the *appropriate regulator* does grant a *Part 4A permission* to an *undertaking* that is not subject to equivalent prudential regulation the *appropriate regulator* is likely to take measures under the *regulatory system* to compensate for the lack of equivalent supervision. These may include applying the prudential requirements for *BIPRU firms* to the *firm*.
- (5) An *overseas firm* that is subject to equivalent supervision is subject to the *threshold conditions* and the *Principles*. *BIPRU* and *GENPRU* do not generally apply.

1.1.11

[Deleted]

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1.1.18 [Deleted]
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 1.1.22 [Deleted]

Meaning of dealing on own account

1.1.23

R

FCA

- (1) *Dealing on own account* means (for the purpose of *GENPRU* and *BIPRU*) the service of dealing in any *financial instruments* for own account as referred to in point 3 of Section A of Annex I to *MiFID*, subject to (2) and (3).
- (2) In accordance with article 5(2) of the *Capital Adequacy Directive* (Definition of dealing on own account), a *CAD investment firm* that executes investors' orders for *financial instruments* and holds such *financial instruments* for its own account does not for that reason *deal on own account* if all of the following conditions are met:
- such *position* only arises as a result of the *CAD investment firm's* failure to match investors' order precisely;
 - the total market value of all such *positions* is no higher than 15% of the *CAD investment firm's initial capital*;
 - (in the case of a *BIPRU firm*) it complies with the *main BIPRU firm Pillar 1 rules*;
 - (in the case of a *CAD investment firm* that is an *EEA firm*) it complies with the *CRD implementation measures* of its *Home State* for Articles 18 and 20 (Minimum capital requirements) of the *Capital Adequacy Directive*;
 - (in the case of any other *CAD investment firm*) it would comply with the *rules* in (2)(c) if it had been a *BIPRU firm* on the basis of the following assumptions:
 - its head office had been in an *EEA State*; and
 - it had carried on all its business in the *EEA* and had obtained whatever authorisations for doing so as are required under *MiFID*; and
 - such *positions* are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.
- (3) In accordance with article 5(2) of the *Capital Adequacy Directive*, the holding of *non-trading book positions* in *financial instruments* in order to invest *capital resources* is not *dealing on own account* for the purposes referred to in article 4(1)(2)(c) of the *EU CRR* (see ■ [BIPRU 1.1.7A G](#)).

1.1.24
1.1.25
1.1.26

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1.2 Definition of the trading book

Application

1.2.1 **R** This section applies to a *BIPRU firm*.

FCA

Purpose

1.2.2 **G** Pursuant to the third paragraph of article 95(2) of the *EU CRR*, the section implements certain provisions of the *Capital Adequacy Directive* and the *Banking Consolidation Directive* relating to the *trading book*. The precise provisions being implemented are listed as a note after each *rule*.

FCA

Definition of the trading book: General

1.2.3 **R** The *trading book* of a *firm* consists of all *position* in *CRD financial instrument* and *commodities* held either with trading intent or in order to hedge other elements of the *trading book* and which are either free of any restrictive covenants on their tradability or able to be hedged.

FCA

[Note: CAD Article 11(1)]

Definition of the trading book: Positions

1.2.4 **R** The term *position* includes proprietary positions and positions arising from client servicing and market making.

FCA

[Note: CAD Article 11(2) second sentence]

1.2.5 **G** *Positions* arising from client servicing include those arising out of contracts where a *firm* acts as principal (even in the context of activity described as 'broking' or 'customer business'). Such *positions* should be allocated to a *firm's trading book* if the intent is trading (see ■ BIPRU 1.2.10 R). This applies even if the nature of the business means that generally the only risks incurred by the *firm* are counterparty risks (i.e. no market risk charges apply). If the nature of the business means that generally the only risks incurred by the *firm* are counterparty risks, the *position* will generally still meet the trading intent requirement in ■ BIPRU 1.2.10 R if the *position* would meet the trading intent requirement if *position* risk did arise. The *appropriate regulator* understands that business carried out under International Uniform Brokerage Execution ("Give-Up") Agreements involve back to back trades as principal. Thus *positions* arising out of business carried out under such agreements should be allocated to a *firm's trading book*.

FCA

1.2.6

FCA

R

Definition of the trading book: Repos

Term trading-related repo-style transactions that a *firm* accounts for in its *non-trading book* may be included in the *trading book* for capital requirement purposes so long as all such repo-style transactions are included. For this purpose, trading-related repo-style transactions are defined as those that meet the requirements of ■ BIPRU 1.2.4 R, ■ BIPRU 1.2.10 R and ■ BIPRU 1.2.12 R, and both legs are in the form of either cash or securities includable in the *trading book*. Regardless of where they are booked, all repo-style transactions are subject to a *non-trading book* counterparty credit risk charge.

[Note: CAD Annex VII Part D point 4]

1.2.6A

FCA

G

Capital requirements for term trading-related repo-style transactions are the same whether the risks arise in the *trading book* as counterparty credit risk or in the *non-trading book* as credit risk.

CRD financial instruments

1.2.7

FCA

R

A *CRD financial instrument* means any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

[Note: CAD Article 3(1)(e)]

1.2.8

FCA

R

CRD financial instruments include both primary *CRD financial instrument* or cash instruments, and derivative *CRD financial instruments* the value of which is derived from the price of an underlying *CRD financial instrument*, a rate, an index or the price of another underlying item and include as a minimum the instruments specified in Section C of Annex I to the *MIFID*.

[Note: CAD Article 3(1) last paragraph]

1.2.9

FCA

G

Generally, for the purpose of the definition of *CRD financial instrument*:

- (1) a financial asset means cash, the right to receive cash or another financial asset, the contractual right to exchange financial assets on potentially favourable terms or an equity instrument; and
- (2) a financial liability means the contractual obligation to deliver cash or another financial asset or to exchange financial liabilities under conditions that are potentially unfavourable.

Trading intent

1.2.10

FCA

R

Positions held with trading intent for the purpose of the definition of the *trading book* are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price

differences between buying and selling prices, or from other price or interest rate variations.

[Note: CAD Article 11(2) first sentence]

1.2.11

FCA

R

Trading intent must be evidenced on the basis of the strategies, policies and procedures set up by the *firm* to manage the *position* or portfolio in accordance with ■ BIPRU 1.2.12 R.

[Note: CAD 11(3)]

1.2.12

FCA

R

Positions/portfolios held with trading intent must comply with the following requirements:

- (1) there must be a clearly documented trading strategy for the *position*/instrument or portfolios, approved by senior management, which must include the expected holding horizon;
- (2) there must be clearly defined policies and procedures to monitor the *position* against the *firm's* trading strategy including the monitoring of turnover and stale *position* in the *firm's trading book*; and
- (3) there must be clearly defined policies and procedures for the active management of the *position*, which must include the following:
 - (a) *position* entered into on a trading desk;
 - (b) *position* limits are set and monitored for appropriateness;
 - (c) dealers have the autonomy to enter into/manage the *position* within agreed limits and according to the approved strategy;
 - (d) *positions* are reported to senior management as an integral part of the *firm's* risk management process; and
 - (e) *positions* are actively monitored with reference to market information sources and an assessment made of the marketability or hedge-ability of the *position* or its component risks, including the assessment of, the quality and availability of market inputs to the valuation process, level of market turnover, sizes of *positions* traded in the market.

[Note: CAD Annex VII Part A]

Internal hedges

PAGE
9

1.2.13

FCA

R

Internal hedges may be included in the *trading book*, in which case ■ BIPRU 1.2.14 R to ■ BIPRU 1.2.16 R apply.

[Note: CAD Article 11(5)]

1.2.14

FCA

R

- (1) An internal hedge is a *position* that materially or completely offsets the component risk element of a *non-trading book position* or a set of *position*. *Positions* arising from internal hedges are eligible for *trading book* capital treatment, provided that they are held with trading intent and that the general criteria on trading intent and prudent valuation specified in ■ BIPRU 1.2.12 R and the *trading book systems and controls rules*. In particular:
- (a) internal hedges must not be primarily intended to avoid or reduce capital requirements;
 - (b) internal hedges must be properly documented and subject to particular internal approval and audit procedures;
 - (c) the internal transaction must be dealt with at market conditions;
 - (d) the bulk of the market risk that is generated by the internal hedge must be dynamically managed in the *trading book* within the authorised limits; and
 - (e) internal transactions must be carefully monitored.
- (2) Monitoring must be ensured by adequate procedures.

[Note: CAD Annex VII Part C point 1]

1.2.15

FCA

R

The treatment referred to in ■ BIPRU 1.2.14 R applies without prejudice to the capital requirements applicable to the "*non-trading book leg*" of the internal hedge.

[Note: CAD Annex VII Part C point 2]

1.2.16

FCA

R

By way of derogation from ■ BIPRU 1.2.14 R to ■ BIPRU 1.2.15 R, when a *firm* hedges a *non-trading book* credit risk exposure using a credit derivative booked in its *trading book* (using an internal hedge), the *non-trading book* exposure is not deemed to be hedged for the purposes of calculating capital requirements unless the *firm* purchases from an eligible third party protection provider a credit derivative meeting the requirements set out in ■ BIPRU 5.7.13 R (Additional requirements for credit derivatives) with regard to the *non-trading book* exposure. Without prejudice to the second sentence of ■ BIPRU 14.2.10 R, where such third party protection is purchased and is recognised as a hedge of a *non-trading book* exposure for the purposes of calculating capital requirements, neither the internal nor external credit derivative hedge must be included in the *trading book* for the purposes of calculating capital requirements.

[Note: CAD Annex VII Part C point 3]

1.2.17

FCA

R

Size thresholds

- (1) Subject to (3), a *firm* may calculate its capital requirements for its *trading book* business in accordance with the *standardised approach* to credit risk (or, if it has an *IRB permission*, the *IRB approach*) as it applies to the *non-trading book* where the size of the *trading book* business meets the following requirements:
- (a) the *trading book* business of the *firm* does not normally exceed 5% of its total business;
 - (b) its total *trading book position* do not normally exceed €15 million; and
 - (c) the *trading book* business of the *firm* never exceeds 6% of its total business and its total *trading book positions* never exceed €20 million.
- (2) Subject to (3), if (1) applies, the following are disapplied:
- (a) the *rules* relating to the *interest rate PRR*, the *equity PRR*, the *CIU PRR* and the *PRR* calculated under ■ BIPRU 7.11 (Credit derivatives in the trading book);
 - (b) the *rules* relating to the *option PRR* (but only in relation to *positions* which under ■ BIPRU 7.6.5 R (Table: Appropriate calculation for an option or warrant) may be subject to one of the other *PRR charges* listed in (2)(a) or which would be subject to such a *PRR charge* if ■ BIPRU 7.6.5 R did not require an *option PRR* to be calculated);
 - (c) ■ ■ BIPRU 7.10 (Use of a Value at Risk Model) so far as ■ BIPRU 7.10 relates to the risks covered by the requirements in (a) and (b); and
 - (d) ■ BIPRU 14 (Capital requirements for settlement and counterparty risk).
- (3) If (1) applies, the following continue to apply:
- (a) the *rules* relating to the *commodity PRR* and the *foreign currency PRR*;
 - (b) the *rules* relating to the *option PRR* (so far as not disapplied under (2)(b));
 - (c) ■ BIPRU 7.10 (so far as not disapplied under (2)(c));
 - (d) ■ BIPRU 14.2.3 R to ■ BIPRU 14.2.8 R (Credit derivatives); and
 - (e) ■ BIPRU 14.2.15 R to ■ BIPRU 14.2.16 R (Collateral for *repurchase transactions* and other products).

[Note: CAD Article 18(2)]

1.2.18

FCA

R

In order to calculate the proportion that *trading book* business bears to total business for the purpose of ■ BIPRU 1.2.17 R (1)(a) to ■ BIPRU 1.2.17R (1)(c) the *firm* must refer to the size of the combined on- and off-balance-sheet business. For this purpose, debt instruments must be valued at their market prices or their principal values, equities at their market prices and derivatives according to the nominal or market values of the instruments underlying them. Long *positions* and short *positions* must be summed regardless of their signs.

[Note: CAD Article 18(3)]

1.2.19

FCA

R

If a *firm* should happen for more than a short period to exceed either or both of the limits imposed in ■ BIPRU 1.2.17 R (1)(a) and ■ BIPRU 1.2.17R (1)(b) or either or both of the limits imposed in ■ BIPRU 1.2.17 R (1)(c):

- (1) ■ BIPRU 1.2.17 R ceases to apply; and
- (2) the *firm* must notify the *appropriate regulator*.

[Note: CAD Article 18(4)]

1.2.20

FCA

G

As required by ■ BIPRU 8.7.21 R (Special rules for the consolidated market risk requirement), a *firm* should consider whether it meets the threshold conditions in ■ BIPRU 1.2.17 R on both an unconsolidated (or solo) basis and a consolidated basis. If a *firm's* trading activities on both an unconsolidated (or solo) basis and a consolidated basis are below the threshold size, it may be appropriate for the *firm* not to adopt the *trading book* treatment. However, even if the *firm* does not apply the *trading book* treatment it should still adopt a *trading book policy statement*. That statement may be restricted to identifying the activities the *firm* normally considers to be trading and that would constitute part of its *trading book*. The *firm* should use this policy statement to help it to decide whether or not adopting the *trading book* treatment is appropriate.

Systems and controls for the trading book.....

1.2.21

FCA

R

A *firm* must implement policies and processes for the measurement and management of all material sources and effects of market risks.

[Note: BCD Annex V, Part 7 point 10]

1.2.22

FCA

R

A *firm* must establish and maintain systems and controls to manage its *trading book*, in accordance with the *trading book systems and controls rules*, ■ BIPRU 1.2.6 R (Definition of the trading book: Repos) and the *overall financial adequacy rule* to ■ BIPRU 1.2.27 R (Trading book policy statements).

[Note: CAD Article 11(4)]

1.2.23

FCA

R

A *firm* must establish and maintain systems and controls sufficient to provide prudent and reliable valuation estimates.

[Note: CAD Annex VII Part B point 1]

1.2.24

FCA

R

Systems and controls must include at least the following elements:

- (1) documented policies and procedures for the process of valuation (including clearly defined responsibilities of the various areas involved in the determination of the valuation, sources of market information and review of their appropriateness, frequency of independent valuation, timing of closing prices, procedures for adjusting valuations, month end and ad-hoc verification procedures); and
- (2) reporting lines for the department accountable for the valuation process that are clear and independent of the front office.

[Note: CAD Annex VII Part B point 2]

1.2.25

FCA

R

The reporting line in relation to the matters covered by ■ BIPRU 1.2.21 R to ■ BIPRU 1.2.24 R must ultimately be to an executive *director* on the *firm's governing body*.

[Note: CAD Annex VII Part B point 2 (last sentence)]

Trading book policy statements

1.2.26

FCA

R

A *firm* must have clearly defined policies and procedures for determining which *positions* to include in the *trading book* for the purposes of calculating its capital requirements, consistent with the criteria set out in ■ BIPRU 1.2.3 R to ■ BIPRU 1.2.4 R, ■ BIPRU 1.2.10 R to ■ BIPRU 1.2.11 R, ■ BIPRU 1.1.13 R and ■ BIPRU 1.2.22 R and taking into account the *firm's* risk management capabilities and practices. Compliance with these policies and procedures must be fully documented and subject to periodic internal audit.

[Note: CAD Annex VII Part D point 1]

1.2.27

FCA

R

A *firm* must have clearly defined policies and procedures for overall management of the *trading book*. At a minimum these policies and procedures must address:

- (1) the activities the *firm* considers to be trading and as constituting part of the *trading book* for capital requirement purposes;
- (2) the extent to which a *position* can be marked-to-market daily by reference to an active, liquid two-way market;

- (3) for *positions* that are marked-to-model, the extent to which the *firm* can:
 - (a) identify all material risks of the *position*;
 - (b) hedge all material risks of the *position* with instruments for which an active, liquid two-way market exists; and
 - (c) derive reliable estimates for the key assumptions and parameters used in the model;
- (4) the extent to which the *firm* can, and is required to, generate valuations for the *position* that can be validated externally in a consistent manner;
- (5) the extent to which legal restrictions or other operational requirements would impede the *firm's* ability to effect a liquidation or hedge of the *position* in the short term;
- (6) the extent to which the *firm* can, and is required to, actively risk manage the *position* within its trading operation; and
- (7) the extent to which the *firm* may transfer risk or *positions* between the *non-trading book* and *trading book* and the criteria for such transfers.

[Note: CAD Annex VII Part D point 2]

1.2.28

FCA

G

The policies and procedures referred to in ■ BIPRU 1.2.27 R (1) should cover:

- (1) the *CRD financial instrument* and *commodities* that the *firm* proposes to trade in, including the currencies, maturities, issuers and quality of issues; and
- (2) any instruments to be excluded from its *trading book*.

1.2.29

FCA

R

- (1) The policies and procedures referred to in the *overall financial adequacy rule* and ■ BIPRU 1.2.27 R must be recorded in a single written document. A *firm* may record those policies and procedures in more than one written document if the *firm* has a single written document that identifies:
 - (a) all those other documents; and
 - (b) the parts of those documents that record those policies and procedures.
- (2) A *trading book policy statement* means the single document referred to in this *rule*.

1.2.30

FCA

R

(1) A *firm* must notify the *appropriate regulator* as soon as is reasonably practicable when it adopts a *trading book policy statement*.

(2) A *firm* must notify the *appropriate regulator* as soon as is reasonably practicable if the *trading book policy statement* is subject to significant changes.

1.2.31

FCA

G

A significant change for the purpose of the *overall Pillar 2 rule* includes new types of customers or business requiring different funding or provisioning.

1.2.32

FCA

G

There is likely to be an overlap between what the *trading book policy statement* should contain and other documents such as dealing or treasury manuals. A cross reference to the latter in the *trading book policy statement* is adequate and material in other documents need not be set out again in the *trading book policy statement*. However where this is the case the matters required to be included in the *trading book policy statement* should be readily identifiable.

1.2.33

FCA

G

The *trading book policy statement* may be prepared on either a consolidated or a solo (or solo-consolidated) basis. It should be prepared on a consolidated basis when a group either manages its trading risk centrally or employs the same risk management techniques in each group member. A *trading book policy statement* prepared on a consolidated basis should set out how it applies to each *firm* in the group and should be approved by each such *firm's governing body*.

Treatments common to the trading book and the non-trading book

1.2.34

FCA

G

Capital requirements for *foreign currency risk* and *commodity position risk* are the same whether the risk arises in the *trading book* or the *non-trading book*. The calculation of capital requirements for *foreign currency risk* is set out in ■ BIPRU 7.5. The calculation of capital requirements for *commodity position risk* is set out in ■ BIPRU 7.4.

Trading book treatments

1.2.35

FCA

G

All *positions* that are in a *firm's trading book* require capital to cover *position risk* and may require capital to cover counterparty credit risk. Counterparty credit risk in the *trading book* is dealt with by ■ BIPRU 14 .

Non-trading book treatments

1.2.36

FCA

G

All *positions* that are not in a *firm's trading book* are included in its *non-trading book* and subject capital requirements for the *non-trading book* unless they are deducted from *capital resources* under GENPRU 2.2 (Capital resources).

1.3 Applications for advanced approaches and waivers

Application

1.3.1
FCA

R

This section of the *Handbook* applies to every *BIPRU firm* that wishes to apply for a permission to use any of the approaches set out in ■ BIPRU 1.3.2 G.

Purpose

1.3.2
FCA

G

- (1) A *firm* may apply for an *Article 129 permission* or a *waiver* in respect of:
 - (a) the *IRB approach*;
 - (b) [deleted]
 - (c) the *CCR internal model method*; and
 - (d) the *VaR model approach*.
- (2) A *firm* should apply for a *waiver* if it wants to:
 - (a) apply the *CAD 1 model approach*; or
 - (b) apply the *master netting agreement internal models approach*; or
 - (c) disapply consolidated supervision under ■ BIPRU 8 for its *UK consolidation group* or *non-EEA sub-group*; or
 - (d) apply the treatment in ■ BIPRU 2.1 (Solo-consolidation waiver); or
 - (da) apply the treatment for a *core UK group* in ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures) .
 - (e) [deleted]
 - (f) [deleted]

Article 129

1.3.3
FCA

G

An *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of its *EEA parent financial holding company* or the *subsidiary undertakings* of its *EEA parent mixed financial holding company* that wish to use any of the approaches listed in ■ BIPRU 1.3.2 G (1) in respect of its group, including members of its group that are *BIPRU firms*, may apply for an *Article 129 permission*.

1.3.4
FCA **G** The *Article 129 procedure* allows an *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of its *EEA parent financial holding company* or the *subsidiary undertakings* of its *EEA parent mixed financial holding company* to apply for permission to use the approaches in ■ BIPRU 1.3.2 G (1) without making separate applications to the *competent authority* of each *EEA State* where members of a *firm's* group are authorised.

1.3.5
FCA **G** The *Capital Requirements Regulations 2006* set out the *Article 129 procedure*.

1.3.6
FCA **G** Where a *firm* or its group has been granted an *Article 129 permission*, each *competent authority*, including the lead *competent authority*, will need to take action to apply that *Article 129 permission* to the *institutions* that they authorise. Part 3 of the *Capital Requirements Regulations 2006* governs how the *appropriate regulator* will take that action, whether or not the *appropriate regulator* is the lead *competent authority*.

Article 129 permissions and waivers - specific conditions

1.3.7
FCA **D** When an *advanced measurement approach* is intended to be used by an *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of an *EEA parent financial holding company*, the application of a *firm* in accordance with ■ BIPRU 1.3.14 D must include the elements listed in ■ BIPRU 6.5.5 R (Minimum standards for the advanced measurement approach).

[Note:BCD Article 105(2)]

1.3.8
FCA **D** When an *advanced measurement approach* is intended to be used by an *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of an *EEA parent financial holding company* or an *EEA parent mixed financial holding company*, the application of a *firm* must include a description of the methodology used for allocating *operational risk* capital between the different entities of the group.

[Note: BCD AnnexX Part 3 point 30]

1.3.9
FCA **D** For the purposes of ■ BIPRU 1.3.8 D, the application of a *firm* must indicate whether and how diversification effects are intended to be factored in the risk measurement system.

[Note: BCD annex X Part 3 point 31]

Waiver - general

1.3.10
FCA **G** As explained in ■ SUP 8, under section 138A of the *Act*, the *appropriate regulator* may not grant a *waiver* to a *firm* unless it is satisfied that:

- (1) compliance by the *firm* with the *rules*, or with the *rules* as modified, would be unduly burdensome or would not achieve the purpose for which the *rules* were made; and
- (2) the *waiver* would not adversely affect the advancement of any of the *appropriate regulator's* objectives.

1.3.11 **G** The conditions relating to the use of an approach listed in ■ BIPRU 1.3.2 G referred to in the relevant chapter of *BIPRU* are minimum standards. Satisfaction of those conditions does not automatically mean the *appropriate regulator* will grant a *waiver* referred to in those paragraphs. The *appropriate regulator* will in addition also apply the tests in section 138A of the *Act*.
FCA

1.3.12 **G** In the *appropriate regulator's* view, if the minimum standards referred to in ■ BIPRU 1.3.11 G are satisfied, the conditions referred to in ■ BIPRU 1.3.10 G (1) will generally be met.
FCA

Forms and method of application

1.3.13 **D** Subject to ■ BIPRU 1.3.14 D to ■ BIPRU 1.3.20 D, if a *firm* wishes to apply for a *waiver* to apply an approach set out in ■ BIPRU 1.3.2 G, it must comply with ■ SUP 8.3.3 D.
FCA

1.3.14 **D** [deleted]
FCA

1.3.15 **D** If a *firm* wishes to apply for a *waiver* or an *Article 129 permission* to use the *IRB approach*, it must complete and submit the form in ■ BIPRU 1 Annex 2D D.
FCA

1.3.16 **D** If a *firm* wishes to apply for a *waiver* or an *Article 129 permission* to use the *CCR internal model method*, it must complete and submit the form in ■ BIPRU 1 Annex 3D D.
FCA

1.3.17 **D** Where a *firm* makes an application in accordance with ■ BIPRU 1.3.14 D, ■ BIPRU 1.3.15 D or ■ BIPRU 1.3.16 D, the *firm* must state on the application whether it is making an application for a *waiver* or an *Article 129 permission*.
FCA

1.3.18 **D** Where a *firm* applies for a *VaR model permission*, the *firm* must state whether it is making an application for a *waiver* or an *Article 129 permission*.
FCA

1.3.19 **G** In respect of the application for *waivers* to apply the approaches set out in ■ BIPRU 1.3.2 G (1), the *appropriate regulator* will aim to give decisions on applications as soon as practicable. However, the *appropriate regulator* expects that it will take a significant period to determine and give a decision due to the complexity of the issues raised by the applications. Details of timelines for applications for waivers to use advanced approaches and under the *Article 129 procedure* are set out on the *appropriate regulator* website.
FCA

1.3.20 **D** Where a *firm* applies for a *solo consolidation waiver*, it must demonstrate how each of the conditions set out in ■ BIPRU 2.1.20 R to ■ BIPRU 2.1.24 R are met and address the criteria set out in the *guidance* in ■ BIPRU 2.1.25 G as part of its application in accordance with ■ BIPRU 1.3.13 D.
FCA

1.3.21 **G** Before sending in an application for a *waiver* or *Article 129 permission*, a *firm* may find it helpful to discuss the application with its usual supervisory contact at the *appropriate regulator*. However, the *firm* should still ensure that all relevant information is included in the application.
FCA



1.4 Actions for damages

1.4.1

FCA

R

A contravention of the *rules* in *BIPRU* does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

4.1.21

FCA

R

A reference in the *Handbook* to a provision of the *IRB approach*, in the case of a *firm*:

- (1) excludes any provision of the *IRB approach* set out in the *Handbook* that is not applied to that *firm* by its *IRB permission*;
- (2) includes any additional provision contained in the *firm's IRB permission*; and
- (3) takes into account any other amendments made to the provisions in the *Handbook* relating to the *IRB approach* made by the *firm's IRB permission*.

4.1.22

FCA

R

To the extent that a *firm's IRB permission* does not allow it to use a particular approach in the *Handbook* relating to the *IRB approach* the *Handbook* provision in question does not apply to the *firm*.

4.1.23

FCA

R

If a provision of the *Handbook* relating to the *IRB approach* says that a *firm* may do something if its *IRB permission* allows it, a *firm* may do that thing unless its *IRB permission* expressly says that it may not do so except that:

- (1) ■ BIPRU 4.2.18 R - ■ BIPRU 4.2.19 R (Sequential implementation of *IRB approach*) and ■ BIPRU 4.2.26 R (1)-■ BIPRU 4.2.26R (5) (Combined use of standardised approach with *IRB approach*) only apply if expressly permitted by a *firm's IRB permission*;
- (2) a *firm* may not use the *advanced IRB approach* for the *sovereign, institution and corporate IRB exposure class* except to the extent expressly permitted by the *firm's IRB permission*;
- (3) if a *firm* uses its own estimates of *LGD* and *conversion factors* it may only take into account *unfunded credit protection* to reduce *LGD* in the manner set out in its *IRB permission*;
- (4) if a *firm* uses its own estimates of *LGD* and *conversion factors* it may only recognise the effects of financial collateral in the manner set out in its *IRB permission*;
- (5) a *firm* must deal with *equity exposures* in the manner set out in its *IRB permission*; and
- (6) (in the case of *collateral* that is only eligible for recognition under paragraph 21 of Part 1 of Annex VIII of the *Banking Consolidation Directive* (Other physical collateral)) a *firm* may not recognise as eligible collateral an item of a type referred to in ■ BIPRU 4.10.16 R (Other physical collateral) unless that item is of a type specified as permitted in its *IRB permission*.

4.1.24

FCA

G

An *IRB permission* will set out *firm*-specific material. This will generally include:

- (1) details about the *firm*'s methodology for carrying out the *IRB approach*, including the models and *rating systems* that a *firm* should use;
- (2) reporting requirements; and
- (3) requirements about internal control structure.

Compliance

4.1.25

FCA

R

If a *firm* ceases to comply with the requirements of the *IRB approach*, it must either present to the *appropriate regulator* a plan for a timely return to compliance or demonstrate that the effect of non-compliance is immaterial.

[Note: *BCD Article 84(5)*]

4.1.26

FCA

G

If a *firm* ceases to comply with the requirements of the *IRB approach*, the *appropriate regulator* may revoke the *IRB permission* or take other appropriate supervisory action.

4.1.27

FCA

G

For the purposes of ■ BIPRU 4.1.25 R, the *appropriate regulator* will expect a *firm* to demonstrate that, taking into account all instances where the *firm* has not complied with the requirements of the *IRB approach*, the effect of non-compliance is immaterial.

8.2 Scope and basic consolidation requirements for UK consolidation groups

Main consolidation rule for UK consolidation groups

8.2.1

FCA

R

A *firm* that is a member of a *UK consolidation group* must comply, to the extent and in the manner prescribed in ■ BIPRU 8.5, with the obligations laid down in ■ GENPRU 1.2 (Adequacy of financial resources) and the *main BIPRU firm Pillar 1 rules* (but not the *base capital resources requirement*) on the basis of the consolidated financial position of:

- (1) where either Test 1A or Test 1B in ■ BIPRU 8 Annex 1 R (Decision tree identifying a UK consolidation group) apply, the *parent institution in a Member State* in the *UK consolidation group*; or
- (2) where either Test 1C or Test 1D in ■ BIPRU 8 Annex 1 R apply, the *parent financial holding company in a Member State* or the *parent mixed financial holding company in a Member State*.

8.2.2

FCA

R

Further to ■ BIPRU 8.2.1 R, a *firm* that is a member of a *UK consolidation group* must at all times ensure that the *consolidated capital resources* of the *UK consolidation group* are equal to or exceed its *consolidated capital resources requirement*.

8.2.3

FCA

G

The *base capital resources requirement* does not apply on a consolidated basis.

Definition of UK consolidation group

8.2.4

FCA

R

A *firm's UK consolidation group* means a group that is identified as a *UK consolidation group* in accordance with the decision tree in ■ BIPRU 8 Annex 1 R (Decision tree identifying a UK consolidation group); the members of that group are:

- (1) where either Test 1A or Test 1B in ■ BIPRU 8 Annex 1 R apply, the members of the *consolidation group* made up of the *sub-group* of the *parent institution in a Member State* identified in ■ BIPRU 8 Annex 1 R together with any other *person* who is a member of that *consolidation group* because of a *consolidation Article 12(1) relationship* or an *Article 134 relationship*; or

- (2) where either Test 1C or Test 1D in ■ BIPRU 8 Annex 1 R apply, the members of the *consolidation group* made up of the *sub-group* of the *parent financial holding company in a Member State* or the *parent mixed financial holding company in a Member State* identified in ■ BIPRU 8 Annex 1 R together with any other *person* who is a member of that *consolidation group* because of a *consolidation Article 12(1) relationship* or an *Article 134 relationship*;

in each case only *persons* included under ■ BIPRU 8.5 (Basis of consolidation) are included in the *UK consolidation group*.

8.2.5

FCA

R

For the purposes of this chapter, what would otherwise be a *UK consolidation group* is not a *UK consolidation group* if all the members of that *UK consolidation group* wholly form part of another *UK consolidation group*.

8.2.6

FCA

G

■ BIPRU 8 Annex 2 G (Examples of how to identify a UK consolidation group) sets out examples of how to identify a *UK consolidation group*.

8.2.7

FCA

G

■ BIPRU 8 Annex 1 R (Decision tree identifying a UK consolidation group) shows that Articles 125 and 126 of the *Banking Consolidation Directive* are important in deciding whether the *appropriate regulator* is obliged to supervise a group or part of a group and hence whether that group or part of a group is a *UK consolidation group*.

■ BIPRU 8 Annex 4 G (Text of Articles 125 and 126 of the *Banking Consolidation Directive*) sets out these articles together with an explanation of how those articles should be read in the case of a group which also contains *CAD investment firms*.

Prudential sourcebook for Investment Firms

4.2 Standardised approach

Standardised approach

4.2.1

FCA

R

For the purposes of article 115 of the *EU CRR* (Exposures to regional governments or local authorities), a *firm* may treat *exposures* to the following regional governments as *exposures* to the *UK* central government:

- (1) The Scottish Parliament;
- (2) The National Assembly for Wales; and
- (3) The Northern Ireland Assembly.

Risk weights

4.2.2

FCA

G

Where the *FCA* has published evidence showing that a well-developed and long-established residential property market is present in that territory with loss rates which do not exceed the limits in article 125(3) of the *EU CRR* (Exposures fully and completely secured by mortgages on residential property), a *firm* does not need to meet the condition in article 125(2)(b) of the *EU CRR* in order to consider an *exposure*, or any part of an *exposure*, as fully and completely secured for the purposes of article 125(1) of the *EU CRR*.

Criteria for certain exposures secured by mortgages on commercial immovable property

4.2.3

FCA

R

For the purposes of articles 124(2) and 126(2) of the *EU CRR*, and in addition to the conditions in those regulations, a *firm* may only treat *exposures* as fully and completely secured by mortgages on commercial immovable property located in the *UK* in line with article 126 where annual average losses stemming from lending secured by mortgages on commercial property in the *UK* did not exceed 0.5% of risk-weighted exposure amounts over a representative period. A *firm* must calculate the *loss* level in this *rule* on the basis of the aggregate market data for commercial property lending published by the *FCA* in line with article 101(3) of the *EU CRR*.

PAGE
3

4.2.4

FCA

R

For the purpose of this *rule*, a representative period shall be a time horizon of sufficient length and which includes a mix of good and bad years.

Exposures to institutions

4.2.5
FCA

G

The FCA confirms that, in relation to the concessionary treatment set out in article 119(5) of the EU CRR, there are no *financial institutions* currently authorised and supervised by it (other than those to which the EU CRR applies directly) that are subject to prudential requirements that it considers to be comparable in terms of robustness to those applied to *institutions* under the EU CRR.

[Note: article 119(5) of the EU CRR]

Retail exposures

4.2.6
FCA

G

Where an *exposure* is denominated in a currency other than the euro, the FCA expects a *firm* to use appropriate and consistent exchange rates to determine compliance with relevant thresholds in the EU CRR. Accordingly, a *firm* should calculate the euro equivalent value of the *exposure* for the purposes of establishing compliance with the aggregate monetary limit of €1 million for retail *exposures* using a set of exchange rates the *firm* considers to be appropriate. The FCA expects a *firm's* choice of exchange rate to have no obvious bias and to be derived on the basis of a consistent approach (see article 123(c) of the EU CRR).

Exposures fully and completely secured by mortgages on residential property: Ijara mortgages

4.2.7
FCA

G

The FCA considers an Ijara mortgage to be an example of an *exposure* to a tenant under a property leasing transaction concerning residential property under which the *firm* is the lessor and the tenant has an option to purchase. Accordingly, the FCA expects *exposures* to Ijara mortgages to be subject to all of the requirements that apply to *exposures* secured by mortgages on residential property, including in respect of periodic property revaluation (see articles 124 and 125 of the EU CRR).

Lifetime mortgages

4.2.8
FCA

G

The FCA expects a *firm* with exposure to a *lifetime mortgage* to inform the FCA of the difference in the *own funds requirements* on those *exposures* under the EU CRR and the credit risk capital requirement that would have applied under
 ■ BIPRU 3.4.56A R. The FCA will use this information in its consideration of relevant risks in its supervisory assessment of the *firm* (see articles 124, 125 and 208 of the EU CRR).

Exposures in default

4.2.9
FCA

G

When determining the portion of a past due item that is secured, the FCA expects the secured portion of an *exposure* covered by a mortgage indemnity product that is eligible for *credit risk mitigation* purposes under Part Three, Title II, Chapter 4 of the EU CRR (Credit risk mitigation) to qualify as an eligible guarantee (see article 129(2) of the EU CRR).

Interim Prudential Sourcebook

Investment Businesses

The Interim Prudential Sourcebook for Investment Businesses

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Transitional provisions

FCA

1 Table Transitional provisions applying to IPRU(INV)

(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
5	<i>IPRU(INV) 11</i>	R	A <i>UCITS firm</i> authorised on or before 21 July 2013 need not comply with <i>IPRU(INV) 11</i> until 22 July 2014 or the date it becomes a <i>UK AIFM</i> (if earlier), provided it continues to comply instead with <i>UPRU</i> .	22 July 2013 to 21 July 2014	22 July 2013
6	The changes to <i>IPRU(INV)</i> in Annex J of the Alternative Investment Fund Managers Directive Instrument 2013 and Annex C of the Capital Requirements Directive IV (AIFMD and UCITS Consequential Amendments) Instrument 2013	R	(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annexes listed in column (2) do not apply and the provisions in <i>IPRU(INV)</i> amended by those Annexes will continue to apply as they were in force as at 21 July 2013. (2) The conditions are: (a) the <i>firm</i> falls within regulation 72(1) of the <i>AIFMD UK regulation</i> ; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i> .	From 22 July 2013 until 21 July 2014	22 July 2013
7	<i>IPRU(INV) 11</i>	R	Where a <i>firm</i> falls within regulation 74(1) or 75(1) of the <i>AIFMD UK regulation</i> it need not include <i>AIFs</i> managed by it that fall within those regulations in the calculation of its <i>funds under management requirement, professional negligence capital requirement or PII excess capital requirement</i> .	From 22 July 2013	22 July 2013
8	[to follow]				
9	[to follow]				
10	<i>IPRU(INV) 12</i>	R	<i>IPRU(INV) 12</i> does not apply to a <i>firm</i> with an <i>interim permission</i>	Indefinitely	1 April 2014
11	<i>IPRU(INV)</i>	R	The amount is replaced with	From 1 April 2014 to 31	1 April 2014

	12.2.6R(1)		£20,000	March 2017	
12	<i>IPRU(INV)</i> 12.3.5R	R	b = items 1,4 and 5 in the Table of items which must be deducted in arriving at a <i>firm's financial resources</i> (see <i>IPRU(INV)</i> 12.3.3 R)	From 1 April 2014 to 31 March 2017	1 April 2014

12 Financial resources requirements for operators of electronic systems in relation to lending.

12.1 APPLICATION AND PURPOSE

Application

12.1.1 R This chapter applies to an *operator of an electronic system in relation to lending*.

FCA

12.1.2 G This chapter amplifies the *threshold condition 2D* (Appropriate resources) by providing that a *firm* must meet, on a continuing basis, a basic solvency requirement. This chapter also builds on *Principle 4* which requires a *firm* to maintain adequate financial resources by setting out appropriate requirements for a *firm* according to what type of *firm* it is.

FCA

12.1.3 G Prudential standards have an important role in minimising the risk of harm to consumers by requiring a *firm* to behave prudently in monitoring and managing business and financial risks.

FCA

12.1.4 G More generally, having adequate financial resources gives the *firm* a degree of resilience and some indication to consumers of creditworthiness, substance and the commitment of its owners. The *rules* in this chapter aim to ensure that a *firm* has financial resources which can provide cover for operational and compliance failures and pay redress, as well as reducing the possibility of a shortfall in funds and providing a cushion against disruption if the *firm* ceases to trade.

FCA

Relevant accounting principles

12.1.5 R A *firm* must recognise an asset or liability, and measure its amount, in accordance with the relevant accounting principles applicable to it for the purpose of preparing its *annual financial statements* unless a *rule* requires otherwise.

FCA

Actions for damages

12.1.6 R A contravention of the *rules* in this chapter does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

FCA

12.1 FINANCIAL RESOURCES REQUIREMENTS

General solvency requirement

12.2.1 R A *firm* must at all times be able to meet its liabilities as they fall due.

FCA

General financial resource requirement

- 12.2.2 R A *firm* must ensure that at all times its *financial resources* are not less than its *financial resources requirement*.

FCA

Financial resources requirement: firms carrying on other regulated activities

- 12.2.3 R The *financial resources requirement* for a *firm* carrying on one or more *regulated activities* in addition to *operating an electronic system in relation to lending*, is the higher of:

FCA

- (1) the *financial resources requirement* which is applied by this chapter; and
- (2) the financial resources or own funds requirement which is applied by another *rule* or by directly applicable legislation of the *EU* to the *firm*.

Financial resources requirement

- 12.2.4 R On its *accounting reference date* in each year, a *firm* must calculate:

FCA

- (1) the total value of *loaned funds* outstanding on that date; and
- (2) the sum of:
 - (a) 0.2% of the first £50 million of that total value;
 - (b) 0.15% of the next £200 million of that total value;
 - (c) 0.1% of the next £250 million of that total value; and
 - (d) 0.05% of any remaining total value.

- 12.2.5 R The total value of *loaned funds* outstanding is the total amount of funds that are currently being provided to borrowers under *P2P agreements* through an *operator of an electronic system in relation to lending*.

FCA

- 12.2.6 R The *financial resources requirement* for a *firm* to which this chapter applies is the higher of:

FCA

- (1) £50,000; and
- (2) the sum calculated in accordance with *IPRU(INV)* 12.2.4R(2) for the period until (subject to *IPRU(INV)* 12.2.9R) its next *accounting reference date*.

- 12.2.7 R To determine a *firm's financial resources requirement* for the period beginning on the date on which it obtains a *Part 4A permission* and ending on the day before its next *accounting reference date*, the *firm* must carry out the calculation in *IPRU(INV) 12.2.4R(2)* on the basis of the total value of *loaned funds* the *firm* projects will be outstanding on the *day* before its next *accounting reference date*.

FCA

Determining the financial resources requirement

- 12.2.8 G If the *firm* has 30,000 individuals each lending £100,000, the total value of the *firm's loaned funds* outstanding is £3,000,000,000. If the *firm* does not carry on any other *regulated activity* to which another higher financial resources or own funds requirement applies, its *financial resources requirement* is £1,900,000. This is calculated as follows:

FCA

- (1) $0.2\% \times £50,000,000 = £100,000$;
- (2) $0.15\% \times £200,000,000 = £300,000$;
- (3) $0.1\% \times £250,000,000 = £250,000$;
- (4) $0.05\% \times £2,500,000,000 = £1,250,000$.

Recalculating the financial resources requirement

- 12.2.9 R If the *firm* experiences a greater than 25% increase in the total value of *loaned funds* outstanding compared to the value used in its last financial resources requirement calculation, it must recalculate its financial resources requirement using the higher total value of *loaned funds* outstanding.

FCA

- 12.2.10 R A *firm* must notify the FCA of any change, or any likely change, in its financial resources requirement within 14 days of that change, or it becoming aware that the change is likely, whichever is the earlier.

FCA

12.3 CALCULATION OF FINANCIAL RESOURCES

- 12.3.1 R (1) A *firm* must at all times have available the amount and type of financial resources required by this chapter (see *IPRU(INV) 12.3.2R*).

FCA

- (2) In arriving at its calculation of its financial resources, a *firm* must deduct certain items (see *IPRU(INV) 12.3.3R*).

- 12.3.2 R Table: Items which are eligible to contribute to the financial resources of a *firm*

FCA

	Item	Additional explanation	
1.	Share capital	This must be fully paid and may include:	
		(1)	ordinary <i>share</i> capital; or
		(2)	preference <i>share</i> capital (excluding preference <i>shares</i> redeemable by shareholders within two years).
2.	Capital other than <i>share</i> capital (for example, the capital of a <i>sole trader</i> , <i>partnership</i> or <i>limited liability partnership</i>)	The capital of a <i>sole trader</i> is the net balance on the <i>firm's</i> capital account and current account. The capital of a <i>partnership</i> is the capital made up of the <i>partners'</i> :	
		(1)	capital account, that is the account:
		(a)	into which capital contributed by the <i>partners</i> is paid; and
		(b)	from which, under the terms of the <i>partnership</i> agreement, an amount representing capital may be withdrawn by a <i>partner</i> only if:
			(i) he ceases to be a <i>partner</i> and an equal amount is transferred to another such account by his former <i>partners</i> or any <i>person</i> replacing him as their <i>partner</i> , or
			(ii) the <i>partnership</i> is otherwise dissolved or wound up; and
		(2)	current accounts according to the most recent financial statement.
		For the purpose of the calculation of <i>financial resources</i> , in respect of a <i>defined benefit occupational pension scheme</i> :	
		(1)	a <i>firm</i> must derecognise any <i>defined benefit asset</i> ,
		(2)	a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> , provided that the election is applied consistently in respect of any one financial year.
3.	Reserves (Note 1)	These are, subject to Note 1, the audited accumulated profits retained by the <i>firm</i> (after deduction of tax, dividends and proprietors' or <i>partners'</i> drawings) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i> .	

	Item	Additional explanation
		For the purposes of calculating <i>financial resources</i> , a <i>firm</i> must make the following adjustments to its reserves, where appropriate:
		(1) a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unrealised losses on debt instruments held, or formerly held, in the available-for-sale financial assets category;
		(2) a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of financial instruments measured at cost or amortised cost;
		(3) in respect of a <i>defined benefit occupational pension scheme</i> :
		(a) a <i>firm</i> must derecognise any <i>defined benefit asset</i> ;
		(b) a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> , provided that the election is applied consistently in respect of any one financial year.
4.	Interim net profits (Note 1)	If a <i>firm</i> seeks to include interim net profits in the calculation of its <i>financial resources</i> , the profits have, subject to Note 1, to be verified by the <i>firm's</i> external auditor, net of tax, anticipated dividends or proprietors' drawings and other appropriations.
5.	Revaluation reserves	
6.	Subordinated loans/debt	Subordinated loans/debt must be included in <i>financial resources</i> on the basis of the provisions in this chapter that apply to subordinated loans/debt.
Note:		
1	Reserves must be audited and interim net profits, general and collective provisions must be verified by the <i>firm's</i> external auditor unless the <i>firm</i> is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)) or, where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.	

12.3.3 R Table: Items which must be deducted in arriving at *financial resources*

FCA

1	<i>Investments in own shares</i>
2	<i>Investments in subsidiaries</i> (Note 1)
3	Intangible assets (Note 2)
4	Interim net losses (Note 3)
5	Excess of drawings over profits for a <i>sole trader</i> or a <i>partnership</i> (Note 3)
Notes	<p>1. <i>Investments in subsidiaries</i> are the full balance sheet value.</p> <p>2. Intangible assets are the full balance sheet value of goodwill, capitalised development costs, brand names, trademarks and similar rights and licences.</p> <p>3. The interim net losses in row 4, and the excess of drawings in row 5, are in relation to the period following the date as at which the capital resources are being computed.</p>

Subordinated loans/debt

12.3.4 R A subordinated loan/debt must not form part of the *financial resources* of the *firm* unless it meets the following conditions:

FCA

- (1) it has an original maturity of:
 - (a) at least five years; or
 - (b) it is subject to five years' notice of repayment;
- (2) the claims of the subordinated creditors must rank behind those of all unsubordinated creditors;
- (3) the only events of default must be non-payment of any interest or principal under the debt agreement or the winding up of the *firm* and such event of default must not prejudice the subordination in (2);
- (4) the remedies available to the subordinated creditor in the event of non-payment or other default in respect of the subordinated loan/debt must be limited to petitioning for the winding up of the *firm* or proving the debt and claiming in the liquidation of the

firm;

- (5) the subordinated loan/debt must not become due and payable before its stated final maturity date except on an event of default complying with (3);
- (6) the agreement and the debt are governed by the law of England and Wales, or of Scotland or of Northern Ireland;
- (7) to the fullest extent permitted under the rules of the relevant jurisdiction, creditors must waive their right to set off amounts they owe the *firm* against subordinated amounts owed to them by the *firm*;
- (8) the terms of the subordinated loan/debt must be set out in a written agreement that contains terms that provide for the conditions set out in this *rule*; and
- (9) the loan/debt must be unsecured and fully paid up.

12.3.5 G When calculating its *financial resources*, the *firm* must exclude any amount by which the aggregate amount of its subordinated loans/debts exceeds the amount calculated as follows:

FCA

a - b		
where:		
a	=	Items 1 -5 in the table of items which are eligible to contribute to a <i>firm's financial resources</i> (see <i>IPRU(INV)</i> 12.3.2R)
b	=	Items 1- 5 in the table of items which must be deducted from a <i>firm's financial resources</i> (see <i>IPRU(INV)</i> 12.3.3R)

12.3.6 G *IPRU(INV)* 12.3.5R can be illustrated as follows:

FCA

(1)	Share Capital	£20,000
	Reserves	£30,000
	Subordinated loans/debts	£10,000
	Intangible Assets	£10,000
As subordinated loans/debts (£10,000) are less than the total of share capital + reserves – intangible assets (£40,000) the <i>firm</i> need not exclude any of its subordinated loans/debts pursuant to <i>IPRU(INV)</i> 12.3.5R. Therefore, total <i>financial resources</i> will be		

(1)

£50,000.	
Share Capital	£20,000
Reserves	£30,000
Subordinated loans/debts	£60,000
Intangible Assets	£10,000
As subordinated loans/debts (£60,000) exceed the total of share capital + reserves – intangible assets (£40,000) by £20,000, the <i>firm</i> should exclude £20,000 of its subordinated loans/debts when calculating its <i>financial resources</i> . Therefore, total <i>financial resources</i> will be £80,000.	

12.4 NOTIFICATION REQUIREMENTS

12.4.1 G

FCA

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
<i>IPRU(INV)12.2.10R</i>	A change or likely change, in a <i>firm's financial resources requirement</i> .	The <i>financial resources requirement</i> as recalculated	A greater than 25% increase in the <i>firm's</i> total value of the amount of <i>loaned funds</i> outstanding compared to the value used in its last <i>financial resources requirement</i> calculation	Within 14 <i>days</i> of the trigger event

Appendix 1: Glossary of terms for IPRU(INV) 12

If a defined term does not appear in the *IPRU(INV)* glossary below, the definition appearing in the main Handbook Glossary applies.

financial resources a *firm's* financial resources as calculated in accordance with *IPRU(INV)* 12.3 (Calculation of financial resources).

financial resources requirement an amount of *financial resources* that a *firm* must hold as set out in *IPRU(INV)* 12.2 (Financial resources requirements).

Appendix 13(1): Defined terms for Chapter 13

<i>Exchange</i>	a recognised investment exchange or designated investment exchange.
<i>low resource firm</i>	a <i>Category B3 firm</i> which is not a <i>network</i> , has fewer than 26 financial advisers or representatives and is not permitted to: <ul style="list-style-type: none">(a) carry on discretionary portfolio management;(b) establish, operate or wind up a personal pension scheme; or(c) delegate the activities in (a) or (b) to an <i>investment firm</i>.
<i>net current assets</i>	the total, at a particular date, of all assets which are not intended for use on a continuing basis in the <i>firm's</i> business (i.e. current assets), less all the liabilities payable within 12 months of that date.
<i>properly secured</i>	fully secured by a first <i>charge</i> in favour of the <i>firm</i> on land and buildings, or on a <i>readily realisable investment</i> where the <i>firm</i> has in its possession or under its control a document of title or a document evidencing title to that <i>investment</i> .

Conduct of Business Sourcebook

- (2) The general law, including the *Unfair Terms Regulations*, also limits the scope for a *firm* to exclude or restrict any duty or liability to a *consumer*.

AIFMs

2.1.4

FCA

R

A *full-scope UK AIFM* and an *incoming EEA AIFM branch* must, for all *AIFs* it manages:

- (1) act honestly, fairly and with due skill care and diligence in conducting their activities;
- (2) act in the best interests of the *AIF* it manages or the investors of the *AIF* it manages and the integrity of the market;
- (3) treat all investors fairly; and
- (4) not allow any investor in an *AIF* to obtain preferential treatment, unless such preferential treatment is disclosed in the relevant *AIF's instrument constituting the fund*.

[Note: article 12(1)(a), (b) and (f) and article 12(1) last paragraph of *AIFMD*]

Subordinate measures for alternative investment fund managers

2.1.5

FCA

G

Articles 16 to 29 of the *AIFMD level 2 regulation* provide detailed rules supplementing the relevant provisions of Article 12(1) of *AIFMD*.

2.2 Information disclosure before providing services

Application

2.2.-1
FCA

R

- (1) This section applies in relation to *MiFID* or equivalent third country business.
- (2) This section applies in relation to other *designated investment business* carried on for a *retail client*:
 - (a) in relation to a *derivative*, a *warrant*, a *non-readily realisable security*, a *P2P agreement*, or *stock lending activity*, but as regards the matters in ■ COBS 2.2.1R (1)(b) only; and
 - (b) in relation to a *retail investment product*, but as regards the matters in ■ COBS 2.2.1R (1)(a) and ■ (d) only.

[Note: article 19(3) of *MiFID*]

Information disclosure before providing services

2.2.1
FCA

R

- (1) A *firm* must provide appropriate information in a comprehensible form to a *client* about:
 - (a) the *firm* and its services;
 - (b) *designated investments* and proposed investment strategies; including appropriate guidance on and warnings of the risks associated with investments in those *designated investments* or in respect of particular investment strategies;
 - (c) execution venues; and
 - (d) costs and associated charges;

so that the *client* is reasonably able to understand the nature and risks of the service and of the specific type of *designated investment* that is being offered and, consequently, to take investment decisions on an informed basis.
- (2) That information may be provided in a standardised format.
- (3) [deleted]

Chapter 4

Communicating with clients, including financial promotions

4.1 Application

Who? What?

4.1.1

FCA

R

This chapter applies to a *firm*:

- (1) communicating with a *client* in relation to its *designated investment business*;
- (2) *communicating* or *approving* a *financial promotion* other than:
 - (a) a *financial promotion* of *qualifying credit*, a *home purchase plan* or a *home reversion plan*; or
 - (b) a *financial promotion* in respect of a *non-investment insurance contract*; or
 - (c) a promotion of an *unregulated collective investment scheme* that would breach section 238(1) of the *Act* if made by an *authorised person* (*firms* may not *communicate* or *approve* such promotions); or
 - (d) a *financial promotion* in relation to a *credit agreement*, a *consumer hire agreement* or a *credit-related regulated activity*.

4.1.1A

FCA

R

■ COBS 4.4.3 R applies to a *firm* with respect to the activity of *issuing electronic money*.

4.1.2

FCA

G

- (1) This chapter applies in relation to an *authorised professional firm* in accordance with ■ COBS 18 (Specialist regimes).
- (2) This chapter applies, to a limited extent, in relation to *communicating* or *approving* a *financial promotion* that relates to a *deposit* if the *deposit* is a *structured deposit*, *cash deposit ISA* or *cash deposit CTF*.

4.1.3

FCA

G

A *firm* is required to comply with the *financial promotion rules* in relation to a *financial promotion communicated* by its *appointed representative* even where the *financial promotion* does not require *approval* because of the exemption in article 16 of the *Financial Promotion Order* (Exempt persons).

[Note: see section 39 of the Act]

4.1.4

FCA

G

- (1) In ■ COBS 4.3.1 R, ■ COBS 4.5.8 R and ■ COBS 4.7.1 R, the defined terms "*financial promotion*" and "*direct offer financial promotion*" include, in relation to *MiFID* or *equivalent third country business*, all communications that are marketing communications within the meaning of *MiFID*.
- (2) In the case of *MiFID* or *equivalent third country business*, certain requirements in this chapter are subject to an exemption for the communication of a *third party prospectus* in certain circumstances. This has a similar effect to the exemption in article 70(1)(c) of the *Financial Promotion Order*, which is referred to in the definition of an *excluded communication*.
- (3) In this chapter "*financial promotion*" and "*direct offer financial promotion*" include communications that are marketing communications for the purposes of the *UCITS Directive*.

4.1.5

FCA

G

- (1) A *firm* communicating with an *eligible counterparty* should have regard to the application of *COBS* to *eligible counterparty business* (■ COBS 1 Annex 1 Part 1).
- (2) This chapter does not apply in relation to communicating with an *eligible counterparty* other than the section on compensation information (see ■ COBS 4.4) but elements of the requirements in *PRIN* may apply.

4.1.6

FCA

G

Approving a financial promotion without *communicating* it (which includes causing it to be communicated) is not *MiFID* or *equivalent third country 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 3.2.1 R (1), ■ COBS 3.2.1 R (2) or ■ COBS 3.2.1 R (4) in respect of the *MiFID* or *equivalent third country business* to which the *financial promotion* relates, is also not *MiFID* or *equivalent third country business*. Further *guidance* on what amounts to *MiFID business* may be found in ■ PERG 13.

4.1.7

FCA

G

A reference in this chapter to *MiFID* or *equivalent third country business* includes a reference to communications that occur before an agreement to perform services in relation to *MiFID* or *equivalent third country business*.

[Note: see recital 82 to the *MiFID implementing Directive*]

Where? General position

4.1.8

FCA

R

- (1) In relation to communications by a *firm* to a *client* in relation to its *designated investment business* this chapter applies in accordance with the *general application rule* and the *rule on business with UK clients* from an overseas establishment (■ COBS 1 Annex 1 Part 2 paragraph 2.1R).
- (2) In addition, the *financial promotion rules* apply to a *firm* in relation to:
 - (a) the *communication of a financial promotion* to a *person* inside the *United Kingdom*;

- (b) the *communication of a cold call to a person outside the United Kingdom*, unless:
 - (i) it is made from a place outside the *United Kingdom*; and
 - (ii) it is made for the purposes of a business which is carried on outside the *United Kingdom* and which is not carried on in the *United Kingdom*; and
- (c) the *approval of a financial promotion for communication to a person inside the United Kingdom*.

Where? Modifications to comply with EU law

4.1.9
FCA

G

- (1) The *EEA territorial scope rule* modifies the general territorial scope of the *rules* in this chapter to the extent necessary to be compatible with European law. This means that in a number of cases, the *rules* in this chapter will apply to *communications* made by *UK firms* to *persons* located outside the *United Kingdom* and will not apply to *communications* made to *persons* inside the *United Kingdom* by *EEA firms*. Further *guidance* on this is located in ■ COBS 1 Annex 1.
- (2) One effect of the *EEA territorial scope rule* is that the *rules* in this chapter will not generally apply to an *EEA key investor information document* but will, for example, apply to a *firm* (including an *EEA UCITS management company*) when *marketing* in the *United Kingdom* the *units* of an *EEA UCITS scheme* that is a *recognised scheme*.
- (3) The *financial promotion rules* do not apply to incoming communications in relation to the *MiFID business* of an *investment firm* from another *EEA State* that are, in its *home member state*, regulated under *MiFID* other than to the extent ■ COBS 4.12 (Restrictions on the promotion of *non-mainstream pooled investments*) applies.

4.1.10
FCA

G

Firms should note the territorial scope of this chapter is also affected by:

- (1) the disapplication for *financial promotions* originating outside the *United Kingdom* that are not capable of having an effect within the *United Kingdom* (section 21(3) of the *Act* (Restrictions on financial promotion)) (see the defined term "*excluded communication*");
- (2) the exemptions for overseas communicators (see the defined term "*excluded communication*"); and
- (3) the *rules* on *financial promotions* with an overseas element (see ■ COBS 4.9).

4.7 Direct offer financial promotions

4.7.1

FCA

R

- (1) Subject to (3) and (4), a *firm* must ensure that a *direct offer financial promotion* that is addressed to, or disseminated in such a way that it is likely to be received by, a *retail client* contains:
 - (a) such of the information referred to in the *rules* on information disclosure (■ COBS 6.1.4 R, ■ COBS 6.1.6 R, ■ COBS 6.1.7 R, ■ COBS 6.1.9 R, ■ COBS 14.3.2 R, ■ COBS 14.3.3 R, ■ COBS 14.3.4 R and ■ COBS 14.3.5 R) as is relevant to that offer or invitation; and

[Note: article 29(8) of the *MiFID implementing Directive*, the *rules* listed implement Articles 30 to 33 of the *MiFID implementing Directive*]
 - (b) if it does not relate to *MiFID or equivalent third country business*, additional appropriate information about the *relevant business* and *relevant investments* so that the *client* is reasonably able to understand the nature and risks of the *relevant business* and *relevant investments* and consequently to take investment decisions on an informed basis.
- (2) This *rule* does not require the information in (1) to be included in a *direct offer financial promotion* if, in order to respond to an offer or invitation contained in it, the *retail client* must refer to another document or documents, which, alone or in combination, contain that information.
- (3) If a communication relates to a *firm's MiFID or equivalent third country business*, this section does not apply:
 - (a) to the extent that it is a *third party prospectus*;
 - (b) if it is *image advertising*.
- (4) If a communication relates to a *firm's business* that is not *MiFID or equivalent third country business*, this section does not apply:
 - (a) to the extent that it is an *excluded communication*;

- (b) to the extent that it is a prospectus advertisement to which ■ PR 3.3 applies;
- (c) if it is *image advertising*;
- (d) to the extent that it relates to a *deposit* that is not a *cash deposit ISA* or *cash deposit CTF*;
- (e) to the extent that it relates to a *pure protection contract* that is a *long-term care insurance contract*.

(5) In this rule, in relation to *MiFID* or *equivalent third country business*, *ancillary services* are to be regarded as *relevant business*.

Guidance

4.7.2
FCA

G

Although ■ COBS 4.7.1 R (1)(b) does not apply in relation to *MiFID* or *equivalent third country business*, similar requirements may apply under ■ COBS 2.2.

4.7.3
FCA

G

- (1) ■ COBS 4.7.1 R (2) allows a *firm* to *communicate* a *direct offer financial promotion* that does not contain all the information required by ■ COBS 4.7.1 R (1), if the *firm* can demonstrate that the *client* has referred to the required information before the *client* makes or accepts an offer in response to the *direct offer financial promotion*.
- (2) A *firm* *communicating* or *approving* a *direct offer financial promotion* may also be subject to the *rules* on providing product information in ■ COBS 14.2, including the exceptions in ■ COBS 14.2.5 R to ■ 14.2.9 R.

4.7.4
FCA

G

In order to enable a *client* to make an informed assessment of a *relevant investment* or *relevant business*, a *firm* may wish to include in a *direct offer financial promotion*:

- (1) a summary of the taxation of any *investment* to which it relates and the taxation consequences for the average member of the group to whom it is directed or by whom it is likely to be received;
- (2) a statement that the recipient should seek a *personal recommendation* if he has any doubt about the suitability of the *investments* or services being promoted; and
- (3) (in relation to a promotion for a *packaged product* that is not a *financial instrument*) a *key features illustration*, in which a *generic projection* may generally be used.

4.7.5

G

[deleted]

4.7.5A
FCA

G

■ COBS 4.13.2 R (Marketing communications relating to UCITS schemes or EEA UCITS schemes) and ■ COBS 4.13.3 R (Marketing communications relating to feeder UCITS) contain additional disclosure requirements for *firms* in relation to marketing

communications (other than *key investor information*) that concern particular investment strategies of a *UCITS scheme* or *EEA UCITS scheme*.

Warrants and derivatives

4.7.6

FCA

R

(1) A *firm* must not *communicate* or *approve* a *direct offer financial promotion*:

- (a) relating to a *warrant* or *derivative*;
- (b) to or for *communication* to a *retail client*; and
- (c) where the *firm* will not itself be required to comply with the *rules* on appropriateness (see ■ COBS 10);

unless the *firm* has adequate evidence that the condition in (2) is satisfied.

(2) The condition is that the *person* who will *arrange* or *deal* in relation to the *derivative* or *warrant* will comply with the *rules* on appropriateness or equivalent requirements for any application or order that the *person* is aware, or ought reasonably to be aware, is in response to the *direct offer financial promotion*.

Non-readily realisable securities

4.7.7

FCA

R

(1) Unless permitted by ■ COBS 4.7.8 R, a *firm* must not *communicate* or *approve* a *direct-offer financial promotion* relating to a *non-readily realisable security* to or for *communication* to a *retail client* without the conditions in (2) and (3) being satisfied.

(2) The first condition is that the *retail client* recipient of the *direct-offer financial promotion* is one of the following:

- (a) certified as a 'high net worth investor' in accordance with ■ COBS 4.7.9 R;
- (b) certified as a 'sophisticated investor' in accordance with ■ COBS 4.7.9 R;
- (c) self-certified as a 'sophisticated investor' in accordance with ■ COBS 4.7.9 R;
- (d) certified as a 'restricted investor' in accordance with ■ COBS 4.7.10 R.

(3) The second condition is that *firm* itself or the *person* who will *arrange* or *deal* in relation to the *non-readily realisable security* will comply with the *rules* on appropriateness (see ■ COBS 10) or equivalent requirements for any application or order that the *person* is aware, or ought reasonably to be aware, is in response to the *direct offer financial promotion*.

4.7.8

FCA

R

A firm may communicate or approve a direct-offer financial promotion relating to a non-readily realisable security to or for communication to a retail client if:

- (1) the firm itself will comply with the suitability rules (■ COBS 9) in relation to the investment promoted; or
- (2) the retail client has confirmed before the promotion is made that they are a retail client of another firm that will comply with the suitability rules (■ COBS 9) in relation to the investment promoted; or
- (3) the retail client is a corporate finance contact or a venture capital contact.

4.7.9

FCA

R

A certified high net worth investor, a certified sophisticated investor or a self-certified sophisticated investor is an individual who has signed, within the period of twelve months ending with the day on which the communication is made, a statement in the terms set out in the applicable rule listed below, substituting "non-readily realisable securities" for "non-mainstream pooled investments":

- (1) certified high net worth investor: ■ COBS 4.12.6 R;
- (2) certified sophisticated investor: ■ COBS 4.12.7 R;
- (3) self-certified sophisticated investor: ■ COBS 4.12.8 R.

4.7.10

FCA

R

A certified restricted investor is an individual who has signed, within the period of twelve months ending with the day on which the communication is made, a statement in the following terms:

"RESTRICTED INVESTOR STATEMENT

I make this statement so that I can receive promotional communications relating to non-readily realisable securities as a restricted investor. I declare that I qualify as a restricted investor because:

- (a) in the twelve months preceding the date below, I have not invested more than 10% of my net assets in non-readily realisable securities; and
- (b) I undertake that in the twelve months following the date below, I will not invest more than 10% of my net assets in non-readily realisable securities.

Net assets for these purposes do not include:

- (a) the property which is my primary residence or any money raised through a loan secured on that property;
- (b) any rights of mine under a qualifying contract of insurance; or

(c) any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be entitled.

I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested. I am aware that it is open to me to seek advice from an authorised person who specialises in advising on non-readily realisable securities.

Signature:

Date:"

4.8 Cold calls and other promotions that are not in writing

Application

4.8.1

FCA

R

This section applies to a *firm* in relation to the communication of a *financial promotion* that is not in writing, but it does not apply:

- (1) to the extent that the *financial promotion* is an *excluded communication*;
- (2) if the *financial promotion* is *image advertising*;
- (3) if the financial promotion is a *non-retail communication*;
- (4) [deleted]
- (5) to the extent that the *financial promotion* relates to a *pure protection contract* that is a *long-term care insurance contract*.

Restriction on cold calling

4.8.2

FCA

R

A *firm* must not make a *cold call* unless:

- (1) the recipient has an established existing client relationship with the *firm* and the relationship is such that the recipient envisages receiving *cold calls*; or
- (2) the *cold call* relates to a generally marketable *packaged product* which is not:
 - (a) a *higher volatility fund*; or
 - (b) a *life policy* with a link (including a potential link) to a *higher volatility fund*; or
- (3) the *cold call* relates to a *controlled activity* to be carried on by an *authorised person* or *exempt person* and the only *controlled investments* involved or which reasonably could be involved are:
 - (a) *readily realisable securities* (other than warrants); and

(b) generally marketable non-g geared *packaged products*.

Promotions that are not in writing

4.8.3

FCA

R

A *firm* must not *communicate* a solicited or unsolicited *financial promotion* that is not in writing, to a *client* outside the *firm's* premises, unless the *person communicating* it:

- (1) only does so at an appropriate time of the day;
- (2) identifies himself and the *firm* he represents at the outset and makes clear the purpose of the communication;
- (3) clarifies if the *client* would like to continue with or terminate the communication, and terminates the communication at any time that the *client* requests it; and
- (4) gives a contact point to any *client* with whom he arranges an appointment.

4



4.9 Financial promotions with an overseas element

Application

4.9.1

FCA

R

- (1) Subject to (2) and (3), this section applies to a *firm* in relation to the *communication* or *approval* of a *financial promotion* that relates to the business of an *overseas person*.
- (2) This section does not apply to a *firm* in relation to its *MiFID* or *equivalent third country business*.
- (3) If a communication relates to a *firm's* business that is not *MiFID* or *equivalent third country business*, this section does not apply:
 - (a) to the extent that it is an *excluded communication*;
 - (b) to the extent that it is a prospectus advertisement to which ■ PR 3.3 applies;
 - (c) if it is *image advertising*;
 - (d) if it is a *non-retail communication*;
 - (e) [deleted]
 - (f) to the extent that it relates to a *pure protection contract* that is a *long-term care insurance contract*.

4.9.2

FCA

G

Approving a financial promotion for communication by an unauthorised person is not MiFID or equivalent third country business.

Financial promotions for the business of an overseas person

4.9.3

FCA

R

A firm must not communicate or approve a financial promotion which relates to a particular relevant investment or relevant business of an overseas person, unless:

- (1) the *financial promotion* makes clear which *firm* has *approved* or *communicated* it and, where relevant, explains:
 - (a) that the *rules* made under the *Act* for the protection of *retail clients* do not apply;

- (b) the extent and level to which the *compensation scheme* will be available, or if the scheme will not be available, a statement to that effect; and
 - (c) if the communicator wishes, the protection or compensation available under another system of regulation; and
- (2) the *firm* has taken reasonable steps to satisfy itself that the *overseas person* will deal with *retail clients* in the *United Kingdom* in an honest and reliable way.

Financial promotions for an overseas long-term insurer

4.9.4
FCA

R

A *firm* may only *communicate* or *approve* a *financial promotion* to enter into a *life policy* with a *person* who is:

- (1) an *authorised person*; or
- (2) an *exempt person* who is exempt in relation to *effecting or carrying out contracts of insurance* of the *class* to which the *financial promotion* relates; or
- (3) an *overseas long-term insurer* that is entitled under the law of its home country or territory to carry on there *insurance business* of the *class* to which the *financial promotion* relates.

4.9.5
FCA

R

A *financial promotion* for an *overseas long-term insurer*, which has no establishment in the *United Kingdom*, must include:

- (1) the full name of the *overseas long-term insurer*, the country where it is registered, and, if different, the country where its head office is situated;
- (2) a prominent statement that 'holders of policies issued by the company will not be protected by the Financial Services Compensation Scheme if the company becomes unable to meet its liabilities to them'; and
- (3) if any trustee, investment manager or *United Kingdom* agent of the *overseas long-term insurer* is named which is not independent of the *overseas long-term insurer*, a prominent statement of that fact.

4.9.6
FCA

R

A *financial promotion* for an *overseas long-term insurer* which is authorised to carry on *long-term insurance business* in any country or territory listed in paragraph (c) of the Glossary definition of *overseas long-term insurer* must also include:

- (1) the full name of any trustee of property of any description which is retained by the *overseas long-term insurer* in respect of the promoted contracts;
- (2) an indication whether the investment of such property (or any part of it) is managed by the *overseas long-term insurer* or by another *person* and the full name of any *investment manager*;
- (3) the registered office of any such trustee and of any *investment manager* and of his principal office (if different); and
- (4) where any *person* in the *United Kingdom* takes, or may take, any steps on behalf of the *overseas long-term insurer* to enter into a promoted contract, the following details:
 - (a) the full name of the *overseas long-term insurer*;
 - (b) the registered office, head office or principal place of business of that *person* in the *United Kingdom*; and
 - (c) if there is more than one such *person*, the principal or main *person* in the *United Kingdom*.

4.9.7

FCA

R

If a *financial promotion* relates to a *life policy* with an *overseas long-term insurer* but does not name the *overseas long-term insurer* by giving its full name or its business name:

- (1) it must include the following prominent statement: "This financial promotion relates to an insurance company which does not, and is not authorised to, carry on in any part of the United Kingdom the class of insurance business to which this promotion relates. This means that the management and solvency of the company are not supervised by the *Financial Conduct Authority* or the *Prudential Regulation Authority*. Holders of policies issued by the company will not have the right to complain to the Financial Ombudsman Service if they have a complaint against the company and will not be protected by the Financial Services Compensation Scheme if the company should become unable to meet its liabilities to them"; and
- (2) if it also refers to other *investments*, it must make this clear.

4.10 Systems and controls and approving and communicating financial promotions

Systems and controls

4.10.1

FCA

G

The *rules* in ■ SYSC 3 and ■ SYSC 4 require a *firm* that communicates with a *client* in relation to *designated investment business*, or *communicates* or *approves* a *financial promotion*, to put in place systems and controls or policies and procedures in order to comply with the *rules* in this chapter.

Approving financial promotions

4.10.2

FCA

R

- (1) Before a *firm* approves a *financial promotion* for *communication* by an *unauthorised person*, it must confirm that the *financial promotion* complies with the *financial promotion rules*.
 - (2) If, at any time after a *firm* has complied with (1), a *firm* becomes aware that a *financial promotion* no longer complies with the *financial promotion rules*, it must withdraw its *approval* and notify any *person* that it knows to be relying on its *approval* as soon as reasonably practicable.
 - (3) When *approving* a *financial promotion*, the *firm* must confirm compliance with the *financial promotion rules* that would have applied if the *financial promotion* had been communicated by a *firm* other than in relation to *MiFID* or *equivalent third country business*.
- (1) Section 21(1) of the *Act* (Restrictions on financial promotion) prohibits an *unauthorised person* from *communicating* a *financial promotion*, in the course of business, unless an exemption applies or the *financial promotion* is *approved* by a *firm*. Many of the *rules* in this chapter apply when a *firm* *approves* a *financial promotion* in the same way as when a *firm* *communicates* a *financial promotion* itself.
 - (2) A *firm* may also wish to *approve* a *financial promotion* that it *communicates* itself. This would ensure that an *unauthorised person* who then also *communicates* the *financial promotion* to another *person* will not contravene the restriction on *financial promotion* in the *Act* (section 21).
 - (3) *Approving* a *financial promotion* for *communication* by an *unauthorised person* is not *MiFID* or *equivalent third country business*.

4.10.3

FCA

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- (4) A firm may not approve a financial promotion relating to an unregulated collective investment scheme unless the firm would be able to communicate the promotion without breaching section 238(1) of the Act (see section 240 of the Act). The exemptions from that section in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (as amended from time to time) are relevant.

4.10.4
FCA

R A firm must not approve a financial promotion to be made in the course of a personal visit, telephone conversation or other interactive dialogue.

4.10.5
FCA

R If a firm approves a financial promotion in circumstances in which one or more of the financial promotion rules, or the prohibition on approval of promotions for collective investment schemes in section 240(1) of the Act (Restriction on approval), are expressly disapplied, the approval must be given on terms that it is limited to those circumstances.

4.10.6
FCA

G For example, if a firm approves a financial promotion for communication to a professional client or an eligible counterparty, the approval must be limited to communication to such persons.

4.10.7
FCA

G If an approval is limited, and an unauthorised person communicates the financial promotion to persons not covered by the approval, the unauthorised person may commit an offence under the restriction on financial promotion in the Act (section 21). A firm giving a limited approval may wish to notify the unauthorised person accordingly.

Communicating financial promotions

4.10.8
FCA

G If a firm continues to communicate a financial promotion when the financial promotion no longer complies with the rules in this chapter, it will breach those rules.

4.10.9
FCA

G A financial promotion which is clearly only relevant at a particular date will not cease to comply with the financial promotion rules merely because the passage of time has rendered it out-of-date; an example would be a dated analyst's report.

Relying on another firm's confirmation of compliance

4.10.10
FCA

- R**
- (1) A firm (A) will not contravene any of the financial promotion rules if it communicates a financial promotion which has been produced by another person and:
 - (a) A takes reasonable care to establish that another firm (B) has confirmed that the financial promotion complies with the financial promotion rules;
 - (b) A takes reasonable care to establish that it communicates the financial promotion only to recipients of the type for whom it was intended at the time B carried out the confirmation exercise; and
 - (c) so far as A is, or ought reasonably to be, aware:

- (i) the *financial promotion* has not ceased to be fair, clear and not misleading since that time; and
- (ii) B has not withdrawn the *financial promotion*.

(2) This *rule* does not apply in relation to *MiFID* or equivalent *third country business*.

4.10.11

FCA

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A *firm* should inform anyone relying on its confirmation of compliance if it becomes aware that the *financial promotion* no longer complies with the *rules* in this chapter.

4

4.11.1

FCA

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4.11 Record keeping: financial promotion

- (1) A *firm* must make an adequate record of any *financial promotion* it *communicates* or *approves*, other than a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue.
- (2) For a telemarketing campaign, a *firm* must make an adequate record of copies of any scripts used.
- (2A) If a *firm communicates* or *approves* an invitation or inducement to participate in, acquire, or underwrite a *non-mainstream pooled investment* which is addressed to or disseminated in such a way that it is likely to be received by a *retail client*:
 - (a) the *person* allocated the *compliance oversight function* in the *firm* must make a record at or near the time of the communication or approval certifying that the invitation or inducement complies with the restrictions set out in section 238 of the *Act* and in ■ COBS 4.12.3 R, as applicable;
 - (b) the making of the record required in (a) may be delegated to one or more *employees* of the *firm* who report to and are supervised by the *person* allocated the *compliance oversight function*, provided the process for certification of compliance has been reviewed and approved by the *person* allocated the *compliance oversight function* no more than 12 months before the date of the invitation or inducement;
 - (c) when making the record required in (a), the *firm* must make a record of which exemption was relied on for the purposes of the invitation or inducement, together with the reason why the *firm* is satisfied that that exemption applies;
 - (d) where the *firm* relies on an exemption that requires investor certification and warnings to investors, the record required in (a) must include a record of any certificate or investor statement (as signed by the investor) and of any warnings or indications required by the exemption;
 - (e) if the exemption relied on is that for an *excluded communication* under ■ COBS 4.12.4 R (5), the *firm* must

identify in the record required in (a) which type of *financial promotion* defined as an *excluded communication* corresponds to the invitation or inducement being made, including, where applicable, which article in the *Financial Promotion Order* or in the *Promotion of Collective Investment Schemes Order* was relied on for the purposes of the invitation or inducement, together with the reason why the *firm* is satisfied that the exemption applies;

- (3) A *firm* must retain the record in relation to a *financial promotion* relating to:
- (a) a *pension transfer, pension opt-out* or *FSAVC*, indefinitely;
 - (b) a *life policy, occupational pension scheme, SSAS, personal pension scheme* or *stakeholder pension scheme*, for six years;
 - (c) *MiFID* or *equivalent third country business*, for five years; and
 - (d) any other case, for three years.
- (4) If a communication relates to a *firm's MiFID* or *equivalent third country business*, this section does not apply:
- (a) to the extent that the communication is a *third party prospectus*;
 - (b) if it is *image advertising*;
 - (c) if it is a *non-retail communication*.
- (5) If a communication relates to a *firm's* business that is not *MiFID* or *equivalent third country business*, this section does not apply:
- (a) to the extent that it is an *excluded communication*;
 - (b) to the extent that it is a prospectus advertisement to which ■ PR 3.3 applies;
 - (c) if it is *image advertising*;
 - (d) if it is a *non-retail communication*;
 - (e) [deleted]
 - (f) to the extent that it relates to a *pure protection contract* that is a *long-term care insurance contract*.

[Note: see article 51(3) of the *MiFID implementing Directive*]

A *firm* should consider maintaining a record of why it is satisfied that the *financial promotion* complies with the *financial promotion rules*.

4.11.3

FCA

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If the *financial promotion* includes market information that is updated continuously in line with the relevant market, the record-keeping *rules* do not require a firm to record that information.



4.12 Restrictions on the promotion of non-mainstream pooled investments

4.12.1

[Deleted]

4.12.2

[Deleted]

Restrictions on the promotion of non-mainstream pooled investments

4.12.3

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FCA

- (1) A *firm* must not *communicate* or *approve* an invitation or inducement to participate in, acquire, or underwrite a *non-mainstream pooled investment* where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a *retail client*.
- (2) The restriction in (1) is subject to **COBS 4.12.4 R** and does not apply to *units* in *unregulated collective investment schemes*, which are subject to a statutory restriction on promotion in section 238 of the *Act*.

Exemptions from the restrictions on the promotion of non-mainstream pooled investments

4.12.4

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- (1) The restriction in **COBS 4.12.3 R** does not apply if the promotion falls within an exemption in the table in (5) below.
- (2) A *firm* may communicate an invitation or inducement to participate in an *unregulated collective investment scheme* without breaching the restriction on promotion in section 238 of the *Act* if the promotion falls within an exemption in the table in (5) below.
- (3) Where the middle column in the table in (5) refers to promotion to a category of *person*, this means that the invitation or inducement:
 - (a) is made only to recipients who the *firm* has taken reasonable steps to establish are *persons* in that category; or
 - (b) is directed at recipients in a way that may reasonably be regarded as designed to reduce, so far as possible, the risk of participation in, acquisition or underwriting of the *non-mainstream pooled investment* by *persons* who are not in that category.

(4) A *firm* may rely on more than one exemption in relation to the same invitation or inducement.

(5)

Title of Exemption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
<p>1. Replacement products and rights issues</p>	<p><i>A person who already participates in, owns, holds rights to or interests in, a non-mainstream pooled investment that is being liquidated or wound down or which is undergoing a rights issue. [See Note 1.]</i></p>	<p>1. A non-mainstream pooled investment which is intended by the operator or manager to absorb or take over the assets of that non-mainstream pooled investment, or which is being offered by the operator or manager of that non-mainstream pooled investment as an alternative to cash on its liquidation;</p> <p>or</p> <p>2. Securities offered by the existing non-mainstream pooled investment as part of a rights issue.</p>
<p>2. Certified high net worth investors</p>	<p>An individual who meets the requirements set out in COBS 4.12.6 R, or a person (or persons)</p>	<p>Any non-mainstream pooled investment the firm considers is likely to be suitable for</p>

Title of Exemption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
<p>3. Enterprise and charitable funds</p>	<p>legally empowered to make investment decisions on behalf of such individual .</p> <p><i>A person who is eligible to participate or invest in an arrangement constituted under:</i></p> <p>(1) the Church Funds Investment Measure 1958;</p> <p>(2) section 96 or 100 of the Charities Act 2011;</p> <p>(3) section 25 of the Charities Act (Northern Ireland) 1964;</p> <p>(4) the Regulation on European Venture Capital Funds ('EuVECA's'); or</p> <p>(5) the Regulation on European Social Entrepreneurship Funds ('EuSEFs').</p>	<p>that individual , based on a preliminary assessment of the <i>client's</i> profile and objectives.</p> <p>[See COBS 4.12.5G (2).]</p> <p>Any <i>non-mainstream pooled investment</i> which is such an arrangement.</p>

Title of Ex-emption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
<p>4. Eligible employees</p>	<p>An eligible <i>employee</i>, that is, a <i>person</i> who is:</p> <p>(1) an officer;</p> <p>(2) an <i>employee</i>;</p> <p>(3) a former officer or <i>employee</i>; or</p> <p>(4) a member of the immediate family of any of (1) - (3), of an employer which is (or is in the same <i>group</i> as) the <i>firm</i>, or which has accepted responsibility for the activities of the <i>firm</i> in carrying out the <i>designated investment business</i> in question.</p>	<p>1. A <i>non-mainstream pooled investment</i>, the instrument constituting which:</p> <p>A. restricts the property of the <i>non-mainstream pooled investment</i>, apart from cash and near cash, to:</p> <p>(1) (where the employer is a company) <i>shares</i> in and <i>debentures</i> of the <i>company</i> or any other connected <i>company</i>; [See Note 2.]</p> <p>(2) (in any case), any property, provided that the <i>non-mainstream pooled investment</i> takes the form of:</p> <p>(i) a limited <i>partnership</i>, under the terms of which the employer (or connected</p>

Title of Exemption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
		<p><i>company</i>) will be the unlimited partner and the eligible employees will be some or all of the limited partners; or</p> <p>(ii) a trust which the <i>firm</i> reasonably believes not to contain any risk that any eligible employee may be liable to make any further payments (other than <i>charges</i>) for <i>investment</i> transactions earlier entered into, which the eligible <i>employee</i> was not aware of at the time he entered into them; and</p> <p>B. (in a case falling within A(1) above) restricts participation in the <i>non-mainstream pooled investment</i> to eligible <i>employees</i>, the employer and any connected <i>company</i>.</p>

Title of Exemption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
		<p>2. Any non-mainstream pooled investment, provided that the participation of eligible employees is to facilitate their co-investment:</p> <p>(i) with one or more <i>companies</i> in the same <i>group</i> as their employer (which may include the employer); or</p> <p>(ii) with one or more <i>clients</i> of such a <i>company</i>.</p>
<p>5. Members of the Society of Lloyd's</p>	<p>A <i>person</i> admitted to membership of the Society of Lloyd's or any <i>person</i> by law entitled or bound to administer his affairs.</p>	<p>A <i>scheme</i> in the form of a limited <i>partnership</i> which is established for the sole purpose of underwriting <i>insurance business</i> at Lloyd's.</p>
<p>6. Exempt persons</p>	<p>An exempt <i>person</i> (other than a <i>person</i> exempted only by section 39 of the <i>Act</i> (Exemption of appointed repre-</p>	<p>Any <i>non-mainstream pooled investment</i>.</p>

Title of Exemption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
7. Non-retail clients	<p>representatives)) if the <i>financial promotion</i> relates to a <i>regulated activity</i> in respect of which the <i>person</i> is exempt from the <i>general prohibition</i>.</p> <p>An <i>eligible counterparty</i> or a <i>professional client</i>.</p>	<p>Any <i>non-mainstream pooled investment</i> in relation to which the <i>client</i> is categorised as a <i>professional client</i> or <i>eligible counterparty</i>.</p> <p>[See Note 4.]</p>
8. Certified sophisticated investors	<p>An individual who meets the requirements set out in COBS 4.12.7 R, including an individual who is legally empowered (solely or jointly with others) to make investment decisions on behalf of another <i>person</i> who is the <i>firm's client</i>.</p>	<p>Any <i>non-mainstream pooled investment</i>.</p>
9. Self-certified sophisticated	<p>An individual who meets the requirements set out in COBS</p>	<p>Any <i>non-mainstream pooled investment</i> the <i>firm</i> considers</p>

Title of Ex-emption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
<p>cated in-vestors</p>	<p>4.12.8 R, including an individual who is legally empowered (solely or jointly with others) to make investment decisions on behalf of another person who is the firm's client.</p>	<p>is likely to be suitable for that client, based on a preliminary assessment of the client's profile and objectives.</p> <p>[See COBS 4.12.5G (2)]</p>
<p>10. Solicited advice</p>	<p>Any person.</p>	<p>Any non-mainstream pooled investment, provided the communication meets all of the following requirements:</p> <p>(a) the communication only amounts to a financial promotion because it is a personal recommendation on a non-mainstream pooled investment;</p> <p>(b) the personal recommendation is made following a specific request by that client for advice on the</p>

Title of Exemption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
<p>11. Excluded communications</p>	<p><i>Any person.</i></p>	<p>merits of investing in the <i>non-mainstream pooled investment</i>; and</p> <p>(c) the <i>client</i> has not previously received a <i>financial promotion</i> or any other communication from the <i>firm</i> (or from a <i>person</i> connected to the <i>firm</i>) which is intended to influence the <i>client</i> in relation to that <i>non-mainstream pooled investment</i>. [See Note 3.]</p> <p>Any <i>non-mainstream pooled investment</i>, provided the <i>financial promotion</i> is an <i>excluded communication</i>.</p> <p>[See COBS 4.12.12 G and COBS 4.12.13 G.]</p>
<p>12. Non-recognised UCITS</p>	<p><i>Any person.</i></p>	<p>Any <i>EEA UCITS scheme</i> which is not a <i>recognised scheme</i>, provided the following requirements are met:</p>

Title of Ex-emption	Promotion to:	Promotion of a non-mainstream pooled investment which is:
<p>13. US persons</p>	<p>A <i>person</i> who is classified as a United States person for tax purposes under United States legislation or who owns a US qualified re-tirement plan.</p>	<p>(1) the <i>firm</i> considers it is likely to be suitable for that <i>client</i> based on a preliminary assessment of the <i>client's</i> profile and objectives; and</p> <p>(2) the <i>firm</i> provides that <i>client</i> with the same product information as it would be required to provide by COBS 14.2 if the scheme was a <i>recognised scheme</i>.</p> <p>[See COBS 4.12.5G (2).]</p> <p>Any invest-ment <i>company</i> registered and operated in the United States under the Invest-ment Compa-ny Act 1940.</p>

The following Notes explain certain words and phrases used in the table above.

Note 1 Promotion of *non-mainstream pooled investments* to a category of person includes

Note 2	<p>any nominee company acting for such a person.</p> <p><i>A company</i> is 'connected' with another <i>company</i> if:</p> <p>(a) they are both in the same <i>group</i>; or</p> <p>(b) one <i>company</i> is entitled, either alone or with another <i>company</i> in the same <i>group</i>, to exercise or control the exercise of a majority of the voting rights attributable to the <i>share capital</i>, which are exercisable in all circumstances at any general meeting of the other <i>company</i> or of its <i>holding company</i>.</p>
Note 3	<p>A <i>person</i> is connected with a <i>firm</i> if it acts as an <i>introducer</i> or <i>appointed representative</i> for that <i>firm</i> or if it is any other <i>person</i>, regardless of <i>authorisation</i> status, who has a relevant business relationship with the <i>firm</i>.</p>
Note 4	<p>In deciding whether a promotion is permitted under the rules of this section or under section 238 of the Act, <i>firms</i> may use the <i>client</i> categorisation regime that applies to business other than <i>MiFID</i> or <i>equivalent third country business</i>. (This is the case even if the <i>firm</i> will be carrying on a <i>MiFID</i> activity at the same time as or following the promotion.)</p>

Advice and preliminary assessment of suitability

4.12.5

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- (1) Where a *firm* communicates any promotion of a *non-mainstream pooled investment* in the context of advice, it should have regard to and comply with its obligations under ■ COBS 9. *Firms* should also be mindful of the appropriateness requirements in ■ COBS 10 which apply to a wide range of non-advised services.
- (2) (a) A *firm* which wishes to rely on exemptions 2 (certified high net worth investors), 9 (self-certified sophisticated investors) or 12 (non-recognised UCITS), as provided under ■ COBS 4.12.4 R (5), should note that these exemptions require a preliminary assessment of suitability before promotion of the *non-mainstream pooled investment* to clients (in addition to other requirements).
- (b) There is no duty to communicate the preliminary assessment of suitability to the *client*. If the *firm* does so, it must not do so in a way that amounts to making a *personal recommendation* unless it complies with the rules in ■ COBS 9 on suitability.
- (c) The requirement for a preliminary assessment of suitability does not extend to a full suitability assessment, unless advice is being offered in relation to the *non-mainstream pooled investment* being promoted, in which case the

requirements in ■ COBS 9 apply. However, it requires that the *firm* take reasonable steps to acquaint itself with the *client's* profile and objectives in order to ascertain whether the *non-mainstream pooled investment* under contemplation is likely to be suitable for that *client*. The *firm* should not promote the *non-mainstream pooled investment* to the *client* if it does not consider it likely to be suitable for that *client* following such preliminary assessment.

Definition of sophisticated and high net worth investors

4.12.6

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A *certified high net worth investor* is an individual who has signed, within the period of twelve months ending with the day on which the communication is made, a statement in the following terms:

"HIGH NET WORTH INVESTOR STATEMENT

I make this statement so that I can receive promotional communications which are exempt from the restriction on promotion of non-mainstream pooled investments. The exemption relates to certified high net worth investors and I declare that I qualify as such because at least one of the following applies to me:

- I had, throughout the financial year immediately preceding the date below, an annual income to the value of £100,000 or more;
- I held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more. Net assets for these purposes do not include:
 - (a) the property which is my primary residence or any money raised through a loan secured on that property;
 - (b) any rights of mine under a qualifying contract of insurance; or
 - (c) any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be, entitled.

I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested. I am aware that it is open to me to seek advice from an authorised person who specialises in advising on non-mainstream pooled investments.

Signature:

Date: "

4.12.7

FCA

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A *certified sophisticated investor* is an individual:

- (1) who has a written certificate signed within the last 36 months by a *firm* confirming he has been assessed by that *firm* as sufficiently knowledgeable to understand the risks associated

with engaging in investment activity in *non-mainstream pooled investments*; and

- (2) who has signed, within the period of twelve months ending with the day on which the communication is made, a statement in the following terms:

"SOPHISTICATED INVESTOR STATEMENT

I make this statement so that I can receive promotional communications which are exempt from the restriction on promotion of non-mainstream pooled investments. The exemption relates to certified sophisticated investors and I declare that I qualify as such.

I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested. I am aware that it is open to me to seek advice from an authorised person who specialises in advising on non-mainstream pooled investments.

Signature:

Date: "

4.12.8

FCA

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A *self-certified sophisticated investor* is an individual who has signed, within the period of twelve months ending with the day on which the communication is made, a statement in the following terms:

"SELF-CERTIFIED SOPHISTICATED INVESTOR STATEMENT

I declare that I am a self-certified sophisticated investor for the purposes of the restriction on promotion of non-mainstream pooled investments. I understand that this means:

- (i) I can receive promotional communications made by a person who is authorised by the Financial Conduct Authority which relate to investment activity in non-mainstream pooled investments;
- (ii) the investments to which the promotions will relate may expose me to a significant risk of losing all of the property invested.

I am a self-certified sophisticated investor because at least one of the following applies:

- (a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date below;
- (b) I have made more than one investment in an unlisted company in the two years prior to the date below;

- (c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises;
- (d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested. I am aware that it is open to me seek advice from someone who specialises in advising on non-mainstream pooled investments.

Signature:

Date: "

Sophisticated and high net worth investors: guidance on certification by authorised person and reliance on self-certification

4.12.9

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- (1) A firm which wishes to rely on any of the *certified high net worth investor* exemptions (see Part I of the Schedule to the *Promotion of Collective Investment Schemes Order*, Part I of Schedule 5 to the *Financial Promotions Order* and ■ COBS 4.12.6 R) should have regard to its duties under the *Principles* and the *client's best interests rule*. In particular, the firm should take reasonable steps to ascertain that the *retail client* does, in fact, meet the income and net assets criteria set out in the relevant statement for *certified high net worth investors*.
- (2) In addition, the firm should consider whether the promotion of the *non-mainstream pooled investment* is in the interests of the *retail client* and whether it is fair to make the promotion to that *client* on the basis that the *client* is a *certified high net worth investor*, having regard to the generally complex nature of *non-mainstream pooled investments*. A *retail client* who meets the criteria for a *certified high net worth investor* but not for a *certified sophisticated investor* may be unable to properly understand and evaluate the risks of the *non-mainstream pooled investment* in question.

4.12.10

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- (1) A firm which is asked to or proposes to assess and certify a *retail client* as a *certified sophisticated investor* (see article 23 of the *Promotion of Collective Investment Schemes Order*, article 50 of the *Financial Promotions Order* and ■ COBS 4.12.7 R) should have regard to its duties under the *Principles* and the *client's best interests rule*. In particular, the firm should carry out that assessment with due skill, care and diligence, having regard to the generally complex nature of *non-mainstream pooled investments* and the level of experience, knowledge and expertise the *retail client* being assessed must possess in order to be fairly and reasonably assessed and certified as a sophisticated investor.
- (2) (a) For example, a *retail client* whose *investment* experience is limited to mainstream *investments* such as *securities* issued by *listed companies*, *life policies* or *units* in *regulated collective investment schemes* (other than *qualified investor schemes*) is generally unlikely to possess the requisite knowledge to adequately understand the risks associated with investing in *non-mainstream pooled investments*.

- (b) In exceptional circumstances, however, the *retail client* may have acquired the requisite knowledge through means other than his own investment experience, for example, if the *retail client* is a professional of several years' experience with the design, operation or marketing of complex investments such as *options, futures, contracts for differences* or *non-mainstream pooled investments*.

4.12.11

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- (1) A *firm* which wishes to rely on any of the *self-certified sophisticated investor* exemptions (see Part II of the Schedule to the *Promotion of Collective Investment Schemes Order*, Part II of Schedule 5 to the *Financial Promotions Order* and ■ COBS 4.12.8 R) should have regard to its duties under the *Principles* and the *client's best interests rule*. In particular, the *firm* should consider whether the promotion of the *non-mainstream pooled investment* is in the interests of the *client* and whether it is fair to make the promotion to that *client* on the basis of self-certification.
- (2) For example, it is unlikely to be appropriate for a *firm* to make a promotion under any of the *self-certified sophisticated investor* exemption without first taking reasonable steps to satisfy itself that the investor does in fact have the requisite experience, knowledge or expertise to understand the risks of the *non-mainstream pooled investment* in question. A *retail client* who meets the criteria for a *self-certified sophisticated investor* but not for a *certified sophisticated investor* may be unable to properly understand and evaluate the risks of a *non-mainstream pooled investment* which invests wholly or predominantly in assets other than *shares* in or *debentures* of unlisted *companies*.

One-off promotions

4.12.12

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FCA

- (1) A *firm* which wishes to rely on one of the *one-off promotion* exemptions provided by the *Promotion of Collective Investment Schemes* or the *Financial Promotion Order* to promote a *non-mainstream pooled investment* to a *retail client* should have regard to its duties under the *Principles* and the *client's best interests rule*. In particular, the *firm* should consider whether the promotion of the *non-mainstream pooled investment* is in the interests of the *client* and whether it is fair to make the promotion to that *client* on the basis of a *one-off promotion* exemption.
- (2) The *one-off promotion* exemptions permit the promotion of investments to clients under certain conditions (see ■ PERG 8.14.3 G to ■ PERG 8.14.13 G for guidance on the scope of the one-off exemptions in the *Financial Promotion Order*). *Firms* should note that, in the *FCA's* view, promotion of a *non-mainstream pooled investment* to a *retail client* who is not a *certified high net worth investor*, a *certified sophisticated investor* or a *self-certified sophisticated investor* is unlikely to be appropriate or in that *client's* best interests.

Qualified investor schemes

PAGE
47

4.12.13

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FCA

- (1) A *firm* which wishes to rely on the *excluded communications* exemption in ■ COBS 4.12.4 R (5) to promote *units* in a *qualified investor scheme* to a *retail client* should have regard to its duties under the *Principles* and the *client's best interests rule*.

- (2) As explained in ■ COLL 8.1, *qualified investor schemes* are intended only for *professional clients* and *retail clients* who are sophisticated investors. *Firms* should note that, in the *FCA's* view, promotion of *units* in a *qualified investor scheme* to a *retail client* who is not a *certified sophisticated investor* or a *self-certified sophisticated investor* is unlikely to be appropriate or in that client's best interests.

4.13 UCITS

Application

4.13.1

FCA

R

- (1) This section applies to a *firm* in relation to a communication to a *client*, including an *excluded communication*, that is a marketing communication within the meaning of the *UCITS Directive*.
- (2) This section does not apply to:
 - (a) *image advertising*; or
 - (b) the *instrument constituting the fund*, the *prospectus*, the *key investor information* (or alternatively the *simplified prospectus* or *EEA simplified prospectus*) or the periodic reports and accounts of either a *UCITS scheme* or an *EEA UCITS scheme*.

[Note: recital (58) of the *UCITS Directive*]

Marketing communications relating to UCITS schemes or EEA UCITS schemes

4.13.2

FCA

R

- (1) A *firm* must ensure that a marketing communication that comprises an invitation to purchase *units* in a *UCITS scheme* or *EEA UCITS scheme* and that contains specific information about the *scheme*:
 - (a) makes no statement that contradicts or diminishes the significance of the information contained in the *prospectus* and the *key investor information document* or *EEA key investor information document* for the *scheme*;
 - (b) indicates that a *prospectus* exists for the *scheme* and that the *key investor information document* or *EEA key investor information document* is available; and
 - (c) specifies where and in which language such information or *documents* may be obtained by investors or potential investors or how they may obtain access to them.
- (2) Where a *UCITS scheme* or an *EEA UCITS scheme* may invest more than 35% of its *scheme property* in *transferable securities* and money market instruments issued or guaranteed by an *EEA State*, one or more of its local authorities, a third country or a public international body to which one or more *EEA States* belong, the

firm must ensure that a marketing communication relating to the *scheme* contains a prominent statement drawing attention to the investment policy and indicating the particular *EEA States*, local authorities, third countries or public international bodies in the *securities* of which the *scheme* intends to invest or has invested more than 35% of its *scheme property*.

- (3) Where a *UCITS scheme* or *EEA UCITS scheme* invests principally in *units in collective investment schemes*, *deposits* or *derivatives*, or replicates a stock or debt securities index in accordance with ■ COLL 5.2.31 R (Schemes replicating an index) or equivalent national measures implementing article 53 of the *UCITS Directive*, the *firm* must ensure that a marketing communication relating to the *scheme* contains a prominent statement drawing attention to the investment policy.
- (4) Where the net asset value of a *UCITS scheme* or *EEA UCITS scheme* has, or is likely to have, high volatility owing to its portfolio composition or the portfolio management techniques that are or may be used, the *firm* must ensure that a marketing communication relating to the *scheme* contains a prominent statement drawing attention to that characteristic.

[Note: articles 54(3), 70(2), 70(3) and 77 of the *UCITS Directive*]

Marketing communications relating to a feeder UCITS

4.13.3

FCA

R

A *firm* must ensure that a marketing communication (other than a *key investor information document* or *EEA key investor information document*) relating to a *feeder UCITS* contains a statement that the *feeder UCITS* permanently invests at least 85% in value of its assets in *units* of its *master UCITS*.

[Note: article 63(4) of the *UCITS Directive*]

Chapter 6

Information about the firm, its services and remuneration

6.1 Information about the firm and compensation information

Application

6.1.1
FCA

R

- (1) This section applies to a *firm* that carries on *designated investment business* for:
 - (a) a *retail client*; and
 - (b) in the case of *MiFID or equivalent third country business*, a *client*.
- (2) If expressly provided, this section also applies to *ancillary services* not covered by (1), but only in the course of *MiFID or equivalent third country business* carried on with or for a *client*.

6.1.2
FCA

R

If a *firm* provides *basic advice on stakeholder products* in accordance with the *basic advice rules*, this section does not apply to that service.

6.1.3
FCA

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This section imposes requirements relating to disclosure of information to *clients* that are additional to the general requirement in ■ COBS 2.2.

6.1.4
FCA

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Information about a firm and its services

A *firm* must provide a *retail client* with the following general information, if relevant:

- (1) the name and address of the *firm*, and the contact details necessary to enable a *client* to communicate effectively with the *firm*;
- (2) in the case of *MiFID or equivalent third country business*, the languages in which the *client* may communicate with the *firm*, and receive documents and other information from the *firm*;
- (3) the methods of communication to be used between the *firm* and the *client* including, where relevant, those for the sending and reception of orders;
- (4) a statement of the fact that the *firm* is authorised and the name of the *competent authority* that has authorised it;

- (5) in the case of *MiFID* or *equivalent third country business*, the contact address of the *competent authority* that has authorised the *firm*;
- (6) if the *firm* is acting through an *appointed representative* or, where applicable, a *tied agent*, a statement of this fact specifying the *EEA State* in which that *appointed representative* or *tied agent* is registered;
- (7) the nature, frequency and timing of the reports on the performance of the service to be provided by the *firm* to the *client* in accordance with the *rules* on reporting to *clients* on the provision of services (■ COBS 16);
- (8) (a) in the case of a *common platform firm*, a description, which may be provided in summary form, of the *conflicts of interest policy*;
- (b) other than in the case of a *common platform firm*, when a *material interest* or conflict of interest may or does arise, the manner in which the *firm* will ensure fair treatment of the *client*;
- (9) in the case of a *common platform firm*, at any time that the *client* requests it, further details of the *conflicts of interest policy*.

[Note: article 30(1) of the *MiFID implementing Directive*]

6.1.5

FCA

G

A *firm* disclosing details of its authorisation should refer to the appropriate forms of words set out in ■ GEN 4 Annex 1 R or ■ GEN 4 Annex 1A R as appropriate .

6.1.6

FCA

R

- (1) A *firm* that *manages investments* for a *client* must establish an appropriate method of evaluation and comparison such as a meaningful benchmark, based on the investment objectives of the *client* and the types of *designated investments* included in the *client* portfolio, so as to enable the *client* to assess the *firm's* performance.
- (2) If a *firm* proposes to *manage investments* for a *retail client*, the *firm* must provide the *client* with such of the following information as is applicable:
 - (a) information on the method and frequency of valuation of the *designated investments* in the *client* portfolio;
 - (b) details of any delegation of the discretionary management of all or part of the *designated investments* or funds in the *client* portfolio;
 - (c) a specification of any benchmark against which the performance of the *client* portfolio will be compared;

- (d) the types of *designated investments* that may be included in the *client* portfolio and types of transaction that may be carried out in those *designated investments*, including any limits; and
- (e) the management objectives, the level of risk to be reflected in the manager's exercise of discretion, and any specific constraints on that discretion.

[Note: articles 30(2) and (3) of the *MiFID implementing Directive*]

Information concerning safeguarding of designated investments belonging to clients and client money

6.1.7
FCA

R

- (1) A *firm* that holds *designated investments* or *client money* for a *retail client* subject to the *custody chapter* or the *client money chapter* must provide that *client* with the following information:
 - (a) if applicable,
 - (i) that the *designated investments* or *client money* of that *client* may be held by a third party on behalf of the *firm*;
 - (ii) the responsibility of the *firm* under the applicable national law for any acts or omissions of the third party; and
 - (iii) the consequences for the *client* of the insolvency of the third party;
 - (b) if applicable, that the *designated investments* belonging to the *retail client* may be held in an omnibus account by a third party and a prominent warning of the resulting risks;
 - (c) if it is not possible under national law for *designated investments* belonging to a *client* held with a third party to be separately identifiable from the proprietary *designated investments* of that third party or of the *firm*, that fact and a prominent warning of the resulting risks;
 - (d) if applicable, that accounts that contain *designated investments* or *client money* belonging to that *client* are or will be subject to the law of a jurisdiction other than that of a *EEA State*, an indication that the rights of the *client* relating to those instruments or money may differ accordingly;
 - (e) a summary description of the steps which it takes to ensure the protection of any *designated investments* belonging to the *client* or *client money* it holds, including summary details of any relevant investor compensation or deposit guarantee scheme which applies to the *firm* by virtue of its activities in an *EEA State*.

- (2) A *firm* that holds *designated investments* or *client money* for a *retail client* must inform the client:
 - (a) if applicable, about the existence and the terms of any security interest or lien which the *firm* has or may have over the *client's designated investments* or *client money*, or any right of set-off it holds in relation to the *client's designated investments* or *client money*; and
 - (b) if applicable, that a depositary may have a security interest or lien over, or right of set-off in relation to those instruments or money.

- (3) A *firm* within (1) must also, before entering into *securities financing transactions* in relation to *designated investments* held by it on behalf of a *retail client*, or before otherwise using such *designated investments* for its own account or the account of another *client*, in good time before the use of those *designated investments* provide the *client*, in a *durable medium*, with clear, full and accurate information on the obligations and responsibilities of the *firm* with respect to the use of those *designated investments*, including the terms for their restitution, and on the risks involved.

- (4) A *firm* within (1) that holds *client designated investments* or *client money* for a *professional client* must provide that *client* with the information in paragraphs (1)(d) and (2)(a) and (b).

[Note: articles 29(3), 30(1)(g) and 32 of the *MiFID implementing Directive*]

6.1.8

G

[deleted]

Information about costs and associated charges

6.1.9

R

A *firm* must provide a *retail client* with information on costs and associated charges including, if applicable:

FCA

- (1) the total price to be paid by the *client* in connection with the *designated investment* or the *designated investment business* or *ancillary services*, including all related fees, commissions, charges and expenses, and all taxes payable via the *firm* or, if an exact price cannot be indicated, the basis for the calculation of the total price so that the *client* can verify it. The commissions charged by the *firm* must be itemised separately in every case;

- (2) if any part of the total price referred to (1) is to be paid in or represents an amount of foreign currency, an indication of the currency involved and the applicable currency conversion rates and costs;

- (3) notice of the possibility that other costs, including taxes, related to transactions in connection with the *designated investment* or

the *designated investment business* may arise for the *client* that are not paid via the *firm* or imposed by it; and

- (4) the arrangements for payment or other performance.

[Note: article 33 of the *MiFID implementing Directive*]

6.1.10
FCA

G

The *rules* on inducements in ■ COBS 2.3 may also require a *firm* to disclose information to a *client* in relation to benefits provided to the *firm*.

Timing of disclosure

6.1.11
FCA

R

- (1) A *firm* must provide a *client* with the information required by this section in good time before the provision of *designated investment business* or *ancillary services* unless otherwise provided by this *rule*.

- (2) A *firm* may instead provide that information immediately after starting to provide *designated investment business* or *ancillary services* if:

- (a) the *firm* was unable to comply with (1) because, at the request of the *client*, the agreement was concluded using a means of distance communication which prevented the *firm* from doing so; and
- (b) in any case where the *rule* on voice telephony communications (■ COBS 5.1.12 R) does not otherwise apply, the *firm* complies with that *rule* in relation to the *retail client*, as if that *client* were a *consumer*.

[Note: article 29(2), 29(3) and 29(5) of the *MiFID implementing Directive*]

6.1.12
FCA

G

A *firm* should take into account ■ COBS 8.1.3 R (1), which requires earlier disclosure of some items of information covered in this section.

Medium of disclosure

6.1.13
FCA

R

Except where expressly provided, a *firm* must provide the information required by this section in a *durable medium* or via a website (where it does not constitute a *durable medium*) where the *website conditions* are satisfied.

[Note: article 29(4) of the *MiFID implementing Directive*]

Keeping the client up to date

6.1.14
FCA

R

- (1) A *firm* must notify a *client* in good time about any material change to the information provided under this section which is relevant to a service that the *firm* is providing to that *client*.

- (2) A *firm* must provide this notification in a *durable medium* if the information to which it relates was given in a *durable medium*.

[Note: article 29(6) of the *MiFID implementing Directive*]

Existing clients

6.1.15

G

FCA

- (1) A *firm* need not treat each of several transactions in respect of the same type of *financial instrument* as a new or different service and so does not need to comply with the disclosure *rules* in this chapter in relation to each transaction.

[Note: recital 50 to the *MiFID implementing Directive*]

- (2) But a *firm* should ensure that the *client* has received all relevant information in relation to a subsequent transaction, such as details of product charges that differ from those disclosed in respect of a previous transaction.

Compensation information

6.1.16

R

FCA

- (1) A *firm* carrying on *MiFID business* must make available to a *client*, who has used or intends to use those services, information necessary for the identification of the *compensation scheme* or any other investor-compensation scheme of which the *firm* is a member (including, if relevant, membership through a *branch*) or any alternative arrangement provided for in accordance with the *Investor Compensation Directive*.

- (2) The information under (1) must include the amount and scope of the cover offered by the compensation scheme and any rules laid down by the *EEA State* pursuant to article 2 (3) of the *Investor Compensation Directive*.

- (3) A *firm* must provide, on the *client's* request, information concerning the conditions governing compensation and the formalities which must be completed to obtain compensation.

- (4) The information provided for in this *rule* must be made available in a *durable medium* or via a website if the *website conditions* are satisfied in the official language or languages of the *EEA State*.

[Note: article 10(1) and (2) of the *Investor Compensation Directive*]

Record keeping: information about the firm and compensation information

6.1.17

G

FCA

Firms are reminded of the general record-keeping requirements in ■ SYSC 3.2 and ■ SYSC 9.

6.1A Adviser charging and remuneration

Application - Who? What?

6.1A.1
FCA

R

- (1) This section applies to a *firm* which makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*. *personal recommendations to retail clients* in relation to *retail investment products*.
- (2) This section does not apply to a *firm* giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.

6.1A.1A
FCA

G

Guidance on the regulated activity of advising in relation to a new or existing *investment* can be found in ■ PERG 8.24 to ■ PERG 8.29. Although the *guidance* in ■ PERG 8.29.7 G relates to *advising on investments* under article 53 of the *Regulated Activities Order*, exactly the same answers apply to a *personal recommendation* because the examples given relate to the relationship between a *firm* and a particular *client* and advice given to that specific *client*. A *firm* wishing to know when it will be giving advice but not making a *personal recommendation* should refer to ■ PERG 13.3.

6.1A.2
FCA

R

This section does not apply to a *firm* when it gives *basic advice* in accordance with the *basic advice rules*.

6.1A.2A
FCA

R

This section does not apply to a *firm* when it makes a *personal recommendation* to a *retail client* in relation to a *Holloway sickness policy*, provided that the *Holloway policy special application conditions* are met.

Application - Where?

6.1A.3
FCA

R

This section does not apply if the *retail client* is outside the *United Kingdom*.

6.1A.4

FCA

R

Requirement to be paid through adviser charges

Except as specified in ■ COBS 6.1A.4A R and ■ COBS 6.1A.4B R, a *firm* must:

- (1) only be remunerated for the *personal recommendation* (and any other related services provided by the *firm*) by *adviser charges*; and
- (2) not solicit or accept (and ensure that none of its *associates* solicits or accepts) any other commissions, remuneration or benefit of any kind in relation to the *personal recommendation* or any other related service, regardless of whether it intends to refund the payments or pass the benefits on to the *retail client*; and
- (3) not solicit or accept (and ensure that none of its *associates* solicits or accepts) *adviser charges* in relation to the *retail client's retail investment product* which are paid out or advanced by another party over a materially different time period, or on a materially different basis, from that in or on which the *adviser charges* are recovered from the *retail client*.

6.1A.4A

FCA

R

A *firm* and its *associates* may:

- (1) solicit and accept a commission, remuneration or benefit of any kind in the circumstances set out in ■ COBS 6.1A.4 R if:
 - (a) the *personal recommendation* was made on or before 30 December 2012;
 - (b) the solicitation and acceptance of the commission, remuneration or benefit of any kind was permitted by the *rules* in force on 30 December 2012;
 - (c) the contract under which the right to receive the commission, remuneration or benefit of any kind was entered into on or before 30 December 2012;
 - (d) the terms of that contract as at 30 December 2012 included the right to receive the commission, remuneration or benefit of any kind; and
 - (e) the *retail client* enters into the transaction in respect of which the *personal recommendation* was given within a reasonable time of the *personal recommendation* being given; and
- (2) enter into an arrangement under which the right to receive the commission, remuneration or benefit of any kind in (1) is transferred to that *firm* or its *associate*.

6.1A.4AA

FCA

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- (1) A *firm* may continue to accept a commission, remuneration or benefit of any kind after 30 December 2012 if there is a clear link between the payment and an investment in a *retail investment product* which was made by the *retail client* following a *personal recommendation* made, or a transaction executed, on or

before 30 December 2012. This is the case even if the *firm* makes a *personal recommendation* to the same *retail client* after 30 December 2012 to the extent that the continued payment can properly be regarded as linked to the pre 31 December 2012 *personal recommendation* or transaction, rather than the new *personal recommendation*. Of course this is dependent upon the terms of the contract contemplating the continued receipt of such payments.

- (2) Examples of circumstances where a commission, remuneration or benefit is clearly linked to the retention of an investment in a *retail investment product* and can therefore continue to be accepted include (in each case where the terms of the contract contemplate a continued payment of the kind referred to in (1)):
 - (a) no change is made to the *retail client's* investment in the relevant *retail investment product*;
 - (b) the *retail client's* investment in, or regular contribution to, the relevant *retail investment product* is reduced; the *firm* may continue to accept the payment associated with the reduced investment amount;
 - (c) the *retail client's* investment in the relevant *retail investment product* is transferred from accumulation *units* to income *units* or vice versa;
 - (d) the *retail client* transfers all or part of his investment between funds within a *life policy*.
- (3) If a *firm* makes a *personal recommendation* to a *retail client* and wishes to:
 - (a) receive remuneration for that *personal recommendation* in addition to any commission, remuneration or benefit of any kind it receives in the circumstances contemplated by (1); or
 - (b) be paid additional amounts for any actions which are linked to a new amount invested by the *retail client* in the relevant *retail investment product*;

it should only be paid those additional amounts for that *personal recommendation* or for those actions by *adviser charges*.

- (4) A *firm* may offset against any *adviser charges* which are payable by the *retail client* any commission, remuneration or benefit of any kind it receives in the circumstances contemplated in (1).

Re-registration of commission when a retail client moves to a new adviser

If a *retail client* chooses to become a *client* of a *firm* and that *firm* or its *associate* enters into an arrangement in ■ COBS 6.1A.4AR (2), the *firm* must:

- (1) before the arrangement is entered into, disclose to the *retail client* that the transfer of the commission, remuneration or benefit of any kind will be requested by the *firm* or its *associate*;
- (2) throughout the period during which the *firm* or its *associate* receives the commission, remuneration or benefit of any kind, provide the *retail client* with an ongoing service; and

6.1A.4B

FCA

R

- (3) as soon as reasonably practicable after it makes the disclosure in (1):
 - (a) disclose to the *retail client*, as a cash amount or percentage of funds under management, the amount of the commission, remuneration or benefit of any kind it expects to receive and any it has received; and
 - (b) provide the *retail client* with a description of the ongoing service it will provide to the *retail client* in accordance with (2).

6.1A.5

FCA

G

A *firm* may receive an *adviser charge* that is no longer payable (for example, after the service it is received in payment for has been amended or terminated) provided the *firm* refunds any such payment to the *retail client*.

6.1A.6

FCA

R

'Related service(s)' for the purposes of ■ COBS 6.1A includes:

- (1) *arranging* or *executing* a transaction which has been recommended to a *retail client* by the *firm*, an *associate* or another *firm* in the same *group* or conducting administrative tasks associated with that transaction; or
- (2) managing a relationship between a *retail client* (to whom the *firm* provides *personal recommendations* on *retail investment products*) and a *discretionary investment manager* or providing a service to such a client in relation to the investments managed by such a manager; or
- (3) recommending a *discretionary investment manager* to a *retail client* (to whom the *firm* provides *personal recommendations* on *retail investment products*).

6.1A.7

FCA

G

The requirement to be paid through *adviser charges* does not prevent a *firm* from making use of any facility for the payment of *adviser charges* on behalf of the *retail client* offered by another *firm* or other third parties provided that the facility complies with the requirements of ■ COBS 6.1B.9R.

6.1A.8

FCA

G

Examples of payments and benefits that should not be accepted under the requirement to be paid through *adviser charges* include:

- (1) a share of the *retail investment product* charges or *platform service provider's* charges, or *retail investment product* provider's or *platform service provider's* revenues or profits; and
- (2) a commission set and payable by a *retail investment product* provider in any jurisdiction.

Requirements on a retail investment product provider making a personal recommendation in respect of its own retail investment products

6.1A.9
FCA

R

If the *firm* or its *associate* is the *retail investment product* provider, the *firm* must ensure that the level of its *adviser charges* is at least reasonably representative of the services associated with making the *personal recommendation* (and related services).

6.1A.10
FCA

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An *adviser charge* is likely to be reasonably representative of the services associated with making the *personal recommendation* if:

- (1) the expected long term costs associated with making a *personal recommendation* and distributing the *retail investment product* do not include the costs associated with manufacturing and administering the *retail investment product*;
- (2) the allocation of costs and profit to *adviser charges* and product charges is such that any cross-subsidisation is not significant in the long term; and
- (3) were the *personal recommendation* and any related services to be provided by an unconnected *firm*, the level of *adviser charges* would be appropriate in the context of the service being provided by the *firm*.

Requirement to use a charging structure

6.1A.11
FCA

R

A *firm* must determine and use an appropriate charging structure for calculating its *adviser charge* for each *retail client*.

6.1A.12
FCA

G

A *firm* can use a standard charging structure.

6.1A.13
FCA

G

In determining its charging structure and *adviser charges* a *firm* should have regard to its duties under the *client's best interests rule*. Practices which may indicate that a *firm* is not in compliance with this duty include:

- (1) varying its *adviser charges* inappropriately according to provider or, for substitutable and competing *retail investment products*, the type of *retail investment product*; or
- (2) allowing the availability or limitations of services offered by third parties to facilitate the payment of *adviser charges* to influence inappropriately its charging structure or *adviser charges*.

6.1A.14
FCA

R

A *firm* must not use a charging structure which conceals the amount or purpose of any of its *adviser charges* from a *retail client*.

6.1A.14A
FCA

R

A *firm* must not make a *personal recommendation* to a *retail client* in relation to a *retail investment product* if it knows, or ought to know, that:

- (1) the product's charges or the *platform service provider's* charges are presented in a way that offsets or may appear to offset any

adviser charges or *platform charges* that are payable by that *retail client*; or

- (2) the product's charges or other payments are maintained by the *retail investment product* provider at a level such that a cash rebate, other than a cash rebate permitted by ■ COBS 6.1B.7A R or ■ COBS 6.1E.10R (2), is payable to the *retail client*.

6.1A.15

FCA

G

A *firm* is likely to be viewed as operating a charging structure that conceals the amount or purpose of its *adviser charges* if, for example:

- (1) it makes arrangements for amounts in excess of its *adviser charges* to be deducted from a *retail client's* investments from the outset, in order to be able to provide a cash refund to the *retail client* later; or
- (2) it provides other services to a *retail client* (for example, *advising on a home finance transaction* or *advising on an equity release transaction*), and its *adviser charges* do not represent a reasonable proportion of the costs associated with the *personal recommendation* for the *retail investment product* and its related services.

Calculation of the cost of adviser services to a client

6.1A.16

FCA

G

In order to meet its responsibilities under the *client's best interests rule* and *Principle 6* (Customers' interests), a *firm* should consider whether the *personal recommendation* or any other related service is likely to be of value to the *retail client* when the total charges the *retail client* is likely to be required to pay are taken into account.

Initial information for clients on the cost of adviser services

6.1A.17

FCA

R

A *firm* must disclose its charging structure to a *retail client* in writing, in good time before making the *personal recommendation* (or providing related services).

6.1A.18

FCA

G

A *firm* may wish to consider disclosing as its charging structure a list of the advisory services it offers with the associated indicative charges which will be used for calculating the *adviser charge* for each service.

6.1A.19

FCA

G

In order to meet the requirement in the *rule* on information disclosure before providing services (■ COBS 2.2.1 R), a *firm* should ensure that the disclosure of its charging structure is in clear and plain language and, as far as is practicable, uses cash terms. If a *firm's* charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice.

6.1A.20

FCA

G

A *firm* is unlikely to meet its obligations under the *fair, clear and not misleading rule* and the *client's best interests rule* unless it ensures that:

- (1) the charging structure it discloses reflects, as closely as is practicable, the total *adviser charge* to be paid; for example, the *firm* should avoid using a wide range; and

- (2) if using hourly rates in its charging structure, it states whether the rates are indicative or actual hourly rates, provides the basis (if any) upon which the rates may vary and provides an approximate indication of the number of hours that the provision of each service is likely to require.

6.1A.21

FCA

G

A *firm* may meet the disclosure requirements in this section by using a *services and costs disclosure document* or a *combined initial disclosure document* (■ COBS 6.3 and ■ COBS 6 Annex 1G or ■ COBS 6 Annex 2).

Ongoing payment of adviser charges

6.1A.22

FCA

R

A *firm* must not use an *adviser charge* which is structured to be payable by the *retail client* over a period of time unless (1) or (2) applies:

- (1) the *adviser charge* is in respect of an ongoing service for the provision of *personal recommendations* or related services and:
- (a) the *firm* has disclosed that service along with the *adviser charge*; and
 - (b) the *retail client* is provided with a right to cancel the ongoing service, which must be reasonable in all the circumstances, without penalty and without requiring the *retail client* to give any reason; or
- (2) the *adviser charge* relates to a *retail investment product* for which an instruction from the *retail client* for regular payments is in place and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided.

6.1A.22A

FCA

G

To comply with the *rule* on providing a *retail client* with the right to cancel an ongoing service for the provision of *personal recommendations* or related services without penalty (■ COBS 6.1A.22R (1)(b)) a *firm* should:

- (1) ensure that any notice period of the *retail client's* right of cancellation is reasonable;
- (2) not make any charge in respect of cancellation of the ongoing service except for an amount which is in proportion to the extent of the service already provided by the *firm* up to the date of cancellation of the ongoing service; and
- (3) not make cancellation conditional on, for example, requiring the *retail client* to sell any *retail investment products* to which the ongoing service relates.

6.1A.22B

FCA

R

If a *retail client* exercises his right to cancel an ongoing service, the *firm* must clearly disclose to the *retail client* whether charges for other services provided by the *firm*, such as *custody* services, will continue to be payable by the *retail client*.

6.1A.23 **R** If ■ COBS 6.1A.22R(1) or ■ (2) do not apply, a *firm* may not offer *credit* to a *retail client* for the purpose of paying *adviser charges* unless this would be in the best interests of the *retail client*.
FCA

Disclosure of total adviser charges payable

6.1A.24 **R** (1) A *firm* must agree with and disclose to a *retail client* the total *adviser charge* payable to it or any of its *associates* by a *retail client*.
FCA

(2) A disclosure under (1) must:

- (a) be in cash terms (or convert non-cash terms into illustrative cash equivalents);
- (b) be as early as practicable;
- (c) be in a *durable medium* or through a website (if it does not constitute a *durable medium*) if the *website conditions* are satisfied; and
- (d) if there are payments over a period of time, include the amount and frequency of each payment due, the period over which the *adviser charge* is payable and the implications for the *retail client* if the *retail investment product* is cancelled before the *adviser charge* is paid and, if there is no ongoing service, the sum total of all payments.

6.1A.24A **G** If the price of the *retail investment product* may vary as a result of fluctuations in the financial markets and the *adviser charge* is expressed as a percentage of that price, a *firm* need not disclose to the *retail client* the total *adviser charge* payable to the *firm* or any of its *associates* by the *retail client* until after execution of the transaction, provided it then does so promptly.
FCA

6.1A.25 **G** A *firm* may include the information required by the *rule* on disclosure of total *adviser charges* (■ COBS 6.1A.24 R) in a *suitability report*.
FCA

6.1A.26 **G** To comply with the *rule* on disclosure of total *adviser charges* (■ COBS 6.1A.24 R) and the *fair, clear and not misleading rule*, a *firm's* disclosure of the total *adviser charge* should:
FCA

- (1) provide information to the *retail client* as to which particular service an *adviser charge* applied to;
- (2) include information as to when payment of the *adviser charge* is due;
- (3) inform the *retail client* if the total *adviser charge* varies materially from the charge indicated for that service in the *firm's* charging structure;
- (4) if an ongoing *adviser charge* is expressed as a percentage of funds under management, clearly reflect in the disclosure that the *adviser charge* may increase as the fund grows; and

- (5) if an ongoing *adviser charge* applies for an ongoing service, clearly confirm the details of the ongoing service, its associated charges, and how the *retail client* can cancel this service and cease payment of the associated charges.

Record keeping

6.1A.27

FCA

R

A *firm* must keep a record of:

- (1) its charging structure;
- (2) the total *adviser charge* payable by each *retail client*; and
- (3) if the total *adviser charge* paid by a *retail client* has varied materially from the charge indicated for that service in the *firm's* charging structure, the reasons for that difference.



6.1B Retail investment product provider and platform service provider requirements relating to adviser charging and remuneration

Application - Who? What?

6.1B.1

FCA

R

(1) This section applies to:

- (a) a *firm* which is a *retail investment product* provider; and
- (b) in relation to ■ COBS 6.1B.9 R, ■ COBS 6.1B.10 G and ■ COBS 6.1B.11 G, a *platform service provider*;

in circumstances where a *retail client* receives a *personal recommendation* in relation to a *retail investment product* and also where a *retail investment product* transaction is executed by a *platform service provider* and no *personal recommendation* has been made.

- (2) This section does not apply to a *retail investment product* provider in circumstances where a *firm* gives advice or provides services to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.

6.1B.1A

FCA

G

Guidance on the regulated activity of advising in relation to a new or existing *investment* can be found in ■ PERG 8.24 to ■ PERG 8.29. Although the *guidance* in ■ PERG 8.29.7 G relates to *advising on investments* under article 53 of the *Regulated Activities Order*, exactly the same answers apply to a *personal recommendation* because the examples given relate to the relationship between a *firm* and a particular *client* and advice given to that specific *client*. A *firm* wishing to know when it will be giving advice but not making a *personal recommendation* should refer to ■ PERG 13.3.

6.1B.2

FCA

R

This section does not apply to a *firm* when a *retail client* receives *basic advice* in accordance with the *basic advice rules*.

6.1B.2A

FCA

R

This section does not apply to a *firm* in circumstances where a *retail client* receives a *personal recommendation* in relation to one of the *firm's Holloway sickness policies*, provided that the *Holloway policy special application conditions* are met.

6.1B.3

FCA

G

This section applies to a *firm* when it makes a *personal recommendation* on a *retail investment product* and where a *retail investment product* for which it is the *retail*

investment product provider is the subject of a *personal recommendation* made by another *firm*.

Application - Where?

6.1B.4
FCA

R This section does not apply if the *retail client* is outside the *United Kingdom*.

Requirement not to offer commissions

6.1B.5
FCA

R Except as specified in **■ COBS 6.1B.5A R**, a *firm* must not offer or pay (and must ensure that none of its *associates* offers or pays) any commissions, remuneration or benefit of any kind to another *firm*, or to any other third party for the benefit of that *firm*, in relation to a *personal recommendation* (or any related services), except those that facilitate the payment of *adviser charges* from a *retail client's* investments in accordance with this section.

6.1B.5A
FCA

R A *firm* and its *associates* may:

- (1) offer and pay a commission, remuneration or benefit of any kind in the circumstances set out in **■ COBS 6.1B.5 R** if:
 - (a) the *personal recommendation* was made on or before 30 December 2012;
 - (b) the offer and payment was permitted by the *rules* in force on 30 December 2012;
 - (c) the contract under which the right to receive the commission, remuneration or benefit of any kind was entered into on or before 30 December 2012;
 - (d) the terms of that contract as at 30 December 2012 included the right to receive the commission, remuneration or benefit of any kind; and
 - (e) the *retail client* enters into the transaction in respect of which the *personal recommendation* was given within a reasonable time of the *personal recommendation* being given; and
- (2) enter into an arrangement under which the right to receive the commission, remuneration or benefit of any kind in (1) is transferred to another *firm* or its *associate*.

6.1B.5B
FCA

G A *firm* may continue paying commission, remuneration or benefits of any kind to another *firm* in relation to a *personal recommendation* made by that other *firm* in circumstances where that other *firm* may accept that commission, remuneration or benefit of any kind (see **■ COBS 6.1A.4A R** and **■ COBS 6.1A.4AA G**).

6.1B.6

G [deleted]

Distinguishing product charges from adviser charges

6.1B.7

FCA

R

A *firm* must:

- (1) take reasonable steps to ensure that its *retail investment product* charges are not structured so that they could mislead or conceal from a *retail client* the distinction between those charges and any *adviser charges* payable in respect of its *retail investment products*;
- (2) not include in any marketing materials in respect of its *retail investment products* or facilities for collecting *adviser charges* any statements about the appropriateness of levels of *adviser charges* that a *firm* could charge in making *personal recommendations* or providing related services in relation to its *retail investment products* ; and
- (3) not defer, discount or rebate *retail investment product* charges in a way that offsets or may appear to offset any *adviser charges* or *platform charges* that are payable, including by maintaining *retail investment product* charges at a level such that a cash rebate, other than a cash rebate permitted by ■ COBS 6.1B.7A R or ■ COBS 6.1E.10R (2), is payable to the *retail client*.

6.1B.7A

FCA

R

A *retail investment product* provider may maintain *retail investment product* charges at a level such that a cash rebate is payable to the *retail client* if:

- (1) the *retail investment product* transaction was agreed on or before 5 April 2014 and executed within a reasonable time of that agreement; and
- (2) the *retail client's* right to receive the cash rebate arose on or before 5 April 2014; and
- (3) on or after 6 April 2014 no change is made to that product, or, where there is such a change on or after 6 April 2014, only in relation to the unchanged part of that product.

6.1B.7B

FCA

G

In the *FCA's* view, if the *platform service provider* retained any part of a rebate on or before 5 April 2014, the *retail client* is unlikely to have had a right to receive that part of the rebate.

6.1B.7C

FCA

G

The following examples do not entail changes to the *retail investment product*:

- (1) no change is made to the *retail client's* investment in the relevant product or to the level of the *retail client's* regular contributions into that product;
- (2) the *retail client's* investment in, or regular contribution to, the relevant product is reduced: the *retail investment product* provider may continue to pay the cash rebate associated with the reduced investment amount;

- (3) the *retail client's* investment in the relevant product is transferred from accumulation *units* to income *units* or vice versa;
- (4) part of the *retail client's* investment is switched between funds within a *retail investment product*, such as a *SIPP*, or a *retail investment product* wrapper, such as an *ISA*: the *retail investment product* provider may continue to pay the cash rebate associated with the part of the *retail client's* investment which has not been switched into another fund;
- (5) the level of cash rebate payable to the *retail client* is reduced;
- (6) the product is converted to a share class which does not pay a commission, remuneration or benefit of any kind to a *firm* and is otherwise unchanged.

6.1B.8
FCA

G

■ COBS 6.1B.7 R does not prevent a *firm* from offering a promotional discount to a *retail client* in the form of extra *units* or additional investment, but a *firm* should not offer to invest more than 100% of the *retail client's* investment.

Requirements on firms facilitating the payment of adviser charges

6.1B.9
FCA

R

■ COBS 6.1B.7 R does not prevent a *firm* from offering a promotional discount to a *retail client* in the form of extra *units* or additional investment, but a *firm* that offers to facilitate, directly or through a third party, the payment of *adviser charges*, including by means of a *platform service* must:

- (1) obtain and validate instructions from a *retail client* in relation to an *adviser charge*;
- (2) offer sufficient flexibility in terms of the *adviser charges* it facilitates; and
- (3) not pay out or advance *adviser charges* to the *firm* to which the *adviser charge* is owed over a materially different time period, or on a materially different basis to that in which it recovers the *adviser charge* from the *retail client* (including paying any *adviser charges* to the *firm* that it cannot recover from the *retail client*).

6.1B.9A
FCA

G

A *firm* facilitates the payment of *adviser charges* for the purposes of ■ COBS 6.1B.9 R if the *adviser charge* is not paid directly by the *retail client*, but is instead paid on behalf of the *retail client* via the *firm*.

6.1B.9B
FCA

G

A *firm* may facilitate the payment of *adviser charges* for the purposes of ■ COBS 6.1B.9 R by:

- (1) selling all or part of the *retail client's retail investment product* to pay the *adviser charge*; or

- (2) disposing of or reducing all or part of the *retail client's* rights under the *retail investment product* (for example, by way of a part disposal which creates benefits under a *life policy*) to pay the *adviser charge*; or
- (3) separating out an amount or amounts for the payment of the *adviser charge* from the amount received from the *retail client* to be invested or from the *premium* in the case of a *life policy*; or
- (4) paying the *adviser charge* from the *retail client's* cash account.

6.1B.10

FCA

G

A *firm* should consider whether the flexibility in levels of *adviser charges* it offers to facilitate is sufficient so as not to unduly influence or restrict the charging structure and *adviser charges* that the *firm* providing the *personal recommendation* or related services can use.

6.1B.11

FCA

G

■ COBS 6.1B.9R(3) does not prevent a *firm*, if this is in the *retail client's* best interests, from entering into an agreement with another *firm* which is providing a *personal recommendation* to a *retail client*, or with a *retail client* of such a *firm*, to provide it with *credit* separately in accordance with the *rules* on providing credit and other benefits to *firms* that advise on *retail investment products* (■ COBS 2.3.12 E and ■ COBS 2.3.12A G).

6



6.1C Consultancy charging and remuneration

Application - Who? What?

6.1C.1
FCA

R

- (1) This section applies to a *firm* that gives advice, or provides services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.
- (2) Without prejudice to (1), this section does not apply to a *firm* that makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*.

Application - Where?

6.1C.2
FCA

R

This section does not apply if the employer is outside the *United Kingdom*.

Interpretation

6.1C.3
FCA

R

In this section 'giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*' includes:

- (1) giving advice or assistance to an employer on the operation of such a scheme;
- (2) taking, or helping the employer to take, the steps that must be taken to enable an employee of the employer to become a member of such a *scheme*; and
- (3) giving advice to an employee, pursuant to an agreement between the employer and the adviser, about the benefits that are, or might be, available to the employee if he is, or if he becomes, a member of such a scheme.

Requirement to be paid through consultancy charges

6.1C.4
FCA

G

■ COBS 6.1C.1 (Application - Who? What?) and ■ COBS 6.1C.3 (Interpretation) mean (for example) that the cost of any advice given to an employee pursuant to an agreement between the employer and the adviser about the benefits that are, or might be, available to the employee if he is, or if he becomes, a member of a *group personal pension scheme* or *group stakeholder pension scheme* are subject to the *rules* in this section, not the *rules on adviser charging* (■ COBS 6.1A).

6.1C.5

FCA

R Except as specified in ■ COBS 6.1C.5A R and ■ COBS 6.1C.5B R, a *firm* must:

- (1) only be remunerated for giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* by *consultancy charges* or by a fee payable by the employer;
- (2) not solicit or accept (and ensure that none of its *associates* solicits or accepts) any other commissions, remuneration or benefit of any kind in relation to that advice, or those services, regardless of whether it intends to refund the payments or pass the benefits on to the *group personal pension scheme* or *group stakeholder pension scheme*; and
- (3) not solicit or accept (and ensure that none of its *associates* solicits or accepts) *consultancy charges* which are paid out or advanced by another party over a materially different time period, or on a materially different basis, from that in or on which the *consultancy charges* are recovered from the relevant *group personal pension scheme* or *group stakeholder pension scheme*.

6.1C.5A

FCA

R A *firm* and its *associates* may:

- (1) solicit and accept a commission, remuneration or benefit of any kind in the circumstances set out in ■ COBS 6.1C.5 R if:
 - (a) the employer's part of the relevant scheme was established on or before 30 December 2012; and
 - (b) the solicitation and acceptance of the commission, remuneration or benefit of any kind was permitted by the *rules* in force on 30 December 2012; and
- (2) enter into an arrangement under which the right to receive the commission, remuneration or benefit in (1) is transferred to that *firm* or its *associate*.

Re-registration of commission when an employer moves to a new adviser

6.1C.5B

FCA

R If an employer chooses to appoint a *firm* to provide advice or services in connection with a *group personal pension scheme* or a *group stakeholder pension scheme* and that *firm* or its *associate* enters into an arrangement in ■ COBS 6.1C.5AR (2), the *firm* must:

- (1) before the arrangement is entered into, disclose to the employer that the transfer of the commission, remuneration or benefit of any kind will be requested by the *firm* or its *associate*;

- (2) throughout the period during which the *firm* or its *associate* receives the commission, remuneration or benefit of any kind, provide the employer with an ongoing service; and
- (3) as soon as reasonably practicable after it makes the disclosure in (1):
 - (a) disclose to the employer the basis and amount of the commission, remuneration or benefit of any kind it expects to receive and any it has received; and
 - (b) provide the employer with a description of the ongoing service it will provide to the employer in accordance with (2).

6.1C.6
FCA

G

A *firm* may receive a *consultancy charge* that is no longer payable (for example, after the service it is received in payment for has been amended or terminated) provided the *firm* passes any such payments to the relevant *group personal pension scheme* or *group stakeholder pension scheme*.

6.1C.7
FCA

G

The requirement to be paid through *consultancy charges* does not prevent a *firm* from making use of any facility for the payment of *consultancy charges* provided by another *firm* or other third parties provided that the facility complies with the requirements of ■ COBS 6.1D.9 R.

6.1C.8
FCA

G

Examples of payments and benefits that should not be accepted under the requirement only to be paid through *consultancy charges* include:

- (1) a share of the charges applied to a *group personal pension scheme*, *group stakeholder pension scheme* or the scheme provider's revenues or profits (except if the *firm* providing the advice to an employer in relation to such a scheme is the scheme provider);
- (2) a commission set and payable by a *retail investment product* provider in any jurisdiction.

Requirements on a product provider giving advice to an employer in respect of the product provider's own *group personal pension scheme* or *group stakeholder pension scheme* products.

6.1C.9
FCA

R

If the *firm* or its *associate* is the *group personal pension scheme* or *group stakeholder pension scheme* provider, the *firm* must ensure that the level of its *consultancy charges* is at least reasonably representative of the cost associated with giving the advice to the employer in relation to the relevant scheme.

6.1C.10

FCA

G

A *consultancy charge* is likely to be reasonably representative of the services associated with giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* if:

- (1) the expected long term costs associated with advising the employer in relation to the *group personal pension scheme* or *group stakeholder pension scheme* do not include the costs associated with establishing and operating that scheme;
- (2) the allocation of costs and profits to *consultancy charges* and product charges is such that any cross-subsidisation between the different activities is not significant in the long term; and
- (3) (were the services to be provided by an unconnected *firm*), the level of *consultancy charges* would be appropriate in the context of the service being provided by the *firm*.

Requirement to use a charging structure

6.1C.11

FCA

R

A *firm* must determine and use an appropriate charging structure for calculating its *consultancy charge* for each employer.

6.1C.12

FCA

G

A *firm* can use a standard charging structure.

6.1C.13

FCA

G

- (1) In determining its charging structure and *consultancy charges* a *firm* should have regard to the best interests of the employer and the employer's employees.
- (2) A *firm* may not be acting in the best interests of the employer and the employer's employees if it:
 - (a) varies its *consultancy charges* inappropriately according to product provider; or
 - (b) allows the availability or limitation of services offered by third parties to facilitate the payment of *consultancy charges* to influence inappropriately its charging structure or *consultancy charges*.
- (3) *Firms* are reminded that the *client's best interests rule* may also apply.

6.1C.14

FCA

R

A *firm* must not use a charging structure which conceals the amount or purpose of any of its *consultancy charges* from an employer or an employee.

6.1C.15

FCA

G

A *firm* is likely to be viewed as operating a charging structure that conceals the amount or purpose of its *consultancy charges* if, for example, it makes arrangements for amounts in excess of its *consultancy charges* to be deducted from an employee's investments from the outset, in order to be able to provide a cash payment to the employer or employee later.

Initial information for clients on the cost of consultancy services

6.1C.16

FCA

R

A *firm* must disclose its charging structure to an employer in writing, in good time before giving advice, or providing services, to the employer in

connection with a *group personal pension scheme* or *group stakeholder pension scheme*.

6.1C.17

FCA

G

A *firm* should ensure that the disclosure of its charging structure is in clear and plain language and, as far as is practicable, uses cash terms. If a *firm's* charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice.

Disclosure of total consultancy charges payable

6.1C.18

FCA

R

- (1) A *firm* must agree with and disclose to an employer the total *consultancy charge* payable to it or any of its *associates*.
- (2) A disclosure under (1) must:
 - (a) be in cash terms (or convert non-cash terms into illustrative cash equivalents);
 - (b) be made as early as practicable and, in any event, before the employer:
 - (i) selects a particular *group personal pension scheme* or *group stakeholder pension scheme* for the benefit of its employees; or
 - (ii) if applicable, reviews its *group personal pension scheme* or *group stakeholder pension scheme* arrangements;
 - (c) be in a *durable medium* or through a website (if it does not constitute a *durable medium*) if the *website conditions* are satisfied;
 - (d) if there are payments over a period of time, include:
 - (i) the amount and frequency of each payment due; and
 - (ii) the period over which the *consultancy charge* is payable;
 - (iii) an explanation of the implications for the employer and its employees if an employee leaves the employer's service; and
 - (iv) an explanation of the implications for the employer and its employees if contributions to the *group personal pension scheme* or *group stakeholder pension scheme* are cancelled before the *consultancy charge* is fully paid.

6.1C.19

FCA

G

To comply with the *rule* on disclosure of total *consultancy charges* payable (■ COBS 6.1C.18R) and the *fair, clear and not misleading rule*, a *firm's* disclosure of the total *consultancy charge* should:

- (1) provide information to the employer as to which particular service a *consultancy charge* applies;

- (2) include information as to when payment of the *consultancy charge* is due;
- (3) if an ongoing *consultancy charge* is expressed as a percentage of funds under management, clearly reflect in the disclosure how that *consultancy charge* may increase as the fund grows.

Requirement not to make a consultancy charge in certain circumstances

6.1C.20

FCA

R

When an employer asks a *firm* to provide advice to the employer's employees, the *firm*:

- (1) may make a *consultancy charge* for the cost of preparing and giving advice to each employee who chooses to accept his employer's offer of advice;
- (2) must not make a *consultancy charge* for the cost of preparing or giving advice to an employee who chooses not to accept the offer of advice;
- (3) (if the *firm* prepares generic advice to be given to more than one employee) must not make more than one *consultancy charge* for preparing that advice.

Record-keeping

6.1C.21

FCA

R

A *firm* must keep a record of:

- (1) its charging structure;
- (2) the *consultancy charges* payable by each employer and each of the employer's employees; and
- (3) if the *consultancy charge* for a particular service has varied materially from that indicated in the *firm's* charging structure, the reasons for that difference.



6.1D Product provider requirements relating to consultancy charging and remuneration

Application - Who? What?

6.1D.1
FCA

R This section applies to a *firm* that is a *group personal pension scheme* or *group stakeholder pension scheme* provider, but only if the *firm* providing the relevant scheme (or another *firm*) gives advice, or provides services, to an employer in connection with that scheme.

Application - Where?

6.1D.2
FCA

R This section does not apply if the employer is outside the *United Kingdom*.

Interpretation

6.1D.3
FCA

R In this section 'giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*' includes:

- (1) giving advice or assistance to an employer on the operation of such a scheme;
- (2) taking, or helping the employer to take, the steps that must be taken to enable an employee of the employer to become a member of such a *scheme*; and
- (3) giving advice to an employee, pursuant to an agreement between the employer and the advisor, about the benefits that are, or might be, available to the employee if he is, or if he becomes, a member of such a scheme.

Requirement not to offer commission, provide factoring or offer credit to a third party

6.1D.4
FCA

R (1) Except as specified in ■ COBS 6.1D.6A R, a *firm* must not offer or pay (and must ensure that none of its *associates* offers or pays) any commissions, remuneration or benefit of any kind to another *firm*, an *employee benefit consultant* or to any other third party for the benefit of that *firm*, *employee benefit consultant* or third party in relation to the sale or purchase of:

- (a) a *group personal pension scheme* or *group stakeholder pension scheme*, whether or not that sale or purchase is accompanied or facilitated by advice given to the purchasing employer or the employer's employees; or
 - (b) an *investment*, if that sale or purchase is, or was, for the benefit of an *occupational pension scheme* established as an alternative to a *group personal pension scheme* or *group stakeholder pension scheme*.
- (2) Paragraph (1)(a) does not prevent a *firm* from making a payment to a third party that has facilitated the payment of a *consultancy charge* from a *group personal pension scheme* or *group stakeholder pension scheme*, provided that that payment is only in respect of that facilitation.
- (3) For the purposes of (1)(b) only, an *occupational pension scheme* will be established as an alternative to a *group personal pension scheme* or *group stakeholder pension scheme* if, in order to meet the most material of its objectives, an employer could reasonably have chosen to establish an *occupational pension scheme* on the one hand, or a *group personal pension scheme* or *group stakeholder pension scheme* on the other, and it chose to establish an *occupational pension scheme*.

6.1D.5
FCA

G

The requirement not to offer or pay commission does not prevent a *firm* from making a payment to a third party in respect of administration or other charges incurred, for example a payment to a fund supermarket or a third party administrator.

6.1D.6
FCA

R

A *firm* that produces a *group personal pension scheme* or *group stakeholder pension scheme* must not offer or make any credit available out of its own funds, and to or for the benefit of another *firm*, an *employee benefit consultant* or another third party.

6.1D.6A
FCA

R

A *firm* and its *associates* may:

- (1) offer and pay a commission, remuneration or benefit of any kind in the circumstances set out in ■ COBS 6.1D.4 R if:
 - (a) the employer's part of the relevant scheme was established on or before 30 December 2012; and
 - (b) the offer or payment was permitted by the *rules* in force on 30 December 2012; and
- (2) enter into an arrangement under which the right to receive the commission, remuneration or benefit of any kind in (1) is transferred to another *firm* or its *associate*.

Distinguishing product charges from consultancy charges

6.1D.7

FCA

R

A *firm* must:

- (1) take reasonable steps to ensure that its *group personal pension scheme* and *group stakeholder pension scheme* charges are not structured so that they could mislead or conceal from an employer the distinction between those charges and any *consultancy charges* payable in respect of the scheme; and
- (2) not include in any marketing materials in respect of its *group personal pension schemes* or *group stakeholder pension schemes* any statements about the appropriateness of levels of *consultancy charges* that a *firm* could charge in giving advice to an employer in relation to a such a scheme.

6.1D.8

FCA

G

A *firm* should not offer to invest more than 100% of the *retail client's* contribution to a *group personal pension scheme* or *group stakeholder pension scheme*.

Requirements on firms facilitating the payment of consultancy charges

6.1D.9

FCA

R

A *firm* that offers to facilitate, directly or through a third party, the payment of *consultancy charges* must:

- (1) obtain and validate instructions from the relevant employer in relation to the *consultancy charge*;
- (2) offer sufficient flexibility in terms of the *consultancy charges* it facilitates;
- (3) not pay out or advance *consultancy charges* to the *firm* to which the *consultancy charge* is owed over a materially different time period, or on a materially different basis to that in which it recovers the *consultancy charges* from the employee (including paying any *consultancy charges* to the *firm* that it cannot recover from the employee); and
- (4) ensure that the *consultancy charges* levied do not exceed those agreed between the employee's employer and the relevant adviser (unless the prior written consent of the employee is obtained).

6.1D.9A

FCA

G

A *firm* facilitates the payment of *consultancy charges* for the purposes of ■ COBS 6.1D.9 R if the *consultancy charge* is not paid directly by the employee, but is instead paid on behalf of the employee via the *firm*.

6.1D.9B

FCA

G

A *firm* facilitates the payment of *consultancy charges* for the purposes of ■ COBS 6.1D.9 R by:

- (1) selling all or part of, or rights under, the employee's investment in a *group personal pension scheme* or *group stakeholder pension scheme* to pay the *consultancy charge*; or

- (2) disposing of or reducing all or part of the employee's rights under the *group personal pension scheme* or *group stakeholder pension scheme* (for example, by way of a part disposal which creates benefits under a *life policy*) to pay the *consultancy charge*; or
- (3) separating out an amount or amounts for the payment of the *consultancy charge* from the amount received from the employer on behalf of the employee or from the premium in the case of a *life policy*.

6.1D.10
FCA

G

A *firm* should consider whether the flexibility in levels of *consultancy charges* it offers to facilitate is sufficient so as not to unduly influence or restrict the charging structure and *consultancy charges* that the *firm* providing advice to an employer in relation to a *group personal pension scheme* or *group stakeholder pension scheme* can use.

Disclosure of total consultancy charges payable

6.1D.11
FCA

R

A *firm* must, in good time, provide an employee with sufficient information on the total *consultancy charge* payable by the employee.

6.1D.12
FCA

G

To comply with **■** COBS 6.1D.11R, a *firm's* disclosure should be in cash terms (or convert non-cash terms into illustrative cash equivalents) and should:

- (1) include information as to the period over which the *consultancy charge* is payable;
- (2) provide information on the implications for the employee if the employee leaves the employer's service or their contributions to the *group personal pension scheme* or *group stakeholder pension scheme* are cancelled before the *consultancy charge* is fully paid.

6.1D.13
FCA

G

A *firm* may provide the disclosure in **■** COBS 6.1D.11R at the same time as it provides a *key features document*.

6



6.1E Platform services: platform charges and using a platform service for advising

Platform service providers: platform charges

6.1E.-1
FCA

R This section does not apply if the *retail client* is outside the *United Kingdom*.

6.1E.1
FCA

- R**
- (1) A *platform service provider* must clearly disclose the total *platform charge* to the *retail client* in a *durable medium* in good time before the provision of *designated investment business*.
 - (2) In the event that it is not possible to make the disclosure in (1) in good time before the provision of *designated investment business*, the disclosure must be made as soon as practicable thereafter.

6.1E.2
FCA

G A *platform service provider* should pay due regard to its obligations under *Principle 6* (Customers' interests), *Principle 7* (Communications with clients) and the *client's best interests rule*, and ensure that it presents *retail investment products* without bias.

6.1E.3
FCA

G A *platform service provider* should pay due regard to its obligations under *Principle 6* (Customers' interests) and the *client's best interests rule* and not vary its *platform charges* inappropriately according to provider or, for substitutable and competing *retail investment products*, the type of *retail investment product*.

Requirement to be paid through platform charges

6.1E.4
FCA

R Except as specified in ■ COBS 6.1E.6 R and ■ COBS 6.1E.7 R, a *platform service provider* must:

- (1) only be remunerated for its *platform service* (and any other related services it provides), by *platform charges*; and
- (2) ensure that none of its *associates* accepts any remuneration in respect of those services.

6.1E.5
FCA

G Examples of remuneration that should not be accepted by a *platform service provider* or its *associates* include (but are not limited to):

- (1) a share of an annual management charge; and

- (2) any payment (other than a product charge or a *platform charge*) made to a *platform service provider* in its capacity as a *retail investment product* provider where the relevant *retail investment product* is distributed to *retail clients* by its *platform service*.

Exceptions

6.1E.6

FCA

R

A *platform service provider* or its *associates* may solicit and accept payments from:

- (1) a *firm*, other than a *retail investment product* provider, which is in the business of making *personal recommendations* to *retail clients* in relation to *retail investment products*; and/or
- (2) a *firm*, other than a *retail investment product* provider, which is in the business of *arranging* or *dealing* *retail investment products* for *retail clients*.

6.1E.7

FCA

R

Other than in ■ COBS 6.1E.6 R, a *platform service provider* or its *associates* may solicit and accept payments from any *firm*, including a *retail investment product* provider, which are only for:

- (1) pricing error corrections;
- (2) administering corporate actions;
- (3) research carried out by the *platform service provider* and management information; and
- (4) advertising;

provided that:

- (5) the services are available to *firms* at a price which does not vary inappropriately according to *firm*;
- (6) the payments are reasonable and proportionate for the service; and
- (7) the payments or service could not reasonably be expected to result in a channelling of business to the *firm* other than through the normal effect of general advertising.

Distinguishing platform charges from product charges and adviser charges

6.1E.8

FCA

R

A *platform service provider* must not *arrange* for a *retail client* to buy a *retail investment product* if:

- (1) the product's charges are presented in a way that offsets or may appear to offset any *adviser charges* or *platform charges* that are payable by that *retail client*; or

- (2) the *platform service provider's* charges are presented in a way that offsets or may appear to offset any product charges or *adviser charges* that are payable by the *retail client*; or
- (3) the product's charges or other payments are maintained by the *retail investment product* provider at a level such that a cash rebate, other than a cash rebate permitted by ■ COBS 6.1E.10R (2), is payable to the *retail client*.

Using a platform service when advising

6.1E.9

FCA

R

A firm must not use a *platform service* as part of a *personal recommendation* to a *retail client* in relation to a *retail investment product* unless it has satisfied itself that the *platform service provider*, and its *associates*, only receive remuneration for business carried on in the UK which is permitted by the *rules* in this section.

Providing additional units or payment in cash to a retail client

6.1E.10

FCA

R

■ COBS 6.1E.4 R does not prevent a *platform service provider* receiving a share of an annual management charge from an *authorised fund manager* if the *platform service provider* passes that share on to the *retail client* in the form of:

- (1) additional *units*; or
- (2) cash, provided that it does not offset or appear to offset any *adviser charges* or *platform charges*.

6.1E.11

FCA

G

Examples of a cash share of an annual management charge that would not offset or appear to offset any *adviser charges* or *platform charges* are:

- (1) where the *retail client* has redeemed his *retail investment product*; or
- (2) where the value of the payment made to the *retail client* in each month does not exceed £1 for each fund.

6.1E.12

FCA

G

If a *platform service provider* passes a share of an annual management charge on to a *retail client* by way of additional *units* or cash, it should pay due regard to its obligations under *Principle 7* (Communications with clients).



6.1F Using a platform service for arranging and advising

Client's best interests rule and using a platform service

6.1F.-1

FCA

R

This section does not apply if the *retail client* is outside the *United Kingdom*.

6.1F.1

FCA

R

A *firm* which:

(1) *arranges for retail clients to buy retail investment products or makes personal recommendations to retail clients in relation to retail investment products; and*

(2) *uses a platform service for that purpose;*

must take reasonable steps to ensure that it uses a platform service which presents its retail investment products without bias.

6.1F.2

FCA

G

When selecting and using a *platform service* for the purpose described in ■ COBS 6.1F.1 R, a *firm* should be mindful of its duty to comply with the *client's best interests rule* and the *rule on inducements* (■ COBS 2.3.1 R).



6.1G Re-registration of title to retail investment products

6.1G.1

FCA

R

If a *client* requests a *firm* (F) to transfer the title to a *retail investment product* which is held by F directly, or indirectly through a third party, on that *client's* behalf to another *person* (P), and F may lawfully transfer the title to that *retail investment product* to P, F must execute the *client's* request within a reasonable time and in an efficient manner.

6.1G.2

FCA

R

A *firm* acting as a *registrar* should carry out a request by F for the re-registration of ownership of a *retail investment product* to P within a reasonable time.



6.2 [Deleted]



6.2A Describing advice services

Application - Who? What?

6.2A.1

FCA

R

- (1) This section applies to a *firm* that either:
- (a) makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*; or
 - (b) provides *basic advice* to a *retail client*.
- (2) This section does not apply to a *firm* when it makes a *personal recommendation* or provides *basic advice* to an employee, if that recommendation or advice is provided under the terms of an agreement between the *firm* and that employee's employer which is subject to the *rules on consultancy charges* (■ COBS 6.1C).

6.2A.1A

FCA

R

This section does not apply to a *firm* when it makes a *personal recommendation* to a *retail client* in relation to a *Holloway sickness policy*, provided that the *Holloway policy special application conditions* are met.

Application - Where?

6.2A.2

FCA

R

This section does not apply if the *retail client* is outside the *United Kingdom*.

Firms holding themselves out as independent

6.2A.3

FCA

R

- (1) A *firm* must not hold itself out to a *retail client* as acting independently unless the only *personal recommendations* in relation to *retail investment products* it offers to that *retail client* are:
- (a) based on a comprehensive and fair analysis of the relevant market; and
 - (b) unbiased and unrestricted.

6.2A.4

FCA

G

(2) Paragraph (1) does not apply to *group personal pension schemes* if a *firm* discloses information to a *client* in accordance with the *rule on group personal pension schemes* (■ COBS 6.3.21 R).

- (1) A *firm* that provides both *independent advice* and *restricted advice* should not hold itself out as acting independently for its business as a whole. However, a *firm* may hold itself out as acting independently in respect of its services for which it provides *independent advice* or advice which meets other independence requirements for particular *investments*. For example, a *firm* that provides *independent advice* on *regulated mortgage contracts* in accordance with MCOB but *restricted advice* on *retail investment products* will not be able to hold itself out as an independent financial adviser. However, it would be able to hold itself out as an adviser providing *independent advice* for *regulated mortgage contracts* provided it was made clear in accordance with the *fair, clear and not misleading rule* that it provided *restricted advice* for *retail investment products*.
- (2) A *firm* whose relevant market is relatively narrow should not hold itself out as acting independently in a broader sense. For example, a *firm* "Greenfield", which specialises in ethical and socially responsible investments could not hold itself out as "Greenfield Independent Financial Advisers". "Greenfield - providing independent advice on ethical products" may be acceptable.
- (3) A *firm* that provides *basic advice* on *stakeholder products* may still use the facilities and stationery it uses for other business in accordance with the *rule* on basic advice on stakeholder products: other issues (■ COBS 9.6.17 R (2)).

6.2A.4A

FCA

R

In complying with ■ COBS 6.2A.3 R, a *firm* which:

- (1) holds itself out to a *retail client* as acting independently; and
- (2) relies upon a single *platform service* to facilitate the majority of its *personal recommendations* in relation to *retail investment products*;

must take reasonable steps to ensure that, as appropriate, the *platform service provider* bases its selection of *retail investment products* on a comprehensive, fair and unbiased analysis of the relevant market.

6.2A.4B

FCA

G

When a *firm* considers whether a *platform service provider's* selection of *retail investment products* is based on an unbiased analysis of the relevant market, a *firm* should take into account any fees, commission or non-monetary benefits the *platform service provider* receives in relation to those *retail investment products*.

Describing the breadth of a firm's advice service

6.2A.5

FCA

R

A *firm* must disclose in writing to a *retail client*, in good time before the provision of its services in respect of a *personal recommendation* or *basic advice* in relation a *retail investment product*, whether its advice will be:

- (1) *independent advice*; or
- (2) *restricted advice*.

Content and wording of disclosure

6.2A.6
FCA

R

- (1) A *firm* must include the term "independent advice" or "restricted advice" or both, as relevant, in the disclosure.
- (2) If a *firm* provides *independent advice* in respect of a relevant market that does not include all *retail investment products*, a *firm* must include in the disclosure an explanation of that market, including the types of *retail investment products* which constitute that market.
- (3) If a *firm* provides *restricted advice*, its disclosure must explain the nature of the restriction.
- (4) If a *firm* provides both *independent advice* and *restricted advice*, the disclosure must clearly explain the different nature of the *independent advice* and *restricted advice* services.

Medium of disclosure

6.2A.7
FCA

R

A *firm* must provide the disclosure information required by the *rule* on describing the breadth of a *firm's* advice service (■ COBS 6.2A.5 R) in a *durable medium* or through a website (if it does not constitute a *durable medium*) provided the *website conditions* are satisfied.

6.2A.8
FCA

G

A *firm* may meet the disclosure requirements in the *rule* on describing the breadth of a *firm's* advice service (■ COBS 6.2A.5 R) and the *rule* on content and wording of disclosure (■ COBS 6.2A.6R) by using a *services and costs disclosure document* or a *combined initial disclosure document* (■ COBS 6.3 and ■ COBS 6 Annex 1G or ■ COBS 6 Annex 2).

Additional oral disclosure for firms providing restricted advice

6.2A.9
FCA

R

If a *firm* provides *restricted advice* and engages in spoken interaction with the *retail client*, a *firm* must disclose orally in good time before the provision of its services in respect of a *personal recommendation* that it provides *restricted advice* and the nature of that restriction.

6.2A.10
FCA

G

Examples of statements which would comply with ■ COBS 6.2A.9 R include:

- (1) "I am a [Firm X] adviser offering restricted advice, which means that my advice is restricted to advice on [Firm X] [products/stakeholder products] only" or
- (2) "I am a [Firm X] adviser offering restricted advice, which means that my advice is restricted to advice on [products/stakeholder products] from a limited number of companies that [Firm X] has selected".

Guidance on what constitutes a relevant market

6.2A.11
FCA

G

A relevant market should comprise all *retail investment products* which are capable of meeting the investment needs and objectives of a *retail client*.

6.2A.12 G A relevant market can be limited by the investment needs and objectives of the *retail client*. For example, ethical and socially responsible investments or Islamic financial products could both be relevant markets. However, a *firm* would be expected to consider all *retail investment products* within those investment parameters.

6.2A.13 G For a *firm* not specialising in a particular market, the relevant market will generally include all *retail investment products*.

Guidance on providing unbiased and unrestricted advice

6.2A.14 G A *personal recommendation* on a *retail investment product* that invests in a number of underlying *investments* would not of itself meet the requirements for providing unbiased and unrestricted advice even if the *retail investment product* invests in a wide range of underlying *investments*.

6.2A.15 G In order to satisfy the *rule* on *firms* holding themselves out as independent (■ COBS 6.2A.3 R) a *firm* should ensure that it is not bound by any form of agreement with a *retail investment product* provider that restricts the *personal recommendation* the *firm* can provide or imposes any obligation that may limit the *firm's* ability to provide a *personal recommendation* which is unbiased and unrestricted.

6.2A.16 G A *firm* may be owned by, or own in whole or part, or be financed by or provide finance to, a *retail investment product* provider without contravening the 'unbiased, unrestricted' requirement provided the *firm* ensures that that ownership or finance does not prevent the *firm* from providing a *personal recommendation* which is unbiased and unrestricted.

6.2A.17 G In providing unrestricted advice a *firm* should consider relevant financial products other than *retail investment products* which are capable of meeting the investment needs and objectives of a *retail client*, examples of which could include national savings and investments products and *cash deposit ISAs*.

Guidance on using panels and/or third parties to provide a comprehensive and fair analysis of the market

6.2A.18 G A *firm* may provide a *personal recommendation* on a comprehensive and fair analysis basis required by the *rule* on *firms* holding themselves out as independent (■ COBS 6.2A.3 R) by using 'panels'. A *firm* would need to ensure that any panel is sufficiently broad in its composition to enable the *firm* to make *personal recommendations* based on a comprehensive and fair analysis, is reviewed regularly, and that the use of the panel does not materially disadvantage any *retail client*.

6.2A.19 G When using a panel a *firm* may exclude a certain type or class of *retail investment product* from the panel if, after review, there is a valid reason consistent with the *client's best interests rule*, for doing so.

6.2A.20 G If a *firm* chooses to use a third party to conduct a fair and comprehensive analysis of its relevant market, the *firm* is responsible for ensuring the criteria used by the third party are sufficient to meet the requirement. For example, criteria which selected *retail investment product* providers on the basis of payment of a fee (or facilitation of *adviser charges*),

whilst excluding those not paying a fee (or such a facilitation) would not meet the comprehensive and fair analysis requirement.

Record keeping

6.2A.21

FCA

G

Firms are reminded of the general record keeping requirements in ■ SYSC 3.2 and ■ SYSC 9. A *firm* should keep appropriate records of the disclosures required by this section.

Systems and controls

6.2A.22

FCA

G

- (1) *Firms* are reminded of the systems and controls requirements in SYSC.
- (2) A *firm* providing *restricted advice* should take reasonable care to establish and maintain appropriate systems and controls to ensure that if there is no *retail investment product* in the *firm's* range of products which meets the investment needs and objectives of the *retail client*, no *personal recommendation* should be made.
- (3) A *firm* specialising in a relevant market should take reasonable care to establish and maintain appropriate systems and controls to ensure that it does not make a *personal recommendation* if there is a *retail investment product* outside the relevant market which would meet the investment needs and objectives of the *retail client*.



6.3 Disclosing information about services, fees and commission

Application

6.3.1 **R** This section applies to a *firm* which makes a *personal recommendation* to, *deals in investments as agent* for, or *arranges for*, a *retail client* in relation to a *packaged product*.
FCA

6.3.1A **R** This section does not apply to a *firm* when it makes a *personal recommendation* to a *retail client* and that *retail client* is outside the *United Kingdom*.
FCA

6.3.1B **G** If a *firm* makes a *personal recommendation* to a *retail client* in relation to a *packaged product* and uses the *services and costs disclosure document* or *combined initial disclosure document* to make the disclosures required under the *rule* on describing the breadth of a *firm's* advice service (■ COBS 6.2A.5 R) and the *rule* on content and wording of disclosure (■ COBS 6.2A.6 R), it may also use these documents for its disclosures in respect of any other *retail investment products*.
FCA

6.3.2 **R** This section does not apply to a *firm* giving *basic advice* where the *firm* follows the *basic advice rules* in ■ COBS 9.6.
FCA

Disclosure to retail clients in good time

- 6.3.3** **G**
- (1) In the *FCA's* opinion, a *firm* may comply with the *rules* referred to in (4) of which (a) to (g) are derived from the *Single Market Directives* and the *Distance Marketing Directive* by ensuring that in good time before:
 - (a) a *retail client* is bound by an agreement for the provision of a *personal recommendation* on *packaged products*; or
 - (b) the *firm* performs an act preparatory to the provision of a *personal recommendation*;
 - (c) (in relation to the amendment of a *life policy* for that *retail client*) it gives a *personal recommendation* in relation to *packaged products*;

its *representative* provides the *client* with a *services and costs disclosure document* or *combined initial disclosure document* .
 - (2) A *firm* should consider the extent to which it is appropriate to provide a *services and costs disclosure document* or a *combined initial disclosure document* if the appropriate information has been given to the *client* on a previous occasion and the information is still accurate and appropriate for the *client*.

- (3) A *firm* should provide the information required by this section in a *durable medium*.
- (4) For the purposes of (1), provision of a *services and costs disclosure document* or *combined initial disclosure document* will comply with:
- (a) the elements of the *rule* on summary disclosure of fees, commissions and non-monetary benefits (■ COBS 2.3.1 R (2)(b), as qualified by ■ COBS 2.3.2 R) that relate to disclosure of fees and commissions and, where included, non-monetary benefits;
 - (b) the *rule* on information about costs and charges (■ COBS 6.1.9 R) but only if in the *services and costs disclosure document* or *combined initial disclosure document* :
 - (i) if a *firm* is providing a *personal recommendation* or related services and the total *adviser charge* can be determined, the total *adviser charge* is disclosed as part of the charging structure; or
 - (ii) if the total *adviser charge* cannot be determined or a *firm* is not providing a *personal recommendation*, if hourly rates are disclosed, the hourly rates are actual hourly rates rather than indicative hourly rates;
 - ;
 - (c) the *rule* on information disclosure before providing services (■ COBS 2.2.1 R (1)(a) and ■ COBS 2.2.1 R (1)(d));
 - (d) the items of distance marketing information, set out in paragraphs (1), (2), (4), (5), (19) and (20) of ■ COBS 5 Annex 1 R;
 - (e) paragraphs (1) (so far as it relates to the *firm's* name and address), (4) and (6) of the *rule* on disclosure of information about a *firm* and its services (■ COBS 6.1.4 R);
 - (f) the investor compensation scheme *rule* in ■ COBS 6.1.16R (1) and ■ (2);
 - (g) the *rule* on information to be provided by an *insurance intermediary* (■ COBS 7.2.1 R (1) and ■ COBS 7.2.1 R (2)); and
 - (h) the *rule* on describing the breadth of a *firm's* advice service (■ COBS 6.2A.5 R), the *rule* on content and wording of disclosure (■ COBS 6.2A.6 R) and the *rule* on initial information for *clients* on the cost of advice services (■ COBS 6.1A.15 G).
- (5) [deleted]
- (a) [deleted]
 - (b) [deleted]
 - (c) [deleted]
 - (d) [deleted]
 - (e) [deleted]

■ COBS 5, ■ 6.1 or ■ COBS 7 unless it is a *services and costs disclosure document* or a *combined initial disclosure document* produced in accordance with the templates and Notes in the annexes to this chapter.

6.3.5

FCA

G

Each of the *services and costs disclosure document* and *combined initial disclosure document* that a *firm* provides to a *client* should be *documents* which the *firm* reasonably considers will be, or are likely to be, appropriate for the *client* having regard to the type of service which the *firm* may provide or business which the *firm* may conduct.

6.3.6

FCA

G

- (1) A *firm* will satisfy the requirements as to timing in the *rules* referred to in ■ COBS 6.3.3 G (4) if its *representative* provides information to the *client* on first making contact with the *client*.
- (2) [deleted]

Services and costs disclosure document and combined initial disclosure document

6.3.7

FCA

G

- (1) A *services and costs disclosure document* is a document that contains the keyfacts logo, headings and text in the order shown in ■ COBS 6 Annex 1 G and in accordance with the Notes.
- (2) A *combined initial disclosure document* is a document that contains the keyfacts logo, headings and text in the order shown in ■ COBS 6 Annex 2 and in accordance with the Notes.

6.3.8

FCA

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A *firm* may include, in a *services and costs disclosure document* or a *combined initial disclosure document*, information required by COBS or by the *rule* on disclosing a *tiered agent's capacity* (■ SUP 12.6.13 R) and which is not in the template for the *services and costs disclosure document* or *combined initial disclosure document*, if the information would be sufficiently prominent. For example, a *firm* may wish to use those documents to satisfy:

- (1) the parts of the *rule* on information about the *firm* and its services (■ COBS 6.1.4 R);
- (2) the *rule* on costs and associated charges (■ COBS 6.1.9 R);
- (3) the items of distance marketing information described in paragraphs (6), (8), (10) and (11) of ■ COBS 5 Annex 1 R;

that would not otherwise be satisfied by providing the *services and costs disclosure document* or *combined initial disclosure document*.

6.3.9

FCA

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Firms can obtain from the FCA website <http://www.fca.org.uk> a specimen of the *services and costs disclosure document* and the *combined initial disclosure document*. A *firm* may produce its *services and costs disclosure document* or *combined initial disclosure document* by using its own house style and brand. Electronic tools to help *firms* to construct their own versions of these documents are available from the FCA website.

6.3.10	G	<ul style="list-style-type: none"> (1) [deleted] (2) [deleted]
6.3.11	R	<ul style="list-style-type: none"> (1) [deleted] (2) [deleted]
6.3.12	G	<p>[deleted]</p> <ul style="list-style-type: none"> (1) [deleted] (2) [deleted] (3) [deleted]
6.3.13	G	<p>[deleted]</p>
6.3.14	G	<p>A <i>firm</i> would be unlikely to comply with the <i>client's best interests rule</i> and the <i>fair, clear and not misleading rule</i>, if:</p> <ul style="list-style-type: none"> (1) the <i>services and costs disclosure document</i> or the <i>combined initial disclosure document</i> that it provided initially did not reflect the relevant <i>adviser charge</i> or expected <i>commission</i> arrangements; or (2) the <i>firm</i> arranged to retain any <i>commission</i> which exceeded the amount or rate disclosed without first providing further appropriate inducements information and obtaining the <i>client's</i> prior informed consent to the proposed alteration in a <i>durable medium</i>.
6.3.15	G	<p>[deleted]</p>
6.3.16	G	<p>[deleted]</p>
6.3.17	G	<p>[deleted]</p>
6.3.18	G	<ul style="list-style-type: none"> (1) [deleted] (2) (a) [deleted] <ul style="list-style-type: none"> (i) [deleted] (ii) [deleted] (b) [deleted]

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Telephone sales

6.3.19

FCA

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In cases where *firms* make initial contact with a *client* on the telephone a *firm* may, in addition, have to take into account and comply with the requirements in this sourcebook applicable to the conclusion of *distance contracts* (see ■ COBS 5).

6.3.20

FCA

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- (1) In accordance with the *rule* on information disclosure before providing services (■ COBS 2.2.1 R), if a *firm's* initial contact with a *retail client* with a view to providing a *personal recommendation* on *packaged products* is by telephone then the following information should be provided before proceeding further:
 - (a) the name of the *firm* and, if the call is initiated by or on behalf of a *firm*, the commercial purpose of the call;
 - (b) whether the *firm* provides *independent advice* or *restricted advice* and, if a *firm* provides *restricted advice*, the oral disclosure required by the *rule* on additional oral disclosure for *firms* providing *restricted advice* (■ COBS 6.2A.9 R);
 - (c) the *firm's* charging structure; and
 - (d) that the information given under (a) to (c) will subsequently be confirmed in writing.
 - (e) [deleted]
 - (f) [deleted]
- (2) If a *firm's* initial contact with a *retail client* is by telephone in circumstances in which the *firm* would otherwise provide a *services and costs disclosure document*, or a *combined initial disclosure document*, it should consider sending the *client* the *document* as soon as is reasonably practicable following the conclusion of the call.

Group Personal Pensions

6.3.21

FCA

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A *firm* must take reasonable steps to ensure that its *representatives*, when making contact with an employee with a view to giving a *personal recommendation* on his employer's *group personal pension scheme* or *group stakeholder pension scheme*, inform the employee:

- (1) that the *firm* will be providing a *personal recommendation* on a *group personal pension scheme* and/or a *group stakeholder pension scheme* provided by the employer;
- (2) whether the employee will be provided with a *personal recommendation* that is restricted to the *group personal pension scheme* or *group stakeholder pension scheme* provided by the employer or the recommendation will also cover other products;
- (3) [deleted]
- (4) that the employee will have to pay an *adviser charge* (if applicable) unless the *representative* is making contact pursuant to an agreement made between the *firm* and the employer which is

subject to *consultancy charging* (■ COBS 6.1C (Consultancy charging and remuneration)).

6.3.22

G

[deleted]



6.4 Disclosure of charges, remuneration and commission

Application

6.4.1
FCA

R This section applies to a *firm* when it sells or *arranges* the sale of a *packaged product* to a *retail client* and the *firm's* services to sell or *arrange* are not in connection with the provision of a *personal recommendation* .

6.4.2
FCA

G Under the territorial application *rules* in ■ COBS 1, the *rules* in this section apply to:

- (1) a *UK firm's* business carried on from an establishment in an *EEA State* other than the *United Kingdom* for a *retail client* in the *United Kingdom* unless, if the office from which the activity is carried on were a separate *person*, the activity:
 - (a) would fall within the overseas *persons* exclusion in article 72 of the *Regulated Activities Order*; or
 - (b) would not be regarded as carried on in the *United Kingdom*.
- (2) a *firm's* business carried on from an establishment in the *United Kingdom* carried on for a *client* in an other *EEA state*.

Disclosure of commission (or equivalent) for packaged products

6.4.3
FCA

R (1) If a *firm* sells or *arranges* the sale of a *packaged product* to a *retail client*, and subsequently if the *retail client* requests it, the *firm* must disclose to the *client* in cash terms:

- (a) any *commission* receivable by it or any of its *associates* in connection with the transaction;
- (b) if the *firm* is also the *product provider*, any *commission* or *commission equivalent* payable in connection with the transaction; and
- (c) if the *firm* or any of its *associates* is in the same *immediate group* as the *product provider*, any *commission equivalent* in connection with the transaction.

- (2) Disclosure "in cash terms" in relation to *commission* does not include the value of any indirect benefits listed in the table at ■ COBS 2.3.15 G.

- (3) In determining the amount to be disclosed as *commission equivalent*, a *firm* must put a proper value on the cash payments, benefits and services provided to its *representatives* in connection with the transaction.
- (4) This *rule* does not apply if:
- (a) the *firm* is acting as an *investment manager*; or
 - (b) the *retail client* is not present in the *EEA* at the time of the transaction; or
 - (c) the *firm* provides the *client* with a *key features document*, a *simplified prospectus*, a *key investor information document* or *EEA key investor information document*, in accordance with ■ COBS 14, provided that the *firm* discloses to the *client* the actual amount or value of *commission* or *equivalent* within five *business days* of effecting the transaction.
- (5) If the terms of a *packaged product* are varied in a way that results in a material increase in *commission* or *commission equivalent*, a *firm* must disclose to a *retail client* in writing any consequent increase in *commission* or *equivalent* receivable by it in relation to that transaction.

6.4.4
FCA

G Where a *firm* is required to disclose the value of *commission equivalent*, the value will be at least as high as the amount of any *commission*.

6.4.4A
FCA

R If the *firm* or its *associate* is the *pure protection contract insurer*, it may comply with ■ COBS 6.4.3R (1)(b) and ■ (c) by disclosing to the *consumer* an *indicative adviser charge* as an alternative to a *commission equivalent*.

6.4.4B
FCA

R The *indicative adviser charge* must be at least reasonably representative of the services associated with making the *personal recommendation* in relation to the *pure protection contract*.

6.4.4C
FCA

G An *indicative adviser charge* is likely to be reasonably representative of the services associated with making the *personal recommendation* if:

- (1) the expected long term costs associated with making a *personal recommendation* and distributing the *pure protection contract* do not include the costs associated with manufacturing and administering the *pure protection contract*;
- (2) the allocation of costs and profit to the *indicative adviser charge* and product charges is such that any cross-subsidisation is not significant in the long term; and

6.4.5
FCA

R

- (3) the *personal recommendation* and any related services were to be provided by an unconnected *firm*, the level of the *indicative adviser charge* would be appropriate in the context of the service being provided by an unconnected *firm*.
- (1) A *firm* must make the disclosure required by the *rule* on disclosure of *commission* or *equivalent* (■ COBS 6.4.3 R) as close as practicable to the time that it sells or *arranges* the sale of a *packaged product*.
- (2) The *firm* must make the disclosure:
- (a) in a *durable medium*; or
 - (b) when a *retail client* does not make a written application to enter into a transaction, orally. In these circumstances, the *firm* must give written confirmation as soon as possible after the date of the transaction, and in any event within five *business days*.

6.4.6
FCA

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- (1) When determining the value of cash payments, benefits and services under the *rule* on disclosure of *commission equivalent* (■ COBS 6.4.3 R), a *firm* should follow the provisions of ■ COBS 6 Annex 6 E.
- (2) Compliance with this *evidential provision* may be relied on as tending to establish compliance with ■ COBS 6.4.3 R; and
- (3) Contravention of this *evidential provision* may be relied on as tending to establish contravention of ■ COBS 6.4.3 R.

6.4.7
FCA

R

Guidance on disclosure requirements for packaged products.
A *firm* must not enter into an arrangement to pay *commission* other than to the *firm* responsible for a sale, unless:

- (1) the *firm* responsible for the sale has passed on its right to receive the *commission* to the recipient; or
- (2) [deleted]
- (3) the *commission* is paid following the sale of a *packaged product* by the *firm* in response to a *financial promotion* communicated by that *firm* to a *client* of the recipient *firm*; or
- (4) the arrangement is with a *firm* in the same *immediate group*.

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51

6.4.8
FCA

G

A disclosure made under this section should indicate the timing of any payment. For example, if a *firm* exchanges its right to future *commission* payments for a lump sum, whether by way of a loan or other commercial arrangement, it should disclose the amount of *commission* receivable by it that has been exchanged for the lump sum.

6.4.9
FCA

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The *rules* in this section build on the disclosure of fees, commissions and non-monetary benefits made under the *rule* on inducements (■ COBS 2.3.1 R).

6.4.10
FCA

G

If the precise rate or value of *commission* or *equivalent* is not known in advance, the *firm* should estimate the rate likely to apply to the *representative* in respect of the transaction.

6.4.11
FCA

G

Commission or equivalent disclosure statements: content and wording

A *firm* should consider including the following in its written statement of *commission*:

- (1) Amounts or values of *commission* rounded as appropriate to help the *client* understand the document (for example, large amounts might be rounded to three significant figures).
- (2) The names of the *firms* involved in paying and receiving *commission* or *commission equivalent*.
- (3) A plain language description of whether remuneration takes the form of *commission* or *commission equivalent*. *Commission* equivalent could, for example, be described as "remuneration and services received from XYZ Ltd".
- (4) The timing of payments and period over which they are paid.
- (5) For payments relating to the *client's* fund, examples of how much money might be taken, such as:
 - (a) where the *commission* or *equivalent* is on an increasing basis, the amount to be taken in the first and tenth year in which it is paid; or
 - (b) where the *commission* or *equivalent* is a percentage of the fund, the amount that would be taken if the fund was worth a certain value and the amount that would be taken if the fund was worth twice that value.

Chapter 10

Appropriateness (for non-advised services)



10.1 Application and purpose provisions

10.1.1 **R** This chapter applies to a *firm* which provides *investment services* in the course of *MiFID* or *equivalent third country business* other than making a *personal recommendation* and *managing investments*.
FCA

10.1.2 **R** This chapter applies to a *firm* which *arranges* or *deals* in relation to a *non-readily realisable security*, *derivative* or a *warrant* with or for a *retail client* and the *firm* is aware, or ought reasonably to be aware, that the application or order is in response to a *direct offer financial promotion*.
FCA

10.1.3 **R** This chapter applies to a *firm* which assesses appropriateness on behalf of another *MiFID investment firm* so that the other *firm* may rely on the assessment under **COBS 2.4.4 R** (Reliance on other investment firms: MiFID and equivalent business).
FCA

Related rules

10.1.4 **G** A *firm* that is carrying on a *regulated activity* on a non-advised basis, whether or not the *rules* in this chapter apply to its activities, should also consider whether other *rules* in *COBS* apply. For example, a *firm* carrying on *insurance mediation activity* in relation to a *life policy* that does not involve the provision of advice, should have regard to **COBS 7** (Insurance mediation).
FCA

Chapter 13

Preparing product information



13.1 The obligation to prepare product information

13.1.1

FCA

R

A *firm* must prepare:

- (1) a *key features document* for each *packaged product, cash-deposit ISA and cash-deposit CTF* it produces; and
- (2) a *key features illustration* for each *packaged product* it produces;

in good time before those *documents* have to be provided.

Information on life policies

13.1.2

FCA

R

A *firm* must prepare the *Consolidated Life Directive information* for each *life policy* it effects, in good time before that information has to be provided.

[Note: article 36(1) of, and Annex III to, the *Consolidated Life Directive*]

Exceptions

13.1.3

FCA

R

A *firm* is not required to prepare:

- (1) a *document*, if another *firm* has agreed to prepare it; or
- (2) a *key features document* for:
 - (a) a *unit* in a *UCITS scheme* or a *simplified prospectus scheme*; or
 - (b) a *unit* in an *EEA UCITS scheme* which is a *recognised scheme*; or
 - (c) a *unit* in a *key features scheme*, if it prepares a *simplified prospectus*, or the information appears with due prominence in another *document*, instead; or
 - (d) a *stakeholder pension scheme*, or *personal pension scheme* that is not a *personal pension policy*, if the information appears with due prominence in another *document*; or

- (3) a *key features illustration*:

- (a) for a *unit* in a *UCITS scheme* or a *simplified prospectus scheme*; or
 - (b) for a *unit* in an *EEA UCITS scheme* which is a *recognised scheme*; or
 - (c) if it includes the information from the *key features illustration* in a *key features document*; or
 - (d) for a *packaged product* which, at the end of its fixed term, provides for the return of the initial capital invested and a specified level of growth linked by a pre-set formula to the performance of a specified asset or index or a combination of assets or indices; or
- (4) the *Consolidated Life Directive information*, if the *policy* is a *reinsurance contract* or a *pure protection contract*.

13.1.4

FCA

R

A single *document* prepared for more than one *key features scheme* or *simplified prospectus scheme* may combine more than one *key features document*, *simplified prospectus* or *EEA simplified prospectus* or any combination of them, if the *schemes* are offered through a *platform service* and the *document* clearly describes the difference between the *schemes*.

13.2 Product information: production standards, form and contents

13.2.1

FCA

G

When a *firm* prepares *documents* or information in accordance with this chapter, the *firm* should consider the *rules* on providing product information (■ COBS 14). Those *rules* require a *firm* to provide the product information in a *durable medium* or via a website that meets the *website conditions* (if the website is not a *durable medium*).

[Note: article 29(4) of the *MiFID implementing Directive*]

13.2.1A

FCA

G

When a *firm* prepares *documents* or information for a *life policy*, *personal pension* or *stakeholder pension* in accordance with this chapter, the *firm* should:

- (1) consider the *rules* on communicating with clients (■ COBS 4). Those *rules* require a *firm* to ensure that a communication is fair, clear and not misleading. In particular, a *firm* should:
 - (a) take into account its target market's understanding of financial services when preparing *documents* and information;
 - (b) present information in a logical order;
 - (c) use clear and descriptive headings, and where appropriate, cross references and sub-headings to aid navigation;
 - (d) where possible, use plain language and avoid the use of jargon, unfamiliar or technical language;
 - (e) if it is necessary to use jargon, unfamiliar or technical language, provide accompanying explanations in plain language;
 - (f) use short sentences;
 - (g) (if the *key features illustration* is separate from the *key features document*) clearly cross-reference between the two and avoid duplication where possible;
 - (h) concentrate on key product information, cross reference to background information, detailed explanations and information about how to apply for the product; and
 - (i) avoid duplication and unnecessary disclaimers;
- (2) taking into account the means of printing or display, consider whether the following can be used to improve the *client's* understanding of the product, in particular:
 - (a) design devices such as side annotations, shading, colour, bulleted lists, tables and graphics; and

(b) the type size, line width, line spacing, and use of white space.

13.2.2

FCA

R A *key features document* and a *key features illustration* must also:

- (1) (if it is a *key features document*) be produced and presented to at least the same quality and standard as the sales or marketing material used to promote the relevant product;
- (2) (if it is a *key features document*) display the *firm's* brand at least as prominently as any other;
- (3) (if it is a *key features document* or a *key features illustration* which does not form an integral part of the *key features document*) include the 'keyfacts' logo in a prominent position at the top of the *document*; and
- (4) (if it is a *key features document* or a *key features illustration* which does not form an integral part of the *key features document*) include the following statement in a prominent position:

"The Financial Conduct Authority is a financial services regulator. It requires us, [provider name], to give you this important information to help you to decide whether our [product name] is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference".

13.2.3

FCA

G The *Consolidated Life Directive information* can be included in a *key features document*, a *key features illustration* or any other *document*.

13.2.4

FCA

R The *documents* and information prepared in accordance with the *rules* in this chapter must not include anything that might reasonably cause a *retail client* to be mistaken about the identity of the *firm* that produced, or will produce, the product.



13.3 Contents of a key features document

General requirements

13.3.1

FCA

R

A key features document must:

- (1) include enough information about the nature and complexity of the product, how it works, any limitations or minimum standards that apply and the material benefits and risks of buying or investing for a *retail client* to be able to make an informed decision about whether to proceed; and
- (2) explain:
 - (a) the arrangements for handling complaints about the product;
 - (b) that compensation might be available from the *FSCS* if the *firm* cannot meet its liabilities in respect of the product (if applicable);
 - (c) that a right to cancel or withdraw exists, or does not exist, and, if it does exist, its duration and the conditions for exercising it, including information about the amount a *client* may have to pay if the right is exercised, the consequences of not exercising it and practical instructions for exercising it, indicating the address to which any notice must be sent;
 - (d) (for a *CTF*) that *stakeholder CTFs*, *cash-deposit CTFs* and *security-based CTFs* are available and which type the *firm* is offering; and
 - (e) (for a *personal pension scheme* that is not an *automatic enrolment scheme*) clearly and prominently, that *stakeholder pension schemes* are generally available and might meet the *client's* needs as well as the scheme on offer.

Additional requirements for packaged products

13.3.2

FCA

R

Table

A key features document for a packaged product must:

(1)	Include the title: 'key features of the [name of product]';										
(2)	describe the product in the order of the following headings, and by giving the following information under those headings:										
	<table border="0"> <tr> <td style="padding-right: 20px;">Heading</td> <td>Information to be given</td> </tr> <tr> <td>'Its aims'</td> <td>A brief description of the product's aims</td> </tr> <tr> <td>'Your commitment' or 'Your investment'</td> <td>What a <i>retail client</i> is committing to or investing in and any consequences of failing to maintain the commitment or investment</td> </tr> <tr> <td>'Risks'</td> <td>The material risks associated with the product, including a description of the factors that may have an adverse effect on performance or are material to the decision to invest</td> </tr> <tr> <td>'Questions and Answers'</td> <td>(in the form of questions and answers) the principle terms of the product, what it will do for a <i>retail client</i> and any other information necessary to enable a <i>retail client</i> to make an informed decision.</td> </tr> </table>	Heading	Information to be given	'Its aims'	A brief description of the product's aims	'Your commitment' or 'Your investment'	What a <i>retail client</i> is committing to or investing in and any consequences of failing to maintain the commitment or investment	'Risks'	The material risks associated with the product, including a description of the factors that may have an adverse effect on performance or are material to the decision to invest	'Questions and Answers'	(in the form of questions and answers) the principle terms of the product, what it will do for a <i>retail client</i> and any other information necessary to enable a <i>retail client</i> to make an informed decision.
Heading	Information to be given										
'Its aims'	A brief description of the product's aims										
'Your commitment' or 'Your investment'	What a <i>retail client</i> is committing to or investing in and any consequences of failing to maintain the commitment or investment										
'Risks'	The material risks associated with the product, including a description of the factors that may have an adverse effect on performance or are material to the decision to invest										
'Questions and Answers'	(in the form of questions and answers) the principle terms of the product, what it will do for a <i>retail client</i> and any other information necessary to enable a <i>retail client</i> to make an informed decision.										

Money market funds

13.3.3

FCA

R

A *key features document* for a *short-term money market fund*, a *money market fund* or a *qualifying money market fund* must include a statement identifying it as such a fund and a statement that the *authorised fund's* investment objectives and policies will meet the conditions of the definition of *short-term money market fund*, *money market fund* or *qualifying money market fund*, as appropriate.

Feeder NURS

PAGE
7

13.3.4

FCA

R

A *key features document* for a *feeder NURS* must include:

- (1) a statement identifying it as such a *scheme*;

- (2) information specific to the *feeder NURS* and its *qualifying master scheme* which enables investors to understand the *qualifying master scheme's* key particulars; and
- (3) a description and explanation of any material differences between the risk profile of the *feeder NURS* and that of the *qualifying master scheme*.

13.3.5

FCA

G

When producing the *key features document*, the *authorised fund manager* of the *feeder NURS* should have due regard to the provisions in ■ COLL 4.6.8 R (Contents of the simplified prospectus) in terms of additional information appropriate to a *feeder NURS* and its *qualifying master scheme*. In particular, the *appropriate charges information* required by ■ COBS 13.4.1 R and ■ COBS 13 Annex 3 (Charges) should represent the aggregate of the charges of the *feeder NURS* and its *qualifying master scheme* as disclosed in the *feeder NURS'* most up-to-date *prospectus*.

13.4 Contents of a key features illustration

13.4.1

FCA

R

A *key features illustration* must include *appropriate charges information*, information about any interest that will be paid to *clients* on money held within a *personal pension scheme* bank account and, if it is a *packaged product* which is not a *financial instrument*:

- (1) must include a *standardised deterministic projection*;
- (2) the projection and charges information must be consistent with each otherso that:
 - (a) the same intermediate growth rate and assumptions about regular contributions are used;
 - (b) a *projection* in nominal terms is accompanied by an effect of charges table and reduction in yield information in nominal terms; and
 - (c) a *projection* in real terms is accompanied by an effect of charges table and reduction in yield information in real terms;
- (3) it may also include *stochastic projections* if there are reasonable grounds for believing that a *retail client* will be able to understand the *stochastic projection* except that the most prominent *projection* must be a *standardised deterministic projection*.

Exceptions

13.4.2

FCA

R

When the *rules* in this chapter require a *key features illustration* to be prepared, it must not take the form of a *generic key features illustration*:

- (1) unless there are reasonable grounds for believing that it will be sufficient to enable a *retail client* to make an informed decision about whether to invest; or
- (2) if it is part of a *direct offer financial promotion* which contains a *personal recommendation*; or
- (3) if a *personal pension scheme* or a *stakeholder pension scheme* is facilitating the payment of an *adviser charge*; or

- (4) if a *group personal pension scheme* or a *group stakeholder pension scheme* is facilitating the payment of a *consultancy charge* and the combined effect of the *consultancy charges* facilitated by the product and the product charges is not consistent for all investors in the relevant group or sub-group; or
- (5) unless it is prepared for groups or sub-groups of employees in a *group personal pension scheme* or a *group stakeholder pension scheme* and it contains:
 - (a) a *generic projection* which is prepared in accordance with ■ COBS 13 Annex 2 paragraph 1.3 and based on a default fund or other commonly selected fund;
 - (b) an effect of charges table calculated in accordance with ■ COBS 13 Annex 4 R paragraph 2 and contains additional rows that show a range of typical periods to retirement age; and
 - (c) reduction in yield information which is calculated in accordance with ■ COBS 13 Annex 4 R paragraph 3.3(2) and combines the product charge and, if applicable, the *consultancy charge*.

13.4.3
FCA

G

A *generic key features illustration* is unlikely to be sufficient to enable a *retail client* to make an informed decision about whether to invest if the *premium* or investment returns on the product will be materially affected by the personal characteristics of the investor.

13.4.4
FCA

R

There is no requirement under ■ COBS 13.4.1 R to include a *projection* in a *key features illustration*:

- (1) for a single *premium life policy* bought as a pure investment product, a product with benefits that do not depend on future investment returns or any other product if it is reasonable to believe that a *retail client* will not need one to be able to make an informed decision about whether to invest; or
- (2) if the product is a *life policy* that will be held in a CTF or sold with *basic advice* (unless the *policy* is a *stakeholder pension scheme*).

13.4.5
FCA

G

Although there may be no obligation to include a *projection* in a *key features illustration*, where a *firm* chooses to include one, the *projection* must follow the appropriate requirements, as outlined in this section, or for *financial instruments* under ■ COBS 4.6.7 R.

13.5 Preparing product information: other projections

Projections for in-force products

13.5.1
FCA

R

A *firm* that communicates a *projection* for an in-force *packaged product* which is not a *financial instrument*:

- (1) must include a *standardised deterministic projection*;
- (2) may also include a *stochastic projection* except that the most prominent *projection* must be a *standardised deterministic projection*; and

must follow the *projection rules* in ■ COBS 13 Annex 2.

Projections: other situations

13.5.2
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A *firm* that communicates a *projection* for a *packaged product* which is not a *financial instrument* :

- (1) for which a *key features illustration* is not required to be provided; and
- (2) which is not an in-force *packaged product*;

must ensure that such a *projection* is either a *standardised deterministic projection* or a *stochastic projection* in accordance with ■ COBS 13 Annex 2.

Exceptions to the projection rules: projections for more than one product

13.5.3
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A *firm* that communicates a *projection* of benefits for a *packaged product* which is not a *financial instrument*, as part of a combined *projection* where other benefits being projected include those for a *financial instrument* or *structured deposit*, is not required to comply with the projection rules in ■ COBS 13.4, ■ COBS 13.5 and ■ COBS 13 Annex 2 to the extent that it complies with the future performance *rule* (■ COBS 4.6.7 R).

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13.5.4
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The general requirement that communications be fair, clear and not misleading will nevertheless mean that a *firm* that elects to comply with the future performance rule in ■ COBS 4.6.7 R will need to explain how the combined *projection* differs from other information that has been or could be provided to the client, including a *projection* provided under the *projection rules* in ■ COBS 13.4, ■ COBS 13.5 and ■ COBS 13 Annex 2, and

in particular, the *firm* should identify where a *projection* in real terms is required under
■ COBS 13.



13.6 Preparing product information: changes to adviser and consultancy charges

13.6.1
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A *firm* that agrees to start facilitating the payment of an *adviser charge* or *consultancy charge*, or an increase in such a charge, from an in-force *packaged product*, must prepare sufficient information for the *retail client* to be able to understand the likely effect of that facilitation, in good time before it takes effect .

Projections

This annex belongs to ■ COBS 13.4.1 R (Contents of a key features illustration), ■ COBS 13.5.1 R (Projections for in-force products) and ■ COBS 13.5.2 R (Projections: other situations).

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Projections

1 Calculating standardised deterministic projections

1.1 A *standardised deterministic projection* must:

- (1) include a *projection* of benefits at the *lower, intermediate and higher rates of return*;
- (2) be rounded down; and
- (3) show no more than three significant figures.

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1.2 Calculating projections: additional requirements for a *personal pension scheme* and *stakeholder pension scheme*

- (1) A *standardised deterministic projection* must be in real terms and be accompanied by information explaining why price inflation has been taken into account and that price inflation reduces the worth of all savings and investments.
- (2) A *standardised deterministic projection* in real terms must be calculated using:
 - (a) the appropriate *lower, intermediate and higher rates of return*;
 - (b) the intermediate rate of price inflation, in accordance with COBS 13 Annex 2 2.5R; and
 - (c) an annuity calculated in accordance with COBS 13 Annex 2 3.1R.
- (3) The *standardised deterministic projection* must show only the numeric value of the three real rates of return after the appropriate price inflation assumption has been taken into account, that is, the real rate of projected growth which has been applied to the real value of the contributions.

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- 1.2A A *firm* is not prevented from providing a *retail client* with a *projection* of the fund or pension commencement lump sum in nominal terms for planning purposes (for example for a pension mortgage) if it is prepared in a way which is consistent with the *standardised deterministic projection*.

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- 1.3 (1) If a *generic projection* is prepared for a *stakeholder pension scheme* or *personal pension scheme* in circumstances where a *generic key features illustration* is permitted under COBS 13.4.2 R, sufficient separate *projections*, covering a range of different contractual periods and contributions, must be included for a *retail client* to be able to make an informed decision about whether to invest.
- (2) A *projection* prepared on that basis may omit projections at the *lower* and *higher rates of return* and only show a range of benefits in real terms at the *intermediate rate of return*.

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- 1.4 A *firm* will provide sufficient separate *projections* if it prepares a table that shows *projections* in real terms for a variety of periods to maturity and a variety of contribution levels, taking into account the *charges* and other material terms that apply to the *stakeholder pension scheme* or *personal pension scheme*. Such a table could be laid out like a specimen benefits table (see COBS 13 Annex 2 1.8).

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Providing a stochastic projection

- 1.5 A *stochastic projection* may only be provided if:

- (1) [deleted]
- (2) [deleted]
[deleted]
- (3) [deleted]
- (4) it is based on a reasonable number of simulations and assumptions which are reasonable and supported by objective data;
- (5) it is accompanied by enough information for the *retail client* to be able to understand the difference between the *stochastic projection* and the *standardised deterministic projection* being provided; and
- (6) it is presented in real terms where the accompanying *standardised deterministic projection* is required to be in real terms.

- 1.6 [deleted]

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Exceptions

1.7

A *projection* for an in-force product that will mature in six *months* or less may be prepared and presented on any reasonable basis.

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1.8 In the case of a *stakeholder pension scheme* in circumstances where a *generic key features illustration* is permitted under COBS 13.4.2 R, the specimen benefits table, contained within the "Stakeholder pension decision tree" factsheet available on www.moneyadviceservice.org.uk and headed "Pension Table...How much should I save towards a pension?" which sets out initial monthly pension amounts, may be used instead of a *standardised deterministic projection* but only if it is accompanied by an explanation of the caveats and assumptions behind the table.

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1.9 The *rules* in this Annex do not apply to a *projection* for an in force product which is consistent with the *statutory money purchase illustration* requirements.

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1.10 A *standardised deterministic projection* for an in force product may omit the *intermediate rate of return* except for *personal pension scheme* and *stakeholder pension scheme* contracts taken out after 5 April 2014.

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2 Assumptions to follow when calculating projections.

Assumptions: projection date

2.1 A *standardised deterministic projection* must be calculated to the *projection date* described below:

Product

Projection date

<p>(1) A contract which is a <i>whole life assurance</i> the <i>premiums</i> under which are regular <i>premiums</i></p>	<p>The anniversary of the commencement date:</p> <p>(a) which first falls after the seventy-fifth birthday of the life assured; or</p> <p>(b) (if there is more than one life assured) the anniversary of the commencement date which falls after the seventy fifth birthday of:</p> <p>(i) (if benefits are payable on the first death) the oldest life assured; or</p> <p>(ii) (in all other cases) the youngest life assured;</p> <p>subject to a minimum <i>projection date</i> of ten years.</p>
<p>(2) A contract that is not in (1):</p> <p>(a) where the relevant marketing refers to a surrender value or an option to take benefits before they would otherwise be paid; or</p> <p>(b) that is open-ended, or linked to one or more lives, which is not a <i>personal pension scheme</i> or <i>stakeholder pension scheme</i></p>	<p>An appropriate date which highlights the features of the product</p>
<p>(3) A contract that is not in (1) or (2) and has a specified maturity date</p>	<p>The maturity date specified in the contract</p>
<p>(4) A contract that is not in (1) or (2) or (3)</p>	<p>The tenth anniversary of the commencement date</p>

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Assumptions: contributions

2.2 A standardised deterministic projection must:

- (1) take account of all contributions due during the *projection period*;
- (2) be calculated on the basis that contributions are accumulated, net of *charges*, at the appropriate rate of return compounded on an annual basis;
- (3) (if it includes assumptions about contribution increases in line with an index) be based on an assumption that contribution increases are consistent with any assumptions regarding that index in this annex; and
- (4) deduct from contributions any rider benefits or extra *premium* which may be charged for an increased underwriting risk.

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Assumptions: rates of return

2.3 A *standardised deterministic projection* must be calculated using rates that accurately reflect the investment potential of the product and do not exceed the following maximum rates of return with the lower and higher rates each maintaining a differential of 3% relative to the intermediate rate:

Nominal rates	Lower rate	Inter-mediate rate	Higher rate
tax-exempt business held in a wrapper or by a friendly society	2%	5%	8%
personal pension schemes, stakeholder pension schemes and investment-linked annuities			
all other products	1½%	4½%	7½%

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Exception

2.4 A *standardised deterministic projection*:

(1) [deleted]

(2) may be calculated using a lower rate of return if a *retail client* requests it.

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Assumptions: inflation

2.5 If inflation is taken into account, the *standardised deterministic projection* must be calculated using the following rates:

	Lower rate	Inter-mediate rate	Higher rate
Price inflation	0.50%	2.50%	4.50%
Earnings inflation	2%	4%	6%

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Assumptions: charges**2.6 The charges allowed for in a *standardised deterministic projection*:**

- (1) must properly reflect:**
 - (a) all of the charges, expenses and deductions a *client* will, or may expect to be taken after investment into the product;**
 - (b) the tax relief available to the *firm* in respect of so much of the *firm's* gross expenses as can properly be attributed to the contract; and**
 - (c) the fact that certain *charges* will be fully or partially off-set, but only to the extent that the *firm* can show that the off-set funds will be available when the relevant *charges* arise; and**
- (2) must not include the *firm's* dealing costs incurred on the underlying portfolio.**

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- 2.7 (1) Development and capital costs should normally be written off in the year in which they are incurred. However, some costs (for example, exceptional new business expenses) may be amortised and previous years' costs may then be brought into account.**
- (2) If it is reasonable to assume that higher expenses will be incurred in the future, appropriate allowances should be made, and any inflation assumptions should be consistent with those prescribed in these rules.**
- (3) Expenses should be apportioned appropriately between products so that scales of expenses can be calculated and applied.**
- (4) Where appropriate, mortality and morbidity should be allowed for on a best estimate basis. The basis for annuities should allow for future improvements in mortality.**
- (5) A projection should not assume that *charges* will fall over time to a rate that is lower than the rate currently being charged on the relevant product (or, if there is no such charge, on a similar product).**
- (6) A projection of surrender value, cash-in value or transfer value should take into account any specific current surrender value basis and penalties which may be applied.**
- (7) If a *personal pension scheme* is invested in assets that are volatile or difficult to value, the *standardised deterministic projection* should be prepared using the best available reasonable assumptions.**

FCA**R****Additional requirements: with-profits policies**

- 2.8 (1) A *standardised deterministic projection* for a *with-profits policy* must properly reflect the deductions from asset share which a *firm* expects to make in accordance with its *deductions plan*.**

- (2) *A standardised deterministic projection for a with-profits policy where bonus rates apply must assume that the bonus rates supported by the relevant premium and rate of return apply throughout the term of the contract.*

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Additional requirements: drawdown pensions

- 2.9 (1) *A standardised deterministic projection for a drawdown pension must be based on the requirements contained in (2) to the extent that they impose additional or conflicting requirements to the balance of the rules in this section.*
- (2) *A standardised deterministic projection for a drawdown pension must be based on an assumption that the current gilt-index yield will continue to apply throughout the relevant term and include:*
- (a) *where relevant the maximum initial income specified in the tables published by the Government Actuaries Department for a drawdown pension;*
 - (b) *the assumed level of income;*
 - (c) *for a short-term annuity, where subsequent short-term annuities are assumed, a statement reflecting that fact;*
 - (d) *(under 'What the benefits might be' or similar heading), the amount of income and the projected value of the fund at five yearly intervals to age 99 for the lower, intermediate and higher rate of return for as long as the fund is projected to exist (at the higher rate of return);*
 - (e) *the projected open market values and the amounts of annuity that might be purchased after 10 years; and*
 - (f) *the amount of annuity that could be secured using an immediate annuity rate available in the market.*

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Drawdown Pension: Exception

- 2.10 *A standardised deterministic projection for a drawdown pension can be prepared in nominal terms, rather than real terms.*

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3 How to calculate a projection for a future annuity

3.1 *A projection for a future annuity must:*

- (1) *be calculated by rounding all factors to three decimal places before applying them to the relevant retirement fund;*
- (2) *use a mortality rate based on the year of birth rate derived from each of the Institute and Faculty of Actuaries' Continuous Mortality Investigation tables PCMA00 and*

PCFA00 and including mortality improvements derived from each of the male and female annual mortality projection models, in equal parts;

- (3) [deleted]
- (4) (for an annuity where two lives are concerned):
 - (a) reflect the age difference between the two lives; or
 - (b) be based on the assumption that the male life is three years older than the female (if the genders differ) or the two lives have the same age (if the genders are the same);
- (5) include an expenses allowance of 4%;
- (6) be based on the following rates of return as appropriate:

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	Lower rate	Intermediate rate	Higher rate
Level Y+1.5% or fixed rate of in- crease annu- ities		Y+3.5%	Y+5.5%
RPI Y-1% or LPI linked annu- ities		Y	Y+1%

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where:

'Y' is $0.5 * (ILG0 + ILG5) - 0.5$ rounded to the nearest 0.2%, with an exact 0.1% rounded down; and

'ILG0' and 'ILG5' are the real yield on the FTSE Actuaries Government Securities Index-linked Real Yields over 5 years, assuming 0% and 5% inflation respectively, updated every 6 April to use the ILG0 and ILG5 which applied on or, if necessary, the *business day* immediately before, the preceding 15 February; and

- (7) (in the case of a future annuity with less than one year to maturity) be calculated using annuity rates that are no more favourable than the *firm's* relevant current immediate annuity rate or (if there is no such rate) the relevant immediate annuity rate available in the market; and

- (8) be assumed to be payable monthly in advance with a guaranteed period of 5 years, unless it is unreasonable to do so.

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3.1A For any year commencing 6 April, the use of the male and female annual CMI Mortality Projections Models in the series CMI(20YY-1)_M_[1.25%] and CMI(20YY-1)_F_[1.25%], where YY-1 is the year of the Model used, will tend to show compliance with COBS 13 Annex 2 3.1 R (2).

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3.2 A *projection* for a future annuity:

- (1) must be calculated using lower rates of return , if the rates described in this section overstate the investment potential of the product;
- (2) may be calculated using a lower rate of return if a *retail client* requests it.

4 [deleted]

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5 Projections: accompanying statements and presentation

5.1 A *standardised deterministic projection* must be accompanied by:

- (1) appropriate risk warnings, including warnings about volatility and the impact of inflation and that the product may pay back less than paid in (if that could be the case), and the degree to which any figures can be relied upon; and
- (2) a statement:
 - (a) [deleted]
 - (b) that *charges* may vary;
 - (c) of the contributions that have been assumed;
 - (d) that increases in contributions have been assumed (if that is the case), together with sufficient information for a *retail client* to be able to understand the nature and magnitude of the assumed increases;
 - (e) of the sum of any actual *premiums* charged for any rider benefits or increased underwriting risks (where these have been charged); and
 - (f) (for *personal pension schemes* and *stakeholder pension schemes*) of the assumptions used to calculate the regular income and that the *client* may choose when to take this income (if that is the case).

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5.1A When presenting a *standardised deterministic projection* a *firm* must:

- (1) include a short introductory explanation of what the *projection* seeks to illustrate;
- (2) use a descriptive heading such as 'What your regular income might be worth in future or 'What might I get back from my plan?';
- (3) place the *projection* and the associated explanation adjacent to each other on the same page; and
- (4) explain that the *client* will be sent annual statements (if that is the case) which will allow them to keep track of their benefits.

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Additional requirements: pension schemes and products linked to other products

5.2 A *standardised deterministic projection* for a product where the benefits illustrated depend on a link to a separate product must include an appropriate description of the material factors that might influence the returns available overall and any restrictions assumed in providing an illustration of benefits in relation to that separate product.

Charges information for a packaged product

(except for a personal pension scheme and a stakeholder pension scheme where adviser charges or consultancy charges are to be facilitated by the product)

This annex belongs to ■ COBS 13.4.1 R (Contents of a key features illustration)

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Charges

1 Appropriate charges information

1.1 *Appropriate charges information* comprises:

- (1) (a) a description of the nature and amount of the *charges* a *client* will or may be expected to bear in relation to the product and, if applicable, any investments within the product;
- (b) if applicable, a description of the nature and amount of the *adviser charges* a *retail client* has agreed may be taken, including whether it is taken before or after investment into the product;
- (2) an 'effect of charges' table;
- (3) 'reduction in yield' information ; and
- (4) in relation to a *personal pension scheme*, the amounts (or if the amounts cannot be given, the formula by which the amounts can be calculated), if any, which a *personal pension scheme operator* or *pension scheme trustee* will receive as retained interest in relation to money held within the *personal pension scheme*.

1.2 Where a *firm* does not include a *projection* within its *key features illustration* the charges information can be on a generic basis.

1.2A The information described in 1.1(4) must be disclosed alongside information about any other *charges* the *client* will be expected to bear, and information about any interest that will be paid to *clients* on money held within a *personal pension scheme* bank account.

Exceptions

1.3 An effect of charges table and reduction in yield information are not required for:

- (1) a *life policy* without a *surrender value*, but an appropriate warning must be included to make it clear that the *policy* has no cash-in value at any time;
- (2) [deleted] ;
- (3) [deleted]

- (4) a *stakeholder product* or a product that will be held in a *CTF* where the relevant product and the *CTF* levy their *charges* annually, if the following is included instead:

"There is an annual charge of $y\%$ of the value of the funds you accumulate. If your fund is valued at £250 throughout the year, this means we charge $[\pounds 250 \times y/100]$ that year. If your fund is valued at £500 throughout the year, this means we charge $[\pounds 500 \times y/100]$ that year. [After ten years these deductions reduce to $[\pounds 250 \times r/100]$ and $[\pounds 500 \times r/100]$ respectively.]"

where 'y' is the annual charge and 'r' is the reduced annual charge (if any).

- 1.4 Reduction in yield information is not required for a without profits *life policy* with guaranteed benefits (except on surrender or variation), a *life policy* with a term not exceeding five years or a *life policy* that will be held in a *CTF*.

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2 Effect of charges table

2.1 Each 'effect of charges' table must be accompanied by, or refer to:

- (1) a statement that all relevant guarantees have been taken into account (if there are any);
- (2) [deleted]
- (3) the rate of return (for *personal pension schemes* and *stakeholder pension schemes*, this must be net of price inflation, where appropriate) used to calculate the figures in the table ; and
- (4) an explanation of the purpose of the table and what the table shows.

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2.2 The effect of charges table:

(1) for a *life policy* must be in the following form unless the firm chooses to adopt the form of the effect of charges table in ■ COBS 13 Annex 4 :

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Note 1A	Note 2	Note 3	Note 4	Note 5	Note 6
At end of year	Total paid in to date	With-drawals	Total actual deductions to date	Effect of deductions to date	What you might get back
	£	£	£	£	£
1					
...					
5					
10					

...

(2) for any other *packaged product* must be in the following form:

R				
Note 1B	Note 2	Note 3	Note 5	Note 6
At end of year	Investment to date	Income	Effect of deductions to date	What you might get back
	£	£	£	£
1				
5				
10				
...				

(3) must be completed in accordance with the following notes:

R	
Note 1A	<p>(a) This column must include the first five years, every subsequent fifth year and the final year of the <i>projection period</i>.</p> <p>(b) Figures may be shown for every subsequent tenth year rather than subsequent fifth year where the <i>projection period</i> exceeds 25 years, or for whole of life policies.</p> <p>(c) For whole of life policies, should the projected fund reach zero before the end of the <i>projection period</i> this must be highlighted.</p> <p>(d) [deleted]</p> <p>(e) If there is discontinuity in the trend of <i>surrender values</i>, the appropriate intervening years must also be included.</p> <p>(f) Figures for a longer term may be shown.</p>
Note 1B	<p>(a) This column must include the first year, the fifth year and every subsequent fifth year of the <i>projection period</i>.</p> <p>(b) [deleted]</p> <p>(c) Figures for a longer term may be shown.</p>
Note 2	This column must show the cumulative contributions paid to the end of each relevant year.
Note 3	This column must show the cumulative withdrawals taken or income paid to the end of each relevant year (if any). The column may be omitted if withdrawals or income are not anticipated or allowed.
Note 4	<p>This column is optional. If it is retained, it must show the total actual deductions to the end of each relevant year calculated using the following method:</p> <p>(a) apply the <i>intermediate rate of return</i> for the relevant product to the figure in the 'effect of deductions to date' column for the previous year;</p>

- (b) subtract this figure from the figure in the 'effect of deductions to date' column for the year being shown; and
- (c) add the resulting figure to the figure in the 'total actual deductions to date' column for the previous year (if any).

Note 5

This column may be deleted if the product is a without profits *life policy* with benefits that are guaranteed except on surrender or variation, a *life policy* with a term not exceeding five years, or a *life policy* that will be held in a *CTF*.

If this column is not deleted, the 'effect of deductions to date' figure must be calculated by taking the accumulated value of the fund without reference to *charges* and then subtracting from this figure the figure in the 'what you might get back column' for the same year.

Note 6

This column must show the *standardised deterministic projection* of the surrender value, cash-in value or transfer value, calculated in accordance with the *rules* in COBS 13 Annex 2 (Projections) at the appropriate *intermediate rate of return* to the end of each relevant year.

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Exception

- 2.3 An effect of charges table and its title can be amended to the extent that it is necessary:
- (1) to properly reflect the nature and effect of, for example, the *adviser charges*, *consultancy charges* or the charges inherent in a particular product; or
 - (2) to ensure that the column labels and any explanatory text reflect the product and whether inflation has been taken into account; or
 - (3) to ensure consistency with the terminology used in relation to a particular product.

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2.4 [deleted]

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3 Reduction in yield

3.1 Reduction in yield ('A') is 'B' less 'C' where:

- (1) 'B' is the *intermediate rate of return* (for *personal pension schemes* and *stakeholder pension schemes*, net of price inflation, where appropriate) for the relevant product; and
- (2) 'C' is determined by:
 - (a) carrying out a *standardised deterministic projection* to the *projection date*, using 'B'; and then

- (b) calculating the annual rate of return ('C') (rounded to the nearest tenth of 1 %) required to achieve the same projection value if *charges* are left out of account.

3.2 A *firm* must present reduction in yield as 'A%', as part of statements which explain that :

- (1) charges have the effect of reducing investment growth (after price inflation for personal pension schemes and stakeholder pension schemes) from 'B%' to 'C%', or in some other appropriate way; and
- (2) the information about the reduction in investment growth can be used to compare the effect of charges with similar products.

3.3 If contributions will be invested in more than one fund in a single designated investment or made by an initial lump sum payment that is followed by regular contributions, the reduction in yield must be:

- (1) calculated separately for each fund or for the single contribution and the regular contributions (as the case may be); and
- (2) presented:
 - (a) on a fund by fund, or single contribution and regular contribution, basis, together with a statement which explains the nature and effect of a reduction in yield, the reason for the inclusion of more than one reduction in yield figure and the reason for the differences between them; or
 - (b) (if the reduction in yield results are so similar that one figure could reasonably be regarded as representative of the others), as a single figure together with a statement which explains the nature and effect of a reduction in yield, and that the reduction in yield figure given is representative of the reduction in yield figures for each of the funds or for the single and regular contributions (as the case may be); or
 - (c) through a single figure combining the separate figures for each fund or contribution in a proportionate manner, with an appropriate description.

3.4 Where a *firm* is calculating reduction in yield information, it must:

- (1) disregard charges related to mortality and morbidity risks; or
- (2) (where the requirement in (1) produces figures that are misleading) include a statement with the reduction in yield information that it has been calculated taking into account charges related to mortality and morbidity risk.

Charges information for a personal pension scheme and a stakeholder pension scheme

(where adviser charges or consultancy charges are facilitated by the product)

This annex belongs to ■ COBS 13.4.1 R (Contents of a key features illustration)

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Charges

1 Appropriate charges information

1.1 *Appropriate charges information* comprises:

- (1)
 - (a) a description of the nature and amount of the *charges a client* will or may be expected to bear in relation to the product and, if applicable, any investments within the product;
 - (b) if applicable, a description of the nature and amount of the *adviser charges and consultancy charges a retail client* or employer has agreed may be taken before investment into the product;
 - (c) if applicable, a description of the nature and amount of the *adviser charges and consultancy charges a retail client* or employer has agreed may be taken after investment into the product;
- (2) an 'effect of charges' table;
- (3) 'reduction in yield' information ; and
- (4) in relation to a *personal pension scheme*, the amounts (or if the amounts cannot be given, the formula by which the amounts can be calculated), if any, which a *personal pension scheme operator* or *pension scheme trustee* will receive as retained interest in relation to money held within the *personal pension scheme*.

Exception

- 1.2 An effect of charges table and reduction in yield information are not required for a *stakeholder pension scheme*, where *adviser charges* or *consultancy charges* are not being facilitated by the scheme, if the following is included instead:

"There is an annual charge of y% of the value of the funds you accumulate. If your fund is valued at £500 throughout the year, this means we charge [£500 x y/100] that year. If your fund is valued at £7500 throughout the year, we will charge [£7500 x y/100] that year."

- 1.2A The information described in 1.1(4) must be disclosed alongside information about any other *charges the client* will be expected to bear, and information about any interest that will be paid to *clients* on money held within a *personal pension scheme bank account*.

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2 Effect of charges table

2.1 Each effect of charges table must be accompanied by:

- (1) an explanation of what the table shows;
- (2) a statement that all relevant guarantees have been taken into account (if there are any); and
- (3) [deleted]
- (4) the rate of return (after price inflation, where appropriate) used to calculate the figures in the table.

2.2 An effect of charges table must be in the following form:

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Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
At end of year	The payments into your plan	Withdrawals	Before charges are taken	If only plan and investment charges are taken	After all charges are taken from this plan
	£	£	£	£	£
1					
...					
5					
At age [xx]					

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Note 1 This column must include at least the first, third and fifth year and the intended date of retirement.

For a *drawdown pension*, figures must be included for each of the first ten years, or less if the value of the fund is projected at the higher rate of return to reach zero before then.

Note 2 This column must show the cumulative contributions paid to the end of each relevant year.

Note 3 This column must show the cumulative withdrawals intended to be taken to the end of each relevant year. The column may be omitted if withdrawals are not anticipated or allowed.

Note 4 This column must show a *standardised deterministic projection* of the benefits, calculated in accordance with the *rules* in COBS 13 Annex 2 (Projections) at the appropriate *intermediate rate of return*, to the end of each relevant year, but without taking any *charges* into account.

Note 5 This column must show a *standardised deterministic projection* of the benefits, calculated in accordance with the *rules in COBS 13 Annex 2 (Projections)* at the appropriate *intermediate rate of return* to the end of each relevant year, but taking into account only the *charges* described in *COBS 13 Annex 4 R paragraph 1.1(1)(a)*.

Note 6 This column must show a *standardised deterministic projection* of the benefits, calculated in accordance with the *rules in COBS 13 Annex 2 (Projections)* at the appropriate *intermediate rate of return* to the end of each relevant year taking into account all charges described in *COBS 13 Annex 4 R paragraph 1.1(1)(a) and (c)*.

Where both *adviser charges* and *consultancy charges* are being facilitated from a product this column should show the combined effect of those charges.

This column may be omitted if there are no *adviser charges* or *consultancy charges*.

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Exception

- 2.3** An effect of charges table and its title can be amended, to the extent that it is necessary:
- (1) to properly reflect the nature and effect of, for example, the adviser charges, consultancy charges or the charges inherent in a particular product; or
 - (2) to ensure that the column labels and any explanatory text reflect the nature of the product and to make it clear whether price inflation has been taken into account; or
 - (3) to ensure consistency with the terminology used in relation to a particular product.

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2.4 [deleted]

2.5 An effect of charges table must be appropriately titled, for example, 'How the charges reduce the value of your pension fund'.

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3 Reduction in yield

3.1 Product reduction in yield ('A') is 'B' less 'C' where:

- (1) 'B' is the *intermediate rate of return* (net of price inflation, where appropriate) for the relevant product; and
- (2) 'C' is determined by:
 - (a) carrying out a *standardised deterministic projection* to the *projection date*, but without taking any *adviser charges* or *consultancy charges* into account, using 'B'; and then

- (b) calculating the annual rate of return ('C') (rounded to the nearest tenth of 1 %) required to achieve the same projection value if *charges* are excluded.
- 3.2 Total reduction in yield ('D') is 'B' less 'E' where:
- (1) 'B' is the *intermediate rate of return* (net of price inflation, where appropriate) for the relevant product; and
- (2) 'E' is determined by:
- (a) carrying out a *standardised deterministic projection* to the *projection date* taking all *charges* into account, using 'B'; and then
- (b) calculating the annual rate of return ('E') (rounded to the nearest tenth of 1 %) required to achieve the same projection value if *charges* are excluded.
- 3.3 (1) A *firm* must present the product reduction in yield as 'A%', as part of statements which explain that :
- (a) 'product charges reduce investment growth after price inflation from 'B%' to 'C%', or in some other appropriate way; and
- (b) the information about the reduction in investment growth can be used to compare the effect of charges with similar products.
- (2) If *adviser charges* or *consultancy charges*, or both *adviser charges* and *consultancy charges* are to be facilitated by the product, a *firm* must also present the reduction in yield as 'D%', as part of a statement which explains that 'all charges reduce the investment growth (after price inflation, where appropriate) from 'B%' to 'E%', or in some other appropriate way and explain the difference between the two reduction in yield figures.
- 3.4 If contributions will be invested in more than one fund in a single designated investment or made by an initial lump sum payment that is followed by regular contributions, the reduction in yield must be:
- (1) calculated separately for each fund or for the single contribution and the regular contributions, as applicable; and
- (2) presented:
- (a) on a fund-by-fund, or single contribution and regular contribution, basis, together with a statement which explains the nature and effect of a reduction in yield, the reason for the inclusion of more than one reduction in yield figure and the reason for the differences between them; or
- (b) (if the reduction in yield results are so similar that one figure could reasonably be regarded as representative of the others) as a single figure together with a statement which explains the nature and effect of a reduction in yield, and that the reduction in yield figure given is representative of the reduction in yield figures for each of the funds or for the single and regular contributions, as applicable; or
- (c) through a single figure combining the separate figures for each fund or contribution in a proportionate manner, with an appropriate description.



14.3 Information about designated investments

Application

14.3.1

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This section applies to a *firm* in relation to:

- (1) *MiFID or equivalent third country business*; and
- (2) the following *regulated activities* when carried on for a *retail client*:
 - (a) making a *personal recommendation* about a *designated investment*; or
 - (b) *managing investments* that are *designated investments*; or
 - (c) *arranging, (bringing about) or executing a deal* in a *warrant, non-readily realisable security or derivative*; or
 - (d) engaging in *stock lending activity*; or
 - (e) *operating an electronic system in relation to lending*, but only in relation to facilitating a person becoming a lender under a *P2P agreement*.

Providing a description of the nature and risks of designated investments

14.3.2

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A *firm* must provide a *client* with a general description of the nature and risks of *designated investments*, taking into account, in particular, the *client's* categorisation as a *retail client* or a *professional client*. That description must:

- (1) explain the nature of the specific type of *designated investment* concerned, as well as the risks particular to that specific type of *designated investment*, in sufficient detail to enable the *client* to take investment decisions on an informed basis; and
- (2) include, where relevant to the specific type of *designated investment* concerned and the status and level of knowledge of the *client*, the following elements:

- (a) the risks associated with that type of *designated investment* including an explanation of leverage and its effects and the risk of losing the entire investment;
- (b) the volatility of the price of *designated investments* and any limitations on the available market for such investments;
- (c) the fact that an investor might assume, as a result of transactions in such *designated investments*, financial commitments and other additional obligations, including contingent liabilities, additional to the cost of acquiring the *designated investments*; and
- (d) any margin requirements or similar obligations, applicable to *designated investments* of that type.

[Note: article 31(1) and (2) of the *MiFID implementing Directive*]

14.3.3
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If a *firm* provides a *retail client* with information about a *designated investment* that is the subject of a current offer to the public and a prospectus has been published in connection with that offer in accordance with the *Prospectus Directive*, that *firm* must inform the *retail client* where that prospectus is made available to the public.

[Note: article 31(3) of the *MiFID implementing Directive*]

14.3.4
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Where the risks associated with a *designated investment* composed of two or more different *designated investments* or services are likely to be greater than the risks associated with any of the components, a *firm* must provide an adequate description of the components of that *designated investment* and the way in which its interaction increases the risks.

[Note: article 31(4) of the *MiFID implementing Directive*]

14.3.5
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In the case of a *designated investment* that incorporates a guarantee by a third party, the information about the guarantee must include sufficient detail about the guarantor and the guarantee to enable the *retail client* to make a fair assessment of the guarantee.

[Note: article 31(5) of the *MiFID implementing Directive*]

Satisfying the provision rules

14.3.6
FCA

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- (1) A *firm* need not treat each of several transactions in respect of the same type of *financial instrument* as a new or different service and so does not need to comply with the provision rules (■ COBS 14.3.2 R to ■ COBS 14.3.5 R) in relation to each transaction.
- (2) But a *firm* should ensure that the *client* has received all relevant information in relation to a transaction, such as details of product charges that differ from those already disclosed.

[Note: in respect of (1), recital 50 to to the *MiFID implementing Directive*]

14.3.7

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Providing a *key features document*, *key investor information document*, *EEA key investor information document* or *simplified prospectus* may satisfy the requirements of the *rules* in this section.

P2P agreements

14.3.7A

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Examples of information a *firm* should provide to explain the specific nature and risks of a *P2P agreement* include:

- (1) expected and actual default rates in line with the requirements in ■ COBS 4.6 on past and future performance;
- (2) a summary of the assumptions used in determining expected future default rates;
- (3) a description of how loan risk is assessed, including a description of the criteria that must be met by the borrower before the *firm* considers the borrower eligible for a *P2P agreement*;
- (4) where lenders have the choice to invest in specific *P2P agreements*, details of the creditworthiness assessment of the borrower carried out;
- (5) whether the *P2P agreement* benefits from any security and if so, what;
- (6) a fair description of the likely actual return, taking into account fees, default rates and taxation;
- (7) an explanation of how any tax liability for lenders arising from investment in *P2P agreements* would be calculated;
- (8) an explanation of the *firm's* procedure for dealing with a loan in late payment or default;
- (9) the procedure for a lender to access their money before the term of the *P2P agreement* has expired;
- (10) an explanation of what would happen if the *firm* fails, including confirmation that there is no recourse to the Financial Services Compensation Scheme.

Product information: form

14.3.8

FCA

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The *documents* and information provided in accordance with the *rules* in this section must be in a *durable medium* or available on a website (where that does not constitute a *durable medium*) that meets the *website conditions*.

[Note: article 29(4) of the *MiFID implementing Directive*]

The timing rules

14.3.9

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- (1) The information to be provided in accordance with the *rules* in this section must be provided in good time before a *firm* carries on *designated investment business* or *ancillary services* with or for a *retail client*.

- (2) A *firm* may provide that information immediately after it begins to carry on that business if:
- (a) the *firm* was unable to comply with (1) because, at the request of the *client*, the agreement was concluded using a means of distance communication which prevented the *firm* from complying with that *rule*; and
 - (b) in any case where the *rule* on voice telephony communications (■ COBS 5.1.12 R) does not otherwise apply, the *firm* complies with that *rule* as if the *client* was a *consumer*.

[Note: article 29(2) and (5) of the *MiFID implementing Directive*]

Keeping the client up-to-date

14.3.10
FCA

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A *firm* must notify a *client* in good time about any material change to the information provided under the *rules* in this section which is relevant to a service that the *firm* is providing to that *client*. That notification must be given in a *durable medium* if the information to which it relates is given in a *durable medium*.

[Note: article 29(6) of the *MiFID implementing Directive*]

Information about UCITS schemes

14.3.11
FCA

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If a *firm* provides a *client* with a *key investor information document* or *EEA key investor information document* that meets the requirements of articles 78 and 79 of the *UCITS Directive* (see ■ COLL 4.7 (Key investor information and marketing communications)) and the *KII Regulation*, it will have provided appropriate information for the purpose of the requirement to disclose information on:

- (1) *designated investments* and investment strategies (■ COBS 2.2.1 R (1)(b)); and
- (2) costs and associated charges (■ COBS 2.2.1 R (1)(d) and ■ COBS 6.1.9 R;

in relation to the costs and associated charges in respect of the *UCITS scheme* itself, including the exit and entry commissions.

[Note: article 34 of the *MiFID implementing Directive*]

14.3.12
FCA

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A *key investor information document* and *EEA key investor information document* provide sufficient information in relation to the costs and associated charges in respect of the *UCITS* itself. However, a *firm* distributing *units* in a *UCITS* should also inform a *client* about all of the other costs and associated charges related to the provision of its services in relation to *units* in the *UCITS*.

[Note: recital 55 to the *MiFID implementing Directive*]

- (a) (i) is no longer effecting a material volume of *with-profits policies* (other than by *reinsurance*), into the *with-profits fund*; or
- (ii) is ceding by way of *reinsurance* most or all of the new *with-profits policies* which it continues to effect; and
- (b) cannot demonstrate that it will treat *with-profits policyholders* fairly if it does not cease to effect new *contracts of insurance*.

20.2.55

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For the purposes of ■ COBS 20.2.54R (3) the FCA will have regard to, amongst other things, the factors set out in ■ COBS 20.2.41BG (3).

20.2.56

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The run-off plan required by ■ COBS 20.2.53 R must:

- (1) include an up-to-date plan to demonstrate how the *firm* will ensure a fair distribution of the closed *with-profits fund*, and its *inherited estate* (if any); and
- (2) be approved by the *firm's governing body*.

20.2.57

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- (1) A *firm* should also include the information described in Appendix 2.15 (Run-off plans for closed with-profits funds) of the Supervision manual in its run-off plan.
- (2) A *firm* should periodically review and update its run-off plan and submit updated versions to the FCA when requested to do so.

20.2.58

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When a *firm* tells its *with-profits policyholders* that it has ceased to effect new *contracts of insurance* in a *with-profits fund*, it should also explain:

- (1) why it has done so;
- (2) what changes it has made, or proposes to make, to the fund's investment strategy (if any);
- (3) how closure may affect *with-profits policyholders* (including any reasonably foreseeable effect on future bonus prospects);
- (4) the options available to *with-profits policyholders* and an indication of the potential costs associated with the exercise of each of those options; and
- (5) any other material factors that a *policyholder* may reasonably need to be aware of before deciding how to respond to this information.

20.2.59

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A *firm* may not be able to provide its *with-profits policyholders* with all of the information described above until it has prepared the run-off plan. In those circumstances, the *firm* should:

- (1) tell its *with-profits policyholders* that that is the case;

20.2.60

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- (2) explain what is missing and give a time estimate for its supply; and
 - (3) provide the missing information as soon as possible, and within the time estimate given.
- (1) If *non-profit insurance business* is written in a *with-profits fund*, a *firm* should take reasonable steps to ensure that the economic value of any future profits expected to emerge on the *non-profit insurance business* is available for distribution during the lifetime of the *with-profits business*.
- (1A) Where a *with-profits fund* contains assets which may not be readily realisable, the *firm* should take reasonable steps to ensure that the economic value of those assets is made available as part of a fair distribution to *with-profits policyholders*.
- (2) Where it is agreed by its *with-profits policyholders*, and subject to meeting the requirements for effecting new *contracts of insurance* in an existing *with-profits fund* (■ COBS 20.2.28 R), a *mutual* may make alternative arrangements for continuing to carry on *non-profit insurance business*, and a *non-directive friendly society* may make alternative arrangements for continuing to carry on non-insurance related business. Where a *mutual* has been granted a *waiver* in accordance with ■ COBS 20.2.61 G, the agreement of its *with-profits policyholders* to alternative arrangements for continuing to carry on *non-profit insurance business* may not be needed.

20.2.61

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- (1) A *mutual* operating a common fund may seek to undertake an exercise to identify that part of the fund to which the *mutual* considers it would be fair for relevant provisions in ■ COBS 20 not to apply.
- (2) To give regulatory effect to the identification exercise, the *FCA* expects that a *mutual* will need to apply to the *FCA* to modify the relevant provisions in ■ COBS 20 and elsewhere which are dependent on the definition of the *with-profits fund*.
- (3) A *mutual* will need to demonstrate that the appropriate statutory tests in section 138A of the *Act* are met. The *FCA* expects that *mutuals* will need to do at least the following to allow the *FCA* to consider whether granting the modification would adversely affect the advancement of the *FCA*'s consumer protection objective:
- (a) demonstrate that the exercise does not amount to a *retribution*;
 - (b) demonstrate that its proposals are fair to its *with-profits policyholders*, and other relevant *policyholders*, having regard to the *mutual's* own particular structure, origins and other relevant circumstances, and including reference to the items in (c) to (j) below;
 - (c) obtain the report of an independent expert approved by, and whose terms of reference are agreed with, the *FCA* on the terms of the *mutual's* proposals and the likely impact and effects on, and fairness to, the *mutual's with-profits policyholders* and other relevant *policyholders*. This report should consider whether the *firm* has sufficiently demonstrated the absence of a *retribution* under (a). The *FCA* will consider using its powers in section 166 of the *Act* (Reports by skilled persons) in appropriate circumstances;

- (d) demonstrate that the *mutual's with-profits policyholders* and other *policyholders* are appropriately engaged and informed about the proposals;
 - (e) demonstrate that it has complied with the relevant requirements in the *mutual's* constitutional documents, for example that members are appropriately involved in agreeing to any proposals;
 - (f) demonstrate that the *mutual* has a convincing and robust business case for continuing in business, as opposed to run-off;
 - (g) demonstrate how, and the extent to which, continuing membership rights will benefit *with-profits policyholders* and other *policyholders*;
 - (h) explain the nature and terms of any continuing support to be provided to the *with-profits fund* from outside the *with-profits fund*;
 - (i) demonstrate that *with-profits policyholders* under the *mutual's* proposals will not be at a disadvantage compared to equivalent *with-profits policyholders* in a proprietary *with-profits fund*; and
 - (j) explain how it proposes to pay any compensation or redress that is, or may become, due to a *policyholder*, or former *policyholder*.
- (4) For the purposes of (3)(a) and (c), where the issues to be considered by the independent expert include the extent or value (in the particular circumstances of the *mutual*) of the rights and interests of *with-profits policyholders* in the *with-profits fund*, the *FCA* expects the independent expert's terms of reference to require them to take into account other available analyses of such rights and interests which may be more favourable to *policyholders* than the *mutual's* own analysis. The *FCA* considers that any uncertainty in the extent or value of such rights and interests in the case of a particular *mutual* may mean that the independent expert will need to obtain their own independent legal advice on the issue. In the *FCA's* view the fact of any uncertainty as to the extent or value of the relevant rights and interests, following receipt of independent legal advice, may itself be taken into account by the independent expert when producing their report. The *FCA* will consider on a case by case basis what further information it may provide to the expert and/or independent legal adviser to ensure that the rights and interests of *policyholders* have been appropriately taken into account.
- (5) The *FCA* expects to consult and/or seek information or advice from the *PRA* in accordance with section 3D of the *Act* and the Memorandum of Understanding between the *FCA* and the *PRA* required by section 3E. As part of any such process the *FCA* expects that the *PRA* will wish to consider, among other things, that balance sheet safety and soundness issues have been identified and addressed appropriately.



20.3 Principles and Practices of Financial Management

Production of PPFM

- (1) A *firm* must:
 - (a) establish and maintain the *PPFM* according to which its *with-profits business* is conducted (or, if appropriate, separate *PPFM* for each *with-profits fund*); and
 - (b) retain a record of each version of its *PPFM* for five years.
- (2) A *firm's with-profits principles* must:
 - (a) be enduring statements of the standards it adopts in managing *with-profits funds*; and
 - (b) describe the business model it uses to meet its duties to *with-profits policyholders* and to respond to longer-term changes in the business and economic environment.
- (3) A *firm's with-profits practices* must:
 - (a) describe how a *firm* manages its *with-profits funds* and how it responds to shorter-term changes in the business and economic environment; and
 - (b) be sufficiently detailed for a knowledgeable observer to understand the material risks and rewards from effecting or maintaining a *with-profits policy* with it.
- (4) A *firm* must not change its *PPFM* unless, in the reasonable opinion of its *governing body*, that change is justified to:
 - (a) respond to changes in the business or economic environment;
or
 - (b) protect the interests of *policyholders*; or
 - (c) change the *firm's with-profits practices* better to achieve its *with-profits principles*.

- (5) A *firm* may change its *PPFM* if that change:
 - (a) is necessary to correct an error or omission; or
 - (b) would improve clarity or presentation without materially affecting the *PPFM*'s substance; or
 - (c) is immaterial.

20.3.2 G [deleted]

20.3.3 G [deleted]

Scope and content of PPFM

20.3.4 R A *firm*'s *PPFM* must cover the issues set out in the table in ■ COBS 20.3.6 R.

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20.3.5 R A *firm*'s *PPFM* must cover any matter that has, or it is reasonably foreseeable may have, a significant impact on the *firm*'s management of *with-profits funds*, including but not limited to:

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- (1) any requirements or constraints that apply as a result of previous dealings, including previous business transfer schemes; and
- (2) the nature and extent of any shareholder commitment to support the *with-profits fund*.

20.3.6 R Table: Issues to be covered in PPFM

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	Subject	Issues
(1)	Amount payable under a with-profits policy	<p>(a) Methods used to guide determination of the amount that is appropriate to pay individual <i>with-profits policyholders</i>, including:</p> <ul style="list-style-type: none"> (i) the aims of the methods and approximations used; (ii) how the current methods, including any relevant historical assumptions used and any systems maintained to deliver results of

Subject	Issues
	<p>(iii) particular methods, are documented; and</p> <p>(iii) the procedures for changing the current method or any assumptions or parameters relevant to a particular method.</p> <p>(b) Approach to setting bonus rates.</p> <p>(c) Approach to smoothing maturity payments and surrender payments, including:</p> <p>(i) the smoothing policy applied to each type of <i>with-profits</i> policy;</p> <p>(ii) the limits (if any) applied to the total cost of, or excess from, smoothing; and</p> <p>(iii) any limits applied to any changes in the level of maturity payments between one period to another.</p>
(2) Investment strategy	Significant aspects of the <i>firm's</i> investment strategy for its <i>with-profits</i> business or, if different, any <i>with-profits</i> fund, including:

Subject	Issues
	<p>(a) the degree of matching to be maintained between assets relevant to <i>with-profits business</i> and liabilities to <i>with-profits policyholders</i> and other creditors;</p> <p>(b) the <i>firm's</i> approach to assets of different credit or liquidity quality and different volatility of market values;</p> <p>(c) the presence among the assets relevant to <i>with-profits business</i> of any assets that would not normally be traded because of their importance to the <i>firm</i>, and the justification for holding such assets; and</p> <p>(d) the <i>firm's</i> controls on using new asset or liability instruments and the nature of any approval required before new instruments are used.</p>
(3) Business risk	<p>The exposure of the <i>with-profits business</i> to business risks (new and existing), including the <i>firm's</i>:</p> <p>(a) procedures for deciding if the <i>with-profits business</i> may undertake a particular business risk;</p> <p>(b) arrangements for reviewing and setting a limit on the scale of such risks; and</p> <p>(c) procedures for reflecting the profits or losses of such business risks in the amounts payable under <i>with-profits policies</i>.</p>
(4) Charges and expenses	<p>(a) The way in which the <i>firm</i> applies charges and apportionments expenses to its <i>with-profits business</i>, including, if material, any interaction with connected firms.</p>

	Subject	Issues
		(b) The cost apportionment principles that will determine which costs are, or may be, charged to a <i>with-profits fund</i> and which costs are, or may be, charged to the other parts of its business of its shareholders.
(5)	Management of inherited estate	Management of any <i>inherited estate</i> and the uses to which the <i>firm</i> may put that <i>inherited estate</i>.
(6)	Volumes of new business and arrangements on stopping taking new business	If a <i>firm's with-profits fund</i> is accepting new <i>with-profits business</i>, its practice for review of the limits on the quantity and type of new business and the actions that the <i>firm</i> would take if it ceased to take on new business of any significant amount.
(7)	Equity between the with-profits fund and any shareholders	The way in which the interests of <i>with-profits policyholders</i> are, or may be, affected by the interests of any shareholders of the <i>firm</i>.

20.3.7
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The table in ■ COBS 20.3.8 G sets out *guidance* on how various information relevant to some of the issues covered in a *firm's PPFM* (■ COBS 20.3.6 R) might be split between *with-profits principles* and *with-profits practices*. This is an example of the matters a *firm* should address in its *with-profits principles* and *with-profits practices* and is not exhaustive. A *firm* should consider carefully the scope and content of its *PPFM* as appropriate.

20.3.8
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Table: Guidance on with-profits principles and practices

Reference to PPFM issues (COBS 20.3.6R)	With-profits principles	With-profits practices
(1) Amount payable under a with-profits policy	General (a) Circumstances under which any historical assumptions or parameters, relevant to methods used to determine the amount payable, may be changed;	General (e) For each major class of <i>with-profits policy</i> , methods establishing the main assumptions or parameters that decide the output of methods that determine the amount payable;

Reference to PPFM issues (COBS 20.3.6R)	With-profits principles	With-profits practices
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(f) Degree of approximation allowed when assumptions or parameters are applied across generations of *with-profits policyholders* or across different types or classes of *with-profits policies*;

(g) Formality with which the methods, parameters or assumptions used are documented;

(h) Target range, or target ranges, that have been set for maturity payments;

(i) Factors likely to be regarded as relevant to address *policyholders'* interests or security when determining *excess surplus*; and

Investment return, expenses or charges and tax

(j) How investment return, expenses or charges and tax are brought into account and how the impact of those items is determined on the amount payable. In particular:

(i) any distinctions made in recognising the investment return from a subset of the total assets of a *with-profits fund*;

(ii) whether expenses are apportioned between all the policies in a *with-profits fund* or apportioned in some other way;

(iii) the relationship between the liability to tax attributed to a *with-profits fund* and the tax that the *firm* imputes to determine the amount payable;

(iv) impact on the amount payable of any attributed liability to tax of a *with-profits fund* as a result of the *firm* making a transfer to shareholders; and

(v) how any other items are brought into account.

Reference to PPFM issues (COBS 20.3.6R)	With-profits principles	With-profits practices
	<p>Bonus rates</p> <p>(b) General aims in setting bonus rates and the constraints to which the <i>firm</i> may be subject in changing economic circumstances;</p> <p>(c) How the range of <i>with-profits policies</i> or generations of <i>with-profits policies</i> over which the <i>firm</i> believes a single bonus rate would be appropriate is determined and the circumstances under which it believes a new bonus series would be necessary; and</p>	<p>Bonus rates</p> <p>(k) Current approach to setting bonus rates, including the weight given to recent economic experience. For final bonus rates, the description should include any distinctions made between <i>with-profits policies</i> that remain in force until contractual dates, or dates on which no market value reduction applies (for example, maturity or retirement dates) and policies that are surrendered or transferred at other dates;</p> <p>(l) Frequency at which bonus rates are re-set or expected to be re-set and the circumstances under which changes in the economic environment would cause the time between re-setting to change;</p> <p>(m) Maximum amount by which annual bonuses would alter if annual bonus rates were reset;</p> <p>(n) Approach to setting any interim bonus rates before the next declaration of annual bonus rates;</p> <p>(o) Relationship or interaction between final bonus rates and any market value reductions, if both can apply at the same time;</p> <p>(p) How final bonus rates influence the value of <i>with-profits policies</i> that have formulaic surrender or transfer bases (for example, older conventional policies rather than unitised policies); and</p>

Reference to PPFM issues (COBS 20.3.6R)	With-profits principles	With-profits practices
	<p>Smoothing</p> <p>(d) Statement as to whether smoothing is intended to be neutral over time.</p>	<p>Smoothing</p> <p>(q) Any differences in approach for:</p> <ul style="list-style-type: none"> (i) the various types of <i>with-profits policy</i>; (ii) different categories of payout, such as between surrendered policies and maturing policies; and (iii) different generations of <i>with-profits policyholders</i>.
(2) Investment strategy	<p>(a) How the types, classes or mix of assets are determined; and</p> <p>(b) Strategy in respect of derivatives and other instruments.</p>	<p>(c) Whether and to what extent there is hypothecation of assets;</p> <p>(d) Period between formal reviews of investment strategy;</p> <p>(e) Approach to investment in different asset classes, and assets of different credit or liquidity quality, including assets not normally traded; and</p> <p>(f) Details of any external support available to the <i>with-profits fund</i> and how this affects the investment strategy.</p>
(3) Business risk	<p>(a) Where a <i>firm</i> explicitly excludes business risk from a class of <i>with-profits policies</i> but there are residual risks, clarification where these risks such as guarantee and smoothing costs are borne; and</p> <p>(b) Define where compensation costs from a business risk would be borne.</p>	<p>(c) Current limits which apply to the taking on of business risk; and</p> <p>(d) Whether and to what extent particular generations of <i>with-profits policyholders</i> or classes of <i>with-profits policies</i> bear or might bear particular business risks, including for example, crystallised or contingent guarantees to other classes of <i>policyholders</i> or whether the out-turn from all business risk is pooled across all <i>with-profits policies</i>.</p>
(4) Charges and expenses	<p>(a) Factors that would drive any change to the basis on which the <i>firm</i> applies charges to or apportions its actual expenses amongst <i>with-profits policies</i>, or exercises any discre-</p>	<p>(b) Charges currently applied and the expenses currently apportioned to major classes of <i>with-profits policies</i>;</p> <p>(c) Relationship between the <i>firm's</i> actual charges and ex-</p>

Reference to PPFM issues (COBS 20.3.6R)	With-profits principles	With-profits practices
	<p>tion to apply charges to particular <i>with-profits policies</i>.</p>	<p>penses, as applied to determine the amounts payable under <i>with-profits policies</i>, and the charges and expenses borne by the <i>with-profits fund</i>;</p> <p>(d) Circumstances under which expenses will be charged to the <i>with-profits fund</i> at an amount other than cost, and the reasons why; and</p> <p>(e) Interval for reviewing any arrangements for out-sourced services, including those provided by connected parties, giving a broad indication of the terms for termination.</p>
(5) Management of inherited estate	<p>(a) Preferred size or scale of <i>inherited estate</i> and implications for the values of the <i>with profits policies</i>; and</p> <p>(b) Any existing division of the <i>inherited estate</i> between <i>with-profits funds</i>; and</p> <p>(c) Any constraints on the freedom to deal with the <i>inherited estate</i> as a result of previous dealings.</p>	<p>(d) How the <i>inherited estate</i> is used, for example, in meeting costs;</p> <p>(e) Whether the investment strategy for the <i>inherited estate</i> differs from the rest of the <i>with-profits fund</i>; and</p> <p>(f) Any current guidelines in place as to the size or scale of the <i>inherited estate</i> or as to how and over what time period the <i>inherited estate</i> would be managed, if it becomes too large or too small.</p>
(6) Equity between the with-profits fund and any shareholders	<p>(a) Arrangements for, and any changes to, profit sharing between shareholders and <i>with-profits policyholders</i>.</p>	<p>(b) Current basis on which profit between <i>with-profits policyholders</i> and shareholders is divided; and</p> <p>(c) Whether the pricing of any policies being written, and particular policies open to new business, appear to be significantly and systematically reducing the <i>inherited estate</i> if the shareholder transfer is taken into account.</p>

20.4 Communications with with-profits policyholders

Provision and publication of PPFM

20.4.1

FCA

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A *firm* must:

- (1) on request, provide its *PPFM*, or the *PPFM* applicable to specified *with-profits funds*:
 - (a) free of charge to its *with-profits policyholders*; or
 - (b) for a reasonable charge to any person who is not its *with-profits policyholder*; and
- (2) if the *firm* publishes its *PPFM* on its website, prominently signpost its location there.

Notification of changes

20.4.2

FCA

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A *firm* must send its *with-profits policyholders* who are affected by any change in its *PPFM*, written notice, setting out any:

- (1) proposed changes to the *with-profits principles*, three *months* in advance of the effective date; and
- (2) changes to the *with-profits practices*, within a reasonable time.

20.4.3

FCA

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A *firm* need not give the notice required if the change to its *PPFM*:

- (1) is necessary to correct an error or omission; or
- (2) would improve clarity or presentation without materially affecting the *PPFM*'s substance; or
- (3) is immaterial.

20.4.4

FCA

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Requirements on EEA insurers

In relation to any *with-profits policyholder* who is *habitually resident* in the *United Kingdom*, an *EEA insurer* must:

- (1) on request, provide the information necessary to enable that *policyholder* properly to understand the *insurer's* commitment under the *policy*;
- (2) ensure that the information provided is not narrower in scope or less detailed in content than the equivalent *PPFM*; and
- (3) send the *policyholder* who is affected by any information being changed written notice, setting out:
 - (a) any proposed changes to information that is equivalent to the *with-profits principles*, three *months* in advance of the effective date; and
 - (b) any changes to information that is equivalent to the *with-profits practices*, within a reasonable time.

Consumer-friendly PPFM

20.4.5

FCA

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A *firm* must:

- (1) produce a *CFPPFM* describing the most important information set out under each of the headings in its *PPFM* and keep it up to date as the *PPFM* changes over time;
- (2) express its *CFPPFM* in clear and plain language that can be easily understood by a *with-profits policyholder*, or potential *with-profits policyholder* who does not possess any specialist or technical knowledge;
- (3) provide its *CFPPFM* free of charge with any:
 - (a) written notice sent to *with-profits policyholders* on proposed changes to its *with-profits principles* (where the *firm* must provide the version of the *CFPPFM* in use before the changes if this has not already been provided);
 - (b) annual statements sent to its *with-profits policyholders* (unless there has been no material change in the *CFPPFM* since it was last supplied); and
 - (c) *key features document* for a *with-profits policy*; and
- (4) make its *CFPPFM* publicly available and prominently signpost the availability on its website.

20.4.6

FCA

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A *firm* may include the information set out in its *CFPPFM* in any other document it produces.

Annual report to with-profits policyholders

20.4.7

FCA

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A *firm* must produce an annual report to its *with-profits policyholders*, which must:

- (1) state whether, throughout the *financial year* to which the report relates, the *firm* believes it has complied with its obligations relating to its *PPFM* and setting out its reasons for that belief;
- (2) address all significant relevant issues, including the way in which the *firm* has:
 - (a) exercised, or failed to exercise, any discretion that it has in the conduct of its *with-profits business*; and
 - (b) addressed any competing or conflicting rights, interests or expectations of its *policyholders* (or groups of *policyholders*) and, if applicable, *shareholders* (or groups of *shareholders*), including the competing interests of different classes and generations.

20.4.8

FCA

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The following documents should be annexed to the annual report in this section:

- (1) the report to *with-profits policyholders* made by a *with-profits actuary* in respect of each financial year (see SUP 4.3.16AR(4)); and
- (2) any statement or report provided by the *person* or committee who provides the independent judgement under the *firm's* governance arrangements for its *with-profits business*.

20.4.9

FCA

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In preparing the annual report to *with-profits policyholders*, a *firm* should take advice from a *with-profits actuary*.

20.4.10

FCA

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A *firm* should make the annual report available to *with-profits policyholders* within six months of the end of the *financial year* to which it relates. A *firm* should notify its *with-profits policyholders* in any annual statements how copies of the report can be obtained.

20.5 With-profits governance

Requirement to appoint a with-profits committee or advisory arrangement

20.5.1

FCA

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A *firm* must, in relation to each *with-profits fund* it operates:

- (1) appoint:
 - (a) a *with-profits committee*; or
 - (b) a *with-profits advisory arrangement* (referred to in this section as an 'advisory arrangement'), but only if appropriate, in the opinion of the *firm's governing body*, having regard to the size, nature and complexity of the fund in question;
- (2) ensure that the *with-profits committee* or advisory arrangement operates in accordance with its *terms of reference*; and
- (3) make available a copy of any *terms of reference* on the *firm's* website, or if the *firm* does not have a website, at the request of *policyholders*.

20.5.2

FCA

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- (1) Ultimate responsibility for managing a *with-profits fund* rests with the firm through its *governing body*. The role of the *with-profits committee* or advisory arrangement is, in part, to act in an advisory capacity to inform the decision-making of a *firm's governing body*. The *with-profits committee* or advisory arrangement also acts as a means by which the interests of *with-profits policyholders* are appropriately considered within a *firm's* governance structures. The *with-profits committee* or advisory arrangement should address issues affecting *policyholders* as a whole or as separately identifiable groups of *policyholders* generally rather than dealing with individual *policyholder* complaints or taking management decisions with respect to a *with-profits fund*.
- (2) If a *firm* considers that it is appropriate to appoint an advisory arrangement, a *firm's governing body* will need to decide whether it is appropriate to appoint an independent person or one or more *non-executive directors* to carry out the role. The FCA expects *firms* to make this determination according to the nature, size and complexity of the fund in question. So the larger or more complex the fund is, the more likely it would be that it would be appropriate to appoint an independent person.

- (3) Where a *firm* has appointed a *with-profits committee* to one of its *with-profits funds* it may also decide to appoint that *with-profits committee* to some or all of its other *with-profits funds*, even if the *firm* would not have determined it appropriate to appoint a *with-profits committee* to those other funds when considered individually having regard to their size, nature or complexity.

Terms of reference of with-profits committee or advisory arrangement

20.5.3

FCA

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A *firm* must ensure that the *terms of reference* contain, as a minimum, terms having the following effect:

- (1) the role of the *with-profits committee* or advisory arrangement is, as relevant, to assess, report on, and provide clear advice and, where appropriate, recommendations to the *firm's governing body* on:
- (a) the way in which each *with-profits fund* is managed by the *firm* and, if a *PPFM* is required, whether this is properly reflected in the *PPFM*;
 - (b) if applicable, whether the *firm* is complying with the principles and practices set out in the *PPFM*;
 - (c) whether the *firm* has addressed effectively the conflicting rights and interests of *with-profits policyholders* and other *policyholders* or stakeholders including, if applicable, shareholders, in a way that is consistent with *Principle 6* (treating customers fairly); and
 - (d) any other issues with which the *firm's governing body*, *with-profits committee* or advisory arrangement considers *with-profits policyholders* might reasonably expect the *with-profits committee* or advisory arrangements to be involved;
- (2) that the *with-profits committee* or advisory arrangement must:
- (a) decide on the specific matters it will consider in order to enable it to carry out its role described in (1)(a) to (d) as appropriate to the particular circumstances of the *with-profits fund(s)*; and
 - (b) in any event give appropriate consideration to the following non-exhaustive list of specific matters:
 - (i) the identification of surplus and *excess surplus*, the merits of its distribution or retention and the proposed distribution policy;
 - (ii) how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
 - (iii) if relevant, the relative interests of *policyholders* with and without valuable guarantees;

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- (iv) the *firm's* with-profits customer communications such as annual policyholder statements and product literature and whether the *with-profits committee* or advisory arrangement wishes to make a statement or report to *with-profits policyholders* in addition to the annual report made by a *firm*;
 - (v) any significant changes to the risk or investment profile of the *with-profits fund* including the management of material illiquid investments and the *firm's* obligations in relation to *strategic investments*;
 - (vi) the *firm's* strategy for future sales supported by the assets of the *with-profits fund* and its impact on surplus;
 - (vii) the impact of any management actions planned or implemented;
 - (viii) relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints);
 - (ix) the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters; and
 - (x) the costs incurred in operating the *with-profits fund*;
- (3) that any person appointed as a member of the *with-profits committee* or as a person carrying out the advisory arrangement must have the appropriate skills, knowledge and experience to perform, or contribute to, as appropriate, the role set out in (1) and (2);
- (4) if the firm appoints a *with-profits committee*:
- (a) that there must be three or more members;
 - (b) that the quorum for any meeting (or decision by written procedure) must be at least half of the number of, and no less than two, members; and
- (5) that the *with-profits committee* or advisory arrangement must:
- (a) advise the *governing body* on the suitability of candidates proposed for appointment as the *with-profits actuary*; and
 - (b) assess the performance of the *with-profits actuary* at least annually, and report its view to the *governing body* of the *firm*.
- (1) The *FCA* expects that a *with-profits committee* will meet at least quarterly and ad hoc if required.

- (2) The *FCA* expects that, in general, a *with-profits committee* or advisory arrangement will work closely with the *with-profits actuary*, and obtain his opinion and input as appropriate.

Role of with-profits committee or advisory arrangement in the firm's governance

20.5.5

FCA

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A *firm* must:

- (1) ensure that its *governing body*, in the context of its consideration of issues referred to in ■ COBS 20.5.3R (1)(a) to ■ (d) and ■ (2)(b)(i) to ■ (x):
 - (a) obtains, as relevant, assessments, reports, advice and/or recommendations of the *with-profits committee* or advisory arrangement, if the *governing body*, the *with-profits committee* or advisory arrangement considers that significant issues concerning the interests of *with-profits policyholders* need to be considered by the *firm*;
 - (b) allows the *with-profits committee* or advisory arrangement sufficient time to enable it to provide fully considered input on the issues to be considered;
 - (c) considers fully and gives due regard to the input of the *with-profits committee* or advisory arrangement when determining issues concerning the management of the *with-profits funds* and the interests of *with-profits policyholders*;
 - (d) if the *governing body* decides to depart in any material way from the advice or recommendations of the *with-profits committee* or advisory arrangement, sets out fully its reasons and allows the *with-profits committee* or advisory arrangement a reasonable period to consider them and respond; and
 - (e) considers any further representations from the *with-profits committee* or advisory arrangement and, if appropriate, sets out fully any additional reasons if it continues to depart from the *with-profits committee* or advisory arrangement's advice or recommendation;
- (2) provide a *with-profits committee* or advisory arrangement with sufficient resources as it may reasonably require to enable it to perform its role effectively;
- (3) notify the *FCA* of the decision of the *governing body* to depart from the advice or recommendation of the *with-profits committee* or advisory arrangement if the *with-profits committee* or advisory arrangement considers that the issue is sufficiently significant and requests of the *governing body* that the *FCA* be informed; and

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20.5.6

FCA

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(4) consult the *with-profits* *actuary* on the appointment of a new member of the *with-profits* *committee* or of the person or persons carrying out the advisory arrangement.

- (1) ■ COBS 20.5.5R (2) requires that a *firm* provides a *with-profits* *committee* or advisory arrangement with sufficient resources. A *with-profits* *committee* or advisory arrangement should be able to obtain external professional, including actuarial, advice, at the expense of the *firm*, if the *with-profits* *committee* or advisory arrangement considers the advice to be necessary to perform its role effectively. In a proprietary *firm* the *with-profits* *committee* or advisory arrangement should be able to request that the cost of the external professional advice either is not chargeable to the *with-profits* *fund* in question, or is shared with the *with-profits* *fund*, according to whether the issue under consideration is wholly or partly to the benefit of the *firm* rather than *policyholders*. A *with-profits* *committee* or advisory arrangement should also be adequately supported by the *firm*'s own internal resources and support functions. This may include the *firm* ensuring that relevant employees, including the *with-profits* *actuary*, are made sufficiently available, and provide relevant information and input, to assist the *with-profits* *committee* in its role, as required.
- (2) If the *with-profits* *committee* or advisory arrangement wishes to make a statement or report to *with-profits* *policyholders* in addition to the annual report made by a *firm*, the effect of ■ COBS 20.5.5R (2) is that a *firm* will need to facilitate this.
- (3) In order to comply with ■ SYSC 3.2.20 R the FCA expects *firms* to keep full records of all requests of, and material produced by, the *with-profits* *committee* or advisory arrangement, and of all decisions and reasons of the *governing body* as described in ■ COBS 20.5.5R (1)(d) and ■ (e).
- (4) For the purposes of ■ COBS 20.5.5 R (3), the FCA expects that it will only be in exceptional circumstances that a *with-profits* *committee* or alternative arrangement will consider a departure from a recommendation or advice to be sufficiently significant to warrant its making a request of the *governing body* that the FCA be informed.

Assessment of independence by governing body

20.5.7

FCA

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- (1) The FCA expects the *governing body* of the *firm* to decide whether a member of the *with-profits* *committee* or a person (other than a *non-executive director*) carrying out the advisory arrangement is independent. The FCA expects a *firm*'s *governing body* to adopt the following approach and have regard to the following factors when making this assessment:
- (a) the *governing body* should determine whether the person is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the person's judgment; and
- (b) the *governing body* should state its reasons if it determines that a person is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the person:
- (i) has been an employee of the *firm* or group within the last five years; or

- (ii) has, or has had within the last three years, a material business relationship with the *firm* either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the *firm*; or
- (iii) has received or receives additional remuneration from the *firm*, participates in the *firm's* share option or a performance-related pay scheme, or is a member of the *firm's* pension scheme; or
- (iv) has close family ties with any of the *firm's* advisers, directors or senior employees; or
- (v) has significant links with the *firm's* directors through involvement in other companies or bodies; or
- (vi) represents a significant shareholder; or
- (vii) has served on the *governing body* for more than nine years from the date of their first election.

- (2) If a *firm* appoints one or more *non-executive directors* to carry out the advisory arrangement, the *FCA* expects the *governing body* of the *firm* to be satisfied that that person or persons is or are adequately able to provide independent judgment.

Governance arrangements in relation to the PPFM

20.5.8

FCA

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In complying with the *rule* on systems and controls in relation to compliance, financial crime and money laundering (■ SYSC 3.2.6 R), a *firm* should maintain governance arrangements designed to ensure that it complies with, maintains and records, any applicable *PPFM*. These arrangements should:

- (1) be appropriate to the scale, nature and complexity of the *firm's with-profits business*; and
- (2) include the approval of the *firm's PPFM* by its *governing body*.

Conduct of Business Sourcebook

COBS TP 2 Other Transitional Provisions

FCA

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
2.-2	COBS, with the exception of COBS 15	R	The <i>rules</i> listed in column (2) do not apply to an <i>operator of an electronic system in relation to lending</i> who holds an <i>interim permission</i>	From 1 April 2014 to 30 September 2014	1 April 2014
2.-1	COBS 4	R	Expired		
2.-1A	COBS 4.7.7 R to COBS 4.7.10 R	R	A <i>firm</i> may comply with the <i>rules</i> in COBS 4.7 as they were in force at 31 March 2014	From 1 April 2014 to 30 September 2014	1 April 2014
2.1	COBS 6.1	G	(1) If a <i>firm</i> provides services of an ongoing nature to an existing <i>client</i> it need not provide information to that <i>client</i> that it would be required to provide under COBS to a new <i>client</i> but which it was not required to provide under COB. (2) Services of an ongoing nature include <i>safekeeping and administration investments</i> and <i>managing investments</i> ,	From 1 November 2007 indefinitely	1 November 2007

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming in-to force
2.2	COBS 6.1	G	<p>(1) If a <i>firm</i> provides a service for an existing <i>client</i> that is not of an ongoing nature and which relates to the same particular type of <i>designated investment</i> as a previous service, the <i>firm</i> need not provide information to that <i>client</i> that it would be required to provide under COBS 6.1 to a new <i>client</i> but which it was not required to provide under COB.</p> <p>(2) But a <i>firm</i> should ensure that the <i>client</i> has received all relevant information in relation to a subsequent transaction, such as details of product charges that differ from those described in respect of a previous transaction.</p>	From 1 November 2007 indefinitely	1 November 2007
[deleted]					
2.2A	COBS 6.1E	R	<p>A <i>platform service provider</i> may continue to accept remuneration in relation to a <i>retail investment product</i> transaction which was executed on or before 5 April 2014:</p> <p>(1) if, after 5 April 2014, no change is made to that product or the investment held in that product; or</p> <p>(2) where there is such a change on or after 6 April</p>	From 6 April 2014 to 5 April 2016	6 April 2014

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Hand-book provisions: coming into force
2.2AA	COBS 6.1E	G	2014, only in relation to the unchanged part of that product. The <i>platform service provider</i> may be remunerated by way of a <i>platform charge</i> for the changed part of that product.	From 6 April 2014 to 5 April 2016	From 6 April 2014 to 5 April 2016
2.2AB	COBS 6.1E	G	The following examples do not entail changes to the <i>retail investment product</i> : (1) regular contributions to or a reinvestment of dividends from a <i>retail investment product</i> following instructions given on or before 5 April 2014; (2) a rebalancing of the <i>retail investment product</i> following instructions given on or before 5 April 2014.	From 6 April 2014 to 5 April 2016	From 6 April 2014 to 5 April 2016
2.2AC	COBS 6.1E	G	Examples of changes to the <i>retail investment product</i> are: (1) the <i>retail client's</i> investment in, or regular contribution to the relevant <i>retail investment product</i> is increased following instructions given on or after 6 April 2014. The <i>platform service provider</i> can	From 6 April 2014 to 5 April 2016	From 6 April 2014 to 5 April 2016

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Hand-book provisions: coming in-to force
			<p>continue to receive remuneration in relation to the amounts invested by the <i>retail client</i> following instructions given on or before 5 April 2014 but not in relation to any additional amounts invested by the <i>retail client</i> following instructions given on or after 6 April 2014.</p> <p>(2) the <i>retail client's</i> investment is switched between <i>retail investment products</i> held by the <i>platform service provider</i> following instructions given on or after 6 April 2014. This includes switching between funds within a <i>retail investment product</i> such as a <i>SIPP</i> or a <i>retail investment product</i> wrapper such as an <i>ISA</i>.</p> <p>(3) the re-registration of the <i>retail client's retail investment product</i> to another <i>platform service provider</i> following instructions given on or after 6 April 2014.</p>		
[deleted]					
2.2B	COBS 6.3	R	Expired		
2.2C	COBS 6.3	G	Expired		
2.2D	COBS 6.3	R	A <i>firm</i> may use a <i>combined initial disclosure document</i> prepared in accordance with	From 1 April 2013 to 31 March 2014	1 April 2013

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
			the <i>rules</i> in COBS 6.3 and COBS 6 Annex 2R as they were in force as at 31 March 2013		
2.2E	COBS 6.3.7 G	R	A <i>firm</i> may use an <i>initial disclosure document</i> prepared in accordance with the <i>rules</i> in COBS 6.3.7 G and COBS 6 Annex 1 G as they were in force as at 31 March 2013	From 1 April 2013 to 31 March 2014	1 April 2013
2.3	COBS 10.1.2 R	R	Expired		
2.4	COBS 10.1.2 R	G	Expired		
2.4-A	COBS 10.1.2 R	R	A <i>firm</i> may comply with the <i>rules</i> in COBS 10 as they were in force at 31 March 2014	From 1 April 2014 to 30 September 2014	1 April 2014
2.4A	COBS 11.2	R	Expired		
2.4B	COBS 11.2	G	Expired		
2.4C	COBS 11.2	R	Expired		
2.4D	COBS 11.2	R	Expired		
2.4 E	COBS 12.2 and COBS 12.3	R	Expired		
2.4 F	COBS 12.2 and COBS 12.3	G	Expired		
2.4 G	COBS 12.2 and COBS 12.3	R	Expired		
2.5	COBS 13	R	Expired		
2.5-A	COBS 13.4.1 R	R	A <i>firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment) Instrument 2013 as if the amendments to the <i>Handbook</i>	From 6 April 2013 to 5 April 2014	6 April 2014

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming in to force
2.5A	COBS 13.4.2 R	R	set out in that instrument were in force. <i>A firm</i> may rely on COBS 13.4.2 R (5) (as introduced by the Retail Distribution Review (Key Features Illustrations) Instrument 2011) as if it was in force from 1 October 2012.	1 October 2012 until 31 December 2012	31 December 2012
2.5AA	COBS 13.5.1 R	R	<i>A firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment) Instrument 2013 as if the amendments to the <i>Handbook</i> set out in that instrument were in force.	From 6 April 2013 to 5 April 2014	6 April 2014
2.5AB	COBS 13.5.2 R	R	<i>A firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment) Instrument 2013 as if the amendments to the <i>Handbook</i> set out in that instrument were in force.	From 6 April 2013 to 5 April 2014	6 April 2014
2.5-B	COBS 13 Annex 2	R	<i>A firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amend-	From 6 April 2013 to 5 April 2014	6 April 2014

(1)	(2)	(3)	(4)	(5)	(6)
Material to which the transitional provision applies			Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
2.5B	COBS13Annex223	R	<p>ment) Instrument 2013 as if the amendments to the <i>Handbook</i> set out in that instrument were in force.</p> <p>A <i>firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Projections) (Amendment) Instrument 2012 as if the amendments to the <i>Handbook</i> set out in that instrument were in force.</p>	From 6 April 2013 to 5 April 2014	6 April 2014
2.5C	COBS13Annex224	R	<p>A <i>firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Projections) (Amendment) Instrument 2012 as if the amendments to the <i>Handbook</i> set out in that instrument were in force.</p>	From 6 April 2013 to 5 April 2014	6 April 2014
2.5D	COBS 13 Annex 3	R	<p>A <i>firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment) Instrument 2013 as if the amendments to the <i>Handbook</i> set out in that instrument were in force.</p>	From 6 April 2013 to 5 April 2014	
2.5E	COBS 13 Annex 4	R	<p>A <i>firm</i> may comply with the provision listed in column (2) as amended by the Conduct of Business Sourcebook (Key</p>	From 6 April 2013 to 5 April 2014	

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming in-to force
2.6	COBS 14.1 and COBS 14.2	R	Features Illustrations for Personal Pensions) (Amendment) Instrument 2013 as if the amendments to the <i>Handbook</i> set out in that instrument were in force. Expired		
2.6A	COBS 14.2 and COBS 14.3 Expired		Expired		
2.7	COBS 15	R	Expired		
2.8	COBS 16.3 (Periodic statements)	G	This transitional <i>rule</i> applies in relation to a periodic reporting period for a <i>periodic statement</i> that includes 1 November 2007. <i>A firm</i> may choose to comply with either COBS 16.3 or COB 8.2 in providing any <i>periodic statement</i> in relation to which this <i>rule</i> applies.	From 1 November 2007 indefinitely	1 November 2007
2.8A	COBS 18	R	Expired		
2.8B	COBS 18	G	Expired		
2.8C	COBS 18	R	Expired		
2.8D	COBS 18	G	[deleted]		
2.8E	COBS 18	R	Expired		
2.9	COBS 20.2.1 to COBS 20.2.23 R; COBS 20.2.26 R	G R	The provisions listed in column (2) do not apply to a <i>firm</i> if, and to the extent that, they are inconsistent with an	From 1 November 2007 indefinitely	1 November 2007

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
	to COBS 20.2.41 G		arrangement that was formally approved by the <i>appropriate regulator</i> , a <i>previous regulator</i> or a court of competent jurisdiction, on or before 20 January 2005.		
2.9A	COBS 20.2.24 R R to COBS 20.2.25 AR (Charging payments of compensation and redress to a with-profits fund)		The provisions listed in column (2) do not apply to a <i>firm</i> if, and to the extent that, they are inconsistent with an arrangement that was formally approved by the <i>appropriate regulator</i> , a <i>previous regulator</i> or a court of competent jurisdiction, on or before 31 July 2009.	From 31 July 2009 indefinitely	31 July 2009
2.10	COBS 20.2.42 R(3) R (Policyholder advocate: appointment and role)		The provision listed in column (2) does not apply to a <i>firm</i> if it is already carrying out a <i>retribution</i> and the process is substantially underway to the extent that it has on or before 31 October 2007 appointed a <i>policyholder advocate</i> .	From 1 November 2007 - until completion of the <i>firm's retribution</i>	1 November 2007
2.11	COBS TP 2.9 G		The <i>rules and guidance</i> on treating with-profits policyholders fairly (COBS 20.2.1 G - COBS 20.2.41 G;) may be contrary to, or inconsistent with, some arrangements that were formally approved by the <i>appropriate regulator</i> , a <i>previous regulator</i> or a court of competent jurisdiction, on or before 20 January 2005. The	From 1 November 2007 indefinitely	1 November 2007

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming in to force
			<p>effect of TP 2.9 is that these <i>rules</i> do not apply to such arrangements if, and to the extent that, it is inconsistent with them.</p> <p>A <i>firm</i> should be mindful, however, that, even if some or all of these <i>rules</i> are disapplied, the <i>firm</i> is still subject to the <i>rules</i> in the rest of the <i>Handbook</i>, including <i>Principle 6</i>.</p>		
2.12	COBS	R	[deleted]		
2.13	COBS	R	[deleted]		
2.14	COBS 20.2.24 R to COBS 20.2.25A R	R	<p>(1) COBS 20.2.24 R to COBS 20.2.25A R have effect in relation to payments of compensation and redress arising out of events occurring on or after 31 July 2009.</p> <p>(2) For payments of compensation and redress arising out of events occurring before 31 July 2009, COBS 20.2.23 R to COBS 20.2.25 R apply as they were in force on 30 July 2009.</p>	From 31 July 2009 indefinitely	31 July 2009
2.16	[deleted] COBS 9.4.10 G; COBS 13 Annex 2; COBS 13 Annex 3; COBS 14.2.1 R	R	[deleted] Expired	[deleted]	

(1)	(2)	(3)	(4)	(5)	(6)
Material to which the transitional provision applies		Transitional provision		Transitional provision: dates in force	Hand-book provisions: coming into force
2.17	COBS 9.4.10 G; G COBS 13 Annex 2; COBS 13 Annex 3; COBS 14.2.1 R		Expired		
2.18	COBS 20.2.53 R R to COBS 20.2.60 G, SUP App 2.15G		<p>(1) Unless (2) applies, and subject to (3), a <i>firm</i> that has ceased to effect new <i>contracts of insurance</i> in a <i>with-profits fund</i> must submit to the <i>FCA</i> a run-off plan of the type described in COBS 20.2.53 R (2); COBS 20.2.56 R, and COBS 20.2.57 G, if it has not done so already, by 31 December 2012, regardless of when it closed to new business.</p> <p>(2) Paragraph (1) does not apply to a <i>firm</i> if, and to the extent that, to comply would be contrary to or inconsistent with an arrangement that was formally approved by a court of competent jurisdiction, on or before 1 April 2012.</p> <p>(3) A <i>firm</i> required by (1) above to produce a run-off plan:</p> <p>(a) should consider the guidance in SUP App 2.15.6 G, 2.15.7G (11), 2.15.13 G, 2.15.14 G and 2.15.15 G to continue to apply to it, as appropriate;</p> <p>(b) may demonstrate compliance with the guidance in</p>	From 1 April 2012 indefinitely	1 November 2007 and 1 April 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming in-to force
2.19	COBS 20.2.53 R G to COBS 20.2.60 G		<p>SUP App 2.15.2 G, 2.15.3 G, 2.15.4 G and 2.15.5 G by reference to existing documents created by or for the <i>firm</i>, provided that it submits copies of relevant extracts to the <i>FCA</i>;</p> <p>(c) may disregard the remaining provisions in SUP App 2.15G if to do so would be consistent with meeting the requirements of COBS 20.2.56 R (1); and</p> <p>(d) may otherwise tailor the run-off plan to reflect the fact that the fund in question has already been closed.</p> <p>The effect of <i>COBS</i> TP 2.18 is that <i>firms</i> which were not required to submit a run-off plan to the <i>FCA</i> because they ceased to effect new <i>contracts of insurance</i> before 1 November 2007 or because of previous transitional provisions in <i>COBS</i>, will need to submit a version of a run-off plan to the <i>FCA</i>, taking into account the fact that the fund has already closed, by 31 December 2012. However, this will not apply to the extent that it would be inconsis-</p>	From 1 April 2012 indefinitely	1 November 2007 and 1 April 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Hand-book provisions: coming into force
2.20	COBS 20.2.28 R	R	Expired		
2.21	COBS 20.2.36 R to COBS 20.2.36A R	R	<p>tent with a formally approved court scheme.</p> <p>Expired</p> <p><i>Firms</i> which retain <i>strategic investments</i> in reliance on decisions made by the <i>firm's governing body</i> appropriately taking into account COBS 20.2.36 G prior to 1 April 2012 are deemed to be compliant with COBS 20.2.36 R and COBS 20.2.36A R until 1 October 2012.</p>	From 1 April 2012 to 1 October 2012	1 April 2012
2.22	COBS 20.5.1 R to COBS 20.5.5 R	R	Expired		

Insurance: Conduct of Business sourcebook

Insurance: Conduct of Business sourcebook

ICOBS TP 1 Transitional Provisions

Consolidated Motor Insurance Directive

- 1 R In relation to a claim by an *injured party* received by a *motor vehicle liability insurer* or its claims representative on or before 10 June 2007, the motor vehicle liability claims handling *rules* (see ICOBS 8.2.6 R to ICOBS 8.2.11 G) only apply if the claim results from an accident occurring in an *EEA State* other than the *injured party's EEA State* of residence which was caused by the use of a *vehicle* insured through an establishment in, and *normally based in*, an *EEA State* other than the *injured party's EEA State* of residence.
- [FCA]

Initial disclosure document

- 2 Expired
- 3 [Expired]
- 4 [Expired]
- 5 [Expired]

Series of events

- 6 R If, for a *connected travel insurance intermediary*, the application of any provision in this sourcebook is dependent on the occurrence of a series of events, the provision applies with respect to the events that occur on or after 1 January 2009.
- [FCA]

Employers' liability insurance: disclosure by insurers

- 7 Expired
- 8 Ex-
pired
- 8A Expired
- 8B R For the purposes of the report prepared by an auditor required under ICOBS 8.4.4 R (1)(c):
- [FCA]
- (1) a *firm* will not be regarded as having breached ICOBS 8.4.4 R (1)(c) if the *firm* has obtained and submitted to the *FCA* an independent assurance report addressing the accuracy and completeness of the employers' liability register following discussions with its auditors as to the form and content of the report, even if that report does not comply with ICOBS 8.4.4C R;

- (2) notwithstanding (1), a *firm* will be deemed to have complied with ICOBS 8.4.4 R (1)(c) to the extent that the report obtained and submitted includes a detailed account of the procedures performed and the results of those procedures including, as a minimum:
- (a) a description of the underlying records from which the register is extracted;
 - (b) a description, and the results, of the tests aimed at addressing the risk that the register is not completely and accurately compiled from data held on the *firm's* underlying records, and of the method of selecting the sample and the rationale for its being representative, including the following:
 - (i) a reconciliation of the number of, and the identity of, *policies* for which information is included in the register against the number of, and the identity of, relevant *policies* for which details are contained in the underlying records and testing reconciliations to ensure that reconciling items are explained and appropriate;
 - (ii) analysis of a representative sample of relevant employers liability claims made to the *firm* to ensure claims made have been entered onto the register; and
 - (iii) analysis of a representative sample of *policies* in relation to which information appears on the register to ensure that all required information is included and that the included information is accurate compared to the information contained in the underlying records;
 - (c) for the purposes of (b)(ii) and (iii), unless (d) applies, the *firm* must adopt the following approach to determining a representative sample in relation to each set of claims made, or *policies*, for which the same systems and controls are used in producing information for the register:
 - (i) for each set of claims made or *policies*, a sample may be regarded as representative if the ratio of the minimum number in the sample to 25 is equal to the ratio of the square root of the total number of claims made or *policies* within the set to the square root of 1000, subject to a minimum of 10 *policies* or claims made; and
 - (ii) for sets where the information required to be placed on the register relates to fewer than 10 *policies*, the sample may be regarded as representative if it includes all of those *policies*;
 - (d) where the *firm* and the auditor consider that the approach to determining a representative sample set out in (c)(i) to (iii) are inappropriate having regard to the *firm's* particular circumstances, the report

must set out the reasons for selecting a different representative sample by reference to the methods set out in (c); and

- (e) any other procedures agreed between the *firm* and the auditor as deemed necessary to be carried out by the auditor to test the extraction of information from underlying records by the *firm* for the purposes of ICOBS 8.4.4 R (1)(a) tailored as appropriate to correspond to the *firm's* particular circumstances and the results of those procedures.

TP 8BR(1) applies until 1 August 2012.

TP 8BR(2) applies until 1 August 2012 for all *firms*, and thereafter until 1 August 2014 or, if earlier, the date upon which the *firm* first obtains a *director's* certificate which is not a qualified *director's* certificate.

8C G The requirement set out in 8BR(2) is for what is commonly referred to by auditors as 'agreed upon procedures' under which the auditor is not required to provide an opinion or express assurance. All *firms* will be able to provide reports based on 'agreed upon procedures', instead of a *limited assurance engagement*, up until 1 August 2012. After that only *firms* which obtain qualified *director's* certificates will be able to use agreed upon procedures, and only until (and including) 1 August 2014, or, if earlier, the date upon which they first obtained a non-qualified *director's* certificate.

9 Expired

- 9A R (1) For the purposes of ICOBS 8.4.4 R (1)(a), to the extent that a *firm* is unable to include information required under ICOBS 8.4.4 R (2)(b)(ii) solely because of a failure by a third party outside the *firm's* control, then provided that the *firm* has used, and continues to use, best endeavours to obtain that information, other than refusing to provide cover to an employer solely because it has not provided the information requested, the *firm* will be deemed to comply with the requirements in ICOBS 8.4.4 R (2)(b)(ii) and the corresponding parts of ICOBS 8 Annex 1.
- (2) For the purposes of ICOBS 8.4.4 R (1)(b) and (1)(c), a *firm* must treat references to compliance with ICOBS 8.4.4 R (1)(a), ICOBS 8.4.4 R (2) and ICOBS 8 Annex 1 as if TP 9AR did not apply.

9B G The effect of TP 9AR(1) is that a *firm* will not be in breach of the requirements to include relevant information on its register to the extent that it is unable to obtain that information from third parties over which it does not exercise control. However, in order to be able to rely on this provision the *firm* will need to be able to demonstrate that it has used its best endeavours to obtain the information from the third party over the relevant time period and continues to do so, other than by refusing to provide cover to that employer solely for failure to provide relevant information. The effect of TP 9AR(2) is that even though the *firm* may not be regarded as being in breach of the underlying requirements in ICOBS 8.4.4 R (1)(a), the *director's certificate* and report prepared by an auditor will need to be addressed at the level of compliance of the register as if TP 9AR(1) did not provide any transitional relief from the *firm* being in breach.

TP 9AR(1) and (2) and 9BG apply until 1 October 2014.

10		Expired
10A		Expired
11		Expired
12		Expired
13	R	For the purposes of ICOB5 8.4.11 R (2)(a), ICOB5 8.4.11 R (2)(b), ICOB5 8.4.12A R, ICOB5 8 Annex 1, TP 8, TP 8B and TP 9, in relation to references to claims made in relation to <i>policies</i> :
[FCA]		<p>(1) for claims received by a <i>firm</i> prior to 1 April 2011 which have not been settled as at 1 April 2011, those claims must be treated, for the purposes of the above <i>rules</i>, as having been made on or after 1 April 2011, and for the purposes of the above <i>rules</i>, the <i>firm</i> must include information in the form in ICOB5 8 Annex 1.1.2 R, in accordance with and including the notes, held by the <i>firm</i> (with the exception of information within TP 8R(1)(d) until 1 April 2012) within three <i>months</i> of the date upon which the claim was settled, on or after 1 April 2011; and</p> <p>(2) if, as at 1 April 2011, a <i>firm's</i> systems record claims by reference to the date the claim was created in the <i>firm's</i> systems or the date upon which it was settled, then, notwithstanding ICOB5 8.4.12A R, that <i>firm</i> may treat references to the date that a claim was made as a reference to the date that the claim was created in the <i>firm's</i> systems, or if applicable to the <i>firm</i>, the date that the claim was settled.</p> <p>TP 13R(2) applies until 1 April 2013.</p>

Mortgages and Home Finance: Conduct of Business sourcebook



1.5 Application to appointed representatives

1.5.1

FCA

G

- (1) Although *MCOB* does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the *Act*). In determining whether a *firm* has complied with any provision of *MCOB*, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the *Act*).
- (2) *Firms* should refer to ■ SUP 12 (Appointed representatives), which sets out requirements which apply to *firms* using *appointed representatives*.



1.6 Distinguishing regulated mortgage contracts and regulated credit agreements

1.6.1
FCA

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MCOB applies to *regulated mortgage contracts* entered into on or after 31 October 2004. A contract that was entered into before 31 October 2004, and that is subsequently varied on or after that date, will not be a *regulated mortgage contract* but may be a *regulated credit agreement* to which the CCA and CONC apply. If, however, a new contract is entered into on or after 31 October 2004, replacing the previous contract, this may be a *regulated mortgage contract*. PERG 4.4.13G contains *guidance* on the variation of contracts entered into before 31 October 2004.

1.6.2
FCA

G

Principle 2 requires a *firm* to conduct its business with due skill, care and diligence. The purpose of ■ MCOB 1.6.3 R is to reinforce this. The FCA would expect *firms* to take appropriate steps to determine whether any mortgage it proposes to enter into is subject to FCA regulation and, if so, whether it is a *regulated mortgage contract* or a *regulated credit agreement*.

1.6.3
FCA

R

Before a *firm* enters into a mortgage, it must take all reasonable steps to establish whether that mortgage will be a *regulated mortgage contract* and therefore subject to MCOB.

1.6.4
FCA

R

If, notwithstanding the steps taken by a *firm* to comply with ■ MCOB 1.6.3 R, it transpires that a mortgage which the *firm* has treated as unregulated or as a *regulated credit agreement* is in fact a *regulated mortgage contract*, the *firm* must as soon as practicable after the correct status of the mortgage has been established:

- (1) contact the *customer* and provide him with the following information in a *durable medium*:
 - (a) a statement that the mortgage contract is a *regulated mortgage contract*; and
 - (b) (i) where the *firm* has treated the mortgage as unregulated, a statement that the mortgage contract is subject to FCA regulation, stating in particular the position with regard to redress and compensation; or
 - (ii) where the *firm* has treated the mortgage as a *regulated credit agreement*, a statement that;

- (A) neither the *CCA* nor *CONC* will apply to the mortgage contract;
- (B) any rights or requirements arising under the *CCA* or *CONC* set out in previous communications will not apply; and
- (C) *MCOB* will apply to the mortgage contract.

(2) apply to the *regulated mortgage contract* all relevant *MCOB* requirements, such as those on disclosure (in ■ *MCOB* 7) or on the treatment of *customers in arrears* (in ■ *MCOB* 13).

1.6.5

FCA

G

- (1) ■ *MCOB* 1.6.4 R(2) means, for example, that if a *firm* discovered immediately after completion that a loan was a *regulated mortgage contract*, the *firm* would be required to comply with ■ *MCOB* 7.4 (Disclosure at the start of the contract).
- (2) Although ■ *MCOB* 1.6.4 R recognises that *firms* may become aware that a mortgage is a *regulated mortgage contract* at a late stage, the *FCA* expects this to be an extremely rare occurrence. It could arise, for example, if a *firm* has acted on the understanding, verified as far as was practicable, that in respect of a particular mortgage contract less than 40% of the land would be used in connection with a dwelling. If it was discovered later that more than 40% of the land was used in connection with the dwelling (and provided that all the other legal requirements were met) the mortgage will be a *regulated mortgage contract* to which *MCOB* applies.
- (3) ■ *MCOB* 1.6.3 R and ■ *MCOB* 1.6.4 R do not override the application of *MCOB* to any *regulated mortgage contract*. *MCOB* applies notwithstanding a *firm's* genuine belief that a mortgage is unregulated or is a *regulated credit agreement*. In deciding whether to take disciplinary action as a result of a breach of *MCOB*, the *FCA* will take into account whether the action by the *firm* was reckless or deliberate (see ■ *DEPP* 6.2.1 G (1)(a)).

Protecting customers' interests: additional material for home purchase plans

2.6A.7
FCA

G

A *home purchase provider* should consider obtaining confirmation from the *customer's* legal adviser that he has carried out, or will carry out, the steps that the *firm* expects the *customer* or his legal advisers to take to protect his interests at the time the plan is taken out.

Treating customers fairly: home purchase plans, home reversion plans and regulated sale and rent back agreements

2.6A.8
FCA

R

A *firm* must pay due regard to the interests of its *customer* and treat him fairly when drafting, amending the terms of, or imposing obligations or exercising rights or discretions under, a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement*.

2.6A.9
FCA

G

A *firm* is unlikely, for example, to be treating its *customer* fairly in relation to termination of a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement* if:

- (1) the grounds on which it may terminate all or part of a plan or agreement are unduly wide, or on which a *customer* may terminate are unduly narrow; or
- (2) the *customer* is not given appropriate notice of termination.

2.6A.10
FCA

G

A *firm* is also unlikely to be treating its *customer* fairly if, upon termination of an agreement under a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement*, the *customer* does not receive (net of any reasonable sums payable by the *customer*):

- (1) in the case of a *home reversion plan* or *regulated sale and rent back agreement* where the *customer* retains a beneficial interest in the property, the value of that beneficial interest; or
- (2) in the case of a *home purchase plan*, the value of purchase payments made.

Note: The terms of a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement* should take into account relevant legal obligations such as those under the *Unfair Terms Regulations* and, where applicable, the *Housing Act 1988* (or, in Scotland, the *Housing (Scotland) Act 1988*). A *firm* may find material on the *FCA* website concerning the *FCA's* consumer protection powers useful.

Treating customers fairly: home reversion plans and regulated sale and rent back agreements

2.6A.11
FCA

G

A *firm* is unlikely, for example, to be treating a *reversion occupier* or *SRB agreement seller* fairly if:

- (1) the *reversion occupier* or *SRB agreement seller* is obliged to maintain the property to a standard which exceeds the standard that the property is in when the *home reversion plan* or *regulated sale and rent back agreement* commences;
- (2) the *reversion occupier* or *SRB agreement seller* is not entitled to, or is not given, reasonable notice of an inspection, or the inspection is conducted in a way that is biased against him;

- (3) unreasonable restrictions are imposed on who may occupy the property, taking into account the potential needs of the *reversion occupier* or *SRB agreement seller* throughout the duration of the *home reversion plan* or *regulated sale and rent back agreement*;
- (4) unreasonable restrictions are imposed on the uses to which the property may be put;
- (5) the *reversion occupier* or *SRB agreement seller* is unreasonably treated as having abandoned the property. For example, it is likely to be unreasonable to treat a property as abandoned based only on a period of non-occupation;
- (5A) the rent payable under a *regulated sale and rent back agreement* is increased by an unreasonable amount or any charges payable under a *regulated sale and rent back agreement* are unreasonably imposed after the agreement is concluded; and
- (6) where the *reversion occupier* has a reasonable expectation that the *home reversion plan* can be transferred to another property, agreement to such a transfer is, or can be, refused unreasonably.

Independent valuation: home reversion plans and regulated sale and rent back agreements

2.6A.12
FCA

R

A *firm* must ensure that any valuation is carried out by a competent valuer who is independent of the *reversion provider* or *SRB agreement provider*.

2.6A.12A
FCA

R

A *firm* must ensure that any valuation for the purposes of a *regulated sale and rent back agreement* is carried out by a valuer who owes a duty of care to the *customer* in valuing the property.

2.6A.13
FCA

A

- (1) A valuer may be considered competent if he is a suitably qualified member of a professional body.
- (2) A valuer may be considered independent if:
 - (a) the *customer* can choose the valuer subject to the *firm* objecting on reasonable grounds and to the valuer being competent;
 - (b) he owes a duty of care to the *customer* in valuing the property; and
 - (c) the *customer* has an appropriate remedy against him under a complaints procedure which allows the complaint to be referred to an independent person whose decision is binding on the valuer.
- (3) Compliance with (1) and (2) (except, in the case of a *regulated sale and rent back agreement*, (2)(b)) may be relied on as tending to establish compliance with ■ MCOB 2.6A.12 R.

3.1.8

FCA

G

As a result of this chapter and ■ CONC 3 :

- (1) a *financial promotion* is not subject to ■ CONC 3 to the extent that it relates to *qualifying credit*; and
- (2) where a *firm* makes a *communication*, which consists of a *financial promotion* of *qualifying credit* and a *financial promotion* of a different form of lending that is not *qualifying credit* (for example an unsecured personal loan), the content of the latter will need to comply with ■ CONC 3 .

Authorised professional firms

3.1.9

FCA

R

(1) Except for ■ MCOB 3.6.17 R to ■ MCOB 3.6.25 R (Annual percentage rate (APR)), MCOB 3 does not apply to an *authorised professional firm* in relation to the *communication* of a *financial promotion* if the following conditions are satisfied:

- (a) the *firm's* main business must be the practice of its profession (see IPRU(INV) 2.1.2R(3));
- (b) the *financial promotion* must be made for the purposes of and incidental to the promotion or provision by the *firm* of:
 - (i) its professional services; or
 - (ii) its *non-mainstream regulated activities* (see ■ PROF 5.2 (Nature of non-mainstream activities)); and
- (c) the *financial promotion* must not be *communicated* on behalf of another *person* who would not be able lawfully to *communicate* the *financial promotion* if he were acting in the course of business.

(2) In (1)(b)(i), 'professional services' means services:

- (a) which do not constitute a *regulated activity*; and
- (b) the provision of which is supervised and regulated by a *designated professional body*.

3.1.10

FCA

G

Authorised professional firms are reminded that in circumstances in which ■ MCOB 3 does not apply to the *firm* ■ MCOB 2.2.6 R (Clear fair and not misleading communication) may apply.

Nationals of other EEA States

3.1.11

FCA

G

A national of an *EEA State* (other than the *United Kingdom*) wishing to take advantage of the exemption in article 36 of the *Financial Promotion Order* in respect of a *financial promotion of qualifying credit* , a *home reversion plan* or a *regulated sale and rent back agreement* should act in conformity with the *rules* in this chapter.

3.1.12

FCA

G

Illustrative examples of qualifying credit promotions

■ MCOB 3 Annex 1 G gives examples of *financial promotion of qualifying credit* that would satisfy some of the provisions of ■ MCOB 3.

(10) 'Linked savings account'.

5.6.95

FCA

R

Under the sub-heading 'Underpayments', the *illustration* must include details of circumstances in which the *customer* can make underpayments and a brief statement of any conditions that apply.

5.6.96

FCA

R

Under the sub-heading 'Payment holidays', the *illustration* must include details of circumstances in which the *customer* can take *payment holidays* and a brief statement of any conditions that apply.

5.6.97

FCA

R

Under the sub-heading 'Borrow back', the *illustration* must include details of circumstances in which the *customer* can *borrow back* any monies overpaid and a brief statement of any conditions that apply.

5.6.98

FCA

R

Under the sub-heading 'Incentives', the *illustration* must include:

- (1) any incentives including *cashbacks*; and
- (2) if a *cashback* is provided, the amount of the *cashback* and details of when it is paid to the *customer*.

5.6.99

FCA

R

Under the sub-heading 'Additional borrowing available without further approval', the *illustration* must provide details of circumstances in which there are any *linked borrowing* facilities that would allow the *customer* to increase the amount of the loan on which the *illustration* is based without any further approval from the *mortgage lender* (for example, if there are additional drawdown facilities).

5.6.100

FCA

R

Under the sub-heading 'Additional secured borrowing', the *illustration* must provide details of circumstances in which additional *secured lending* is offered with the *regulated mortgage contract* that would allow the *customer*, subject to certain conditions, to increase the amount of the loan on which the *illustration* is based.

5.6.101

FCA

R

Under the sub-heading 'Unsecured borrowing', the *illustration* must provide details of circumstances in which *unsecured lending* is offered with the *regulated mortgage contract* that would allow the *customer* to increase the amount of the loan on which the *illustration* is based.

5.6.102

FCA

R

Under the sub-heading 'Credit card', the *illustration* must:

- (1) state if a credit card is offered with *the regulated mortgage contract*; and
- (2) if a credit card is offered and it is a *mortgage credit card*:
 - (a) unless (b) applies, include the following text: 'This card will not give you a number of the statutory rights associated with traditional credit cards. Your mortgage offer will tell you more about the differences.'; or

5.6.103

FCA

R

Where any of the additional features under ■ MCOB 5.6.99 R to ■ MCOB 5.6.102 R inclusive apply, then the following must also be stated if the amount of additional borrowing that would be available to the *customer* is stated in the *illustration*:

(b) where the *mortgage lender* provides the *customer* with contractual rights in relation to a *mortgage credit card* equal to or greater than the rights that the *customer* would have under the Consumer Credit Act 1974 and CONC if the card were issued under a *regulated credit agreement*, include the following text: 'This card will not give you a number of the statutory rights associated with traditional credit cards. However, [insert name of *mortgage lender*] will ensure that you will be treated no differently from the user of a traditional credit card. Your mortgage offer will tell you more about this.'

- (1) the maximum additional amount available;
- (2) if the interest rate payable on any additional borrowing is different to the interest rate in Section 4 and Section 6 of the *illustration*, the interest rate and the *APR* charged on the additional borrowing. The *APR* must be calculated in accordance with ■ MCOB 10 (Annual Percentage Rate), based on the maximum amount of additional borrowing that would be permitted for the *customer* and the term of the loan from ■ MCOB 5.6.6 R(4);
- (3) the total resulting debt the *customer* could incur (including the original loan amount);
- (4) (where there is a regular payment plan) the payments on this total debt based on the frequency of payments in ■ MCOB 5.6.40 R and the current interest rate(s) applying on the date the *illustration* is issued;
- (5) whether this additional borrowing must be repaid in full if the original loan is repaid in full, along with details of any conditions that apply;
- (6) if *early repayment charges* apply to the additional amount borrowed:
 - (a) that *early repayment charges* are payable;
 - (b) an explanation of when *early repayment charges* are payable; and
 - (c) the maximum *early repayment charge* that the *customer* could be charged in accordance with ■ MCOB 12.3 (Early

repayment charges) which must be shown as a cash amount;
and

- (7) if it is the case, that the maximum amount of borrowing available, or the terms and conditions, may change depending on factors such as ratio of the loan amount to the property value.

5.6.104

FCA

R

Where more than one additional borrowing facility from ■ MCOB 5.6.99 R to ■ MCOB 5.6.102 R applies, the total debt and total payments due under all these *linked borrowing* facilities must be included under a separate sub-section titled 'Total additional borrowing'.

5.6.105

FCA

G

The purpose of ■ MCOB 5.6.104 R is to show the total amount of any additional borrowing facilities that would be available to the *customer* and the cost of utilising these facilities. It must combine the amount available under any *linked borrowing* facilities including additional *secured lending*, credit cards and *unsecured lending*.

5.6.106

FCA

R

- (1) Where additional features are included in accordance with ■ MCOB 5.6.92 R and these are credit facilities that do not meet the definition of a *regulated mortgage contract* or a *regulated credit agreement*, the relevant parts of Section 12 of the *illustration* must include the following text:

'This additional feature is not regulated by the *FCA*'.

- (2) Where additional features are included in accordance with ■ MCOB 5.6.92 R and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 12 of the *illustration* must include the following text 'This additional feature is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. You will receive a separate credit agreement with any offer document for this additional feature, describing the detailed terms on which this feature is available.'

5.6.107

FCA

R

Where all or part of the maximum amount of additional borrowing is secured on the *customer's* home, a prominent warning must be included that additional borrowing increases the amount of credit secured on the *customer's* home.

5.6.108

FCA

G

Suitable wording for the warning contained in ■ MCOB 5.6.107 R would be: 'This will increase the amount of borrowing secured on your home'.

5.6.109

FCA

R

- (1) Under the sub-heading 'Linked current account', the *illustration* must include the following information:

5.6.110

FCA

R

- (a) whether a linked current account is a compulsory or optional product (if the current account is a compulsory product this must also be stated in Section 4 of the *illustration* in accordance with ■ MCOB 5.6.25 R(6));
 - (b) an explanation of the interest rates that apply under different circumstances to the linked current account, if different from the interest rate charged on the *regulated mortgage contract* (for example, if a different interest rate applies if the account is overdrawn); and
 - (c) the *firm* providing the linked current account if it is not the *mortgage lender*.
- (2) If an example to show the effect of the linked current account on the *regulated mortgage contract* is included in the *illustration*, it must be based on the actual or likely amount that the *customer* intends to pay into the linked current account on a regular basis and the actual or likely expenditure profile of the *customer* concerned.

(1) Under the sub-heading 'Linked savings account', the *illustration* must include the following information:

- (a) whether a linked savings account is a compulsory or optional product (if the savings account is a compulsory product this must also be stated in Section 4 of the *illustration* in accordance with ■ MCOB 5.6.25 R(6));
- (b) the interest rate paid on the linked savings account if it differs from the interest rate charged on the *regulated mortgage contract*; and
- (c) the *firm* providing the linked savings account if it is not the *mortgage lender*.

(2) If an example to show the effect of the linked savings account on the *regulated mortgage contract* is included in the *illustration*, it must be based on the actual or likely level of relevant savings for the *customer* concerned.

5.6.111

FCA

G

If an example is included in the *illustration* in accordance with ■ MCOB 5.6.109 R(2) or ■ MCOB 5.6.110 R(2), it must be based on information obtained from the *customer* and the amounts that are intended to be paid into the current or savings account on a regular basis; the amounts that it is intended are saved; and the actual or likely expenditure profile. The amounts involved and the expenditure profile should not be standard assumptions made by the *firm*, but should be those of the *customer* or the relevant person who would hold the accounts, or both, and be of a conservative nature. These assumptions should be stated in the *illustration*. For example, it should not be assumed that the *customer* will make lump sum payments unless he has indicated that he intends to do so, and in the case of linked current accounts it should not be assumed that the *customer* or person holding the account leaves monies in the current account

at the end of each month unless he actually does so, or intends to do so. In this case, a conservative assumption might be that the *customer* spends all the money paid into his current account evenly over the month.

5.6.112

FCA

G

If a linked current account and a linked savings account are offered as part of the *regulated mortgage contract*, the examples in ■ MCOB 5.6.109 R(2) and ■ MCOB 5.6.110 R(2) can be combined into one example.

Section 13: 'Using a mortgage intermediary'

5.6.113

FCA

R

Where the *illustration* is issued to a *customer* by, or on behalf of, a *mortgage intermediary*, Section 13 'Using a mortgage intermediary' must be included in the *illustration* and must include the following:

- (1) unless ■ MCOB 5.6.114 R applies, a clear statement of the amount payable (either directly or indirectly) by the *mortgage lender* to the *mortgage intermediary*, or to any third parties; and
- (2) the name of the *mortgage lender* who will make the payment, the name of the *mortgage intermediary* and the names of any third parties who will be paid.

5.6.114

FCA

R

If the amount payable by the *mortgage lender* to the *mortgage intermediary* and to third parties is £250 or less, the *mortgage intermediary* need only state that the amount of the payment is 'no more than £250', unless the *customer* requests the actual amount.

5.6.115

FCA

R

If the *mortgage intermediary* will pass to the *customer* all or part of the amount payable to the *mortgage intermediary* under ■ MCOB 5.6.113 R(1) or ■ MCOB 5.6.114 R, that fact may be stated in this section, along with the amount payable to the *customer*.

5.6.116

FCA

R

If the *mortgage lender* will make no payment to the *mortgage intermediary* or any third party, this section may state that the *mortgage intermediary* will receive no payment.

5.6.117

FCA

R

The amount payable in ■ MCOB 5.6.113 R(1) or ■ MCOB 5.6.114 R must include, but is not limited to:

- (1) any *procurator fee*; and
- (2) a cash value for any material non-cash inducements that the *mortgage lender* provides to a *mortgage intermediary* or third party, whether payable directly or indirectly.

5.6.118

FCA

G

■ MCOB 2.3.7 R requires any material inducements provided by a *mortgage lender*, whether directly or indirectly, to a *mortgage intermediary* or third party (unless the payment only reflects the cost of outsourcing work relating to the processing of mortgage applications by a *firm* unconnected to the *mortgage intermediary*) to be quantified in cash terms, which

will enable the cash values to be included in the *illustration* in accordance with

■ MCOB 5.6.117 R.

5.6.119

FCA

G

An example of a statement which would comply with ■ MCOB 5.6.113 R and ■ MCOB 5.6.117 R would be: '[name of *mortgage lender*] will pay [name of *mortgage intermediary*] an amount of £350 in cash and benefits if you take out this mortgage.'

Section 14: 'Where can you get more information about mortgages?'

5.6.120

FCA

R

This section must be renumbered Section 13 if the *illustration* is not provided by, or on behalf of, a *mortgage intermediary*.

5.6.121

FCA

R

Under the section heading 'Where can you get more information about mortgages?', the prescribed text under this heading in ■ MCOB 5 Annex 1 R must be included.

Contact details

5.6.122

FCA

R

This section must follow the section 'Where can you get further information about mortgages?' and must include the name, address and contact point of the *firm* providing the *illustration*.

5.6.123

FCA

G

An example of wording which would comply with ■ MCOB 5.6.122 R would be: 'If you wish to discuss this mortgage illustration please contact [name of *firm*] at [address] or on [telephone number]'.

Risk warning

5.6.124

FCA

R

- (1) The following words must be prominently displayed in the *illustration*, after the contact details: 'Your home may be repossessed if you do not keep up repayments on your mortgage'.
- (2) If the loan may be secured on property which is not the *customer's* home the statement in (1) may be amended but only to the extent necessary in order to reflect that fact.

5.6.125

FCA

G

For guidance on prominence see ■ MCOB 2.2.9 G.

Amortisation table

5.6.126

FCA

G

- (1) An amortisation table may be added to the end of the *illustration* after the information required by ■ MCOB 5.6.124 R if the *mortgage lender* or *mortgage intermediary* wishes. A *firm* may find that this is particularly appropriate to illustrate certain types of *regulated mortgage contract*, for example, a *regulated mortgage contract* with more than one part.
- (2) The purpose of (1) is to permit a *firm* to add an amortisation table in accordance with the European Commission's 'Recommendation of 1 March 2001 on pre-contractual information to be given to consumers by lenders offering home loans' (C(2001) 477 final).



6.3 General

6.3.1

FCA

G

■ MCOB 2.2.6 R (Clear, fair and not misleading communication) applies to information provided to a *customer* by a *firm* in accordance with this chapter.

6.3.2

FCA

R

Any communication required by ■ MCOB 6 to be provided to a *customer* by a *firm* must be in a *durable medium*.

6



6.4 Mortgages: content of the offer document

6.4.1
FCA

R

- (1) If a *firm* offers to entering into a regulated mortgage contract with a *customer*, it must provide the *customer* with an *offer document* containing an *illustration*.
- (2) The *firm's* offer in the *offer document* must be on the basis of the information set out in the *illustration* provided in accordance with (1).

Accuracy of the offer document

6.4.2
FCA

G

■ MCOB 5.4.7 G acknowledges that the *offer document* and *illustration* provided before an application may not always be the same, even where the *customer's* requirements have not changed. However, the *FCA* expects the *offer document* to be an accurate reflection of the actual costs of the *regulated mortgage contract*.

Records

6.4.3
FCA

R

- (1) A *firm* must make an adequate record of each *offer document* which it issues to a *customer* in accordance with ■ MCOB 6.
- (2) The record required by (1) must be retained for a year from the date that the *offer document* is issued to the *customer*.
- (3) If, in accordance with ■ MCOB 6.5 (Information to be provided in the offer document or separately), information is included in a separate document that is sent with the *offer document*, that information must also be retained as part of the record required by (1).

Modifications to the illustration

6.4.4
FCA

R

The *illustration* provided as part of the *offer document* in accordance with ■ MCOB 6.4.1 R (1) must meet the requirements of ■ MCOB 5.6 (Content of illustrations) with the following modifications:

- (1) the *illustration* must be suitably adapted and revised to reflect the fact that the *firm* is making an offer to a *customer* and updated to reflect changes to, for example, the interest rate,

charges, the exchange rate or the APR required by ■ MCOB 10 (Annual Percentage Rate), at the date the *illustration* is issued;

- (2) ■ MCOB 5.6.2 R (2) (a) does not apply;
- (3) ■ MCOB 5.6.15 R (Information to be included at the head of the illustration) does not apply;
- (4) ■ MCOB 5.6.16 R (Section 1: 'About this illustration') is replaced by the following: "Section 1: 'About this offer document': Under the section heading 'About this offer document', the following text must be included:
 - (a) 'You are not bound by the terms of this offer document until [insert relevant circumstances, including the names of any documents that must be signed. For example "you have signed the legal charge and the funds are released for your mortgage"]. We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this offer document.'; and
 - (b) (unless ■ MCOB 6.6.1 R applies) "You should compare this offer document with the key facts illustration given to you before you applied for this mortgage, to see how the details may have changed.";
- (5) Unless (b) applies, ■ MCOB 5.6.17 R (Section 2: 'Which service are we providing you with?') is replaced with the following: "Section 2: 'Which service did we provide you with?'
 - (a) Under the section heading 'Which service did we provide you with?' the following text should be presented as two options each with a 'check box', one of which must be marked prominently to indicate the level of service provided to the *customer*: 'We have recommended, having assessed your needs, that you take out this mortgage. We have not recommended a particular mortgage for you. You must make your own choice whether to accept this mortgage offer.';
 - (b) If the service described in ■ MCOB 5.6.17 R (Section 2: 'Which service are we providing you with?') was provided by another *firm*, ■ MCOB 5.6.17 R is replaced by the following: "Section 2: 'Which service were you provided with?' Under the section heading 'Which service were you provided with?' the following text should be presented as two options each with a 'check box' one of which must be marked prominently to indicate the level of service provided to the *customer*: '[name of firm] recommended that you take out this mortgage. [name of firm] did not recommend a particular mortgage for you. You must make your own choice whether to accept this mortgage offer.';

- (6) ■ MCOB 5.6.29 R (2) does not apply;
- (7) ■ MCOB 5.6.52 R to ■ MCOB 5.6.53 G is replaced by the following: Where all or part of the *regulated mortgage contract* is an *interest-only mortgage*, the *illustration* in the *offer document* must:
 - (a) clearly state that the payments on the *regulated mortgage contract* cover only interest, and not the capital borrowed;
 - (b) state the *repayment vehicle* the *customer* intends to use where the *firm* knows details of the specific *repayment vehicle* from the application by the *customer*; if the *firm* does not know how the *customer* intends to repay the capital borrowed, the *firm* must clearly state that the *repayment vehicle* is unknown, and must provide the *customer* with a clear reminder of the need to put suitable arrangements in place; and
 - (c) include a statement reminding the *customer* to check regularly the performance of any *investment* used as a *repayment vehicle* , to see whether it is likely to be adequate to repay the capital at the end of the term of the *regulated mortgage contract*;
- (8) the fees recorded in the *illustration* that is part of the *offer document* in accordance with ■ MCOB 5.6.66 R (1) must include any fees paid or payable by the *customer*;
- (9) ■ MCOB 5.6.69 R (5) is replaced by the following: '(where the fee is payable or has been paid to the *mortgage lender*), whether or not the fee is refundable, and if so, the extent to which it is refundable;'
- (10) [deleted]
- (11) where additional features are included in accordance with ■ MCOB 5.6.92 R and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 12 of the *illustration* that is part of the *offer document* must include the following text: "This credit facility is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 . Please refer to the separate credit agreement which describes the facility and the terms on which the credit is available";
- (12) The text required by ■ MCOB 5.6.102 R (2) (a) or (b) should be adapted to include, or tell the *customer* where they can find, the information required by ■ MCOB 6.5.4 R; and

6.4.5
FCA

G

(13) ■ MCOB 5.6.113 R applies to the *illustration* that is part of the *offer document* if the *illustration* given out in accordance with ■ MCOB 5 (Pre-application disclosure) was issued by, or on behalf of, a *mortgage intermediary*.

- (1) One consequence of ■ MCOB 6.4.4 R(5)(b) is that the *mortgage lender* will need to know, for each individual transaction *arranged* by a *mortgage intermediary*, whether or not the *customer* has received *advice* from that *mortgage intermediary*.
- (2) When complying with ■ MCOB 6.4.4 R(5)(b), *mortgage lenders* may wish to include a statement after the level of service in Section 2 confirming that the level of service described was given by another *firm*, and explaining that they, as the *mortgage lender*, are not responsible for the level of service given, and that the *customer* should contact the other *firm* if they have any queries about the level of service provided. For example: "If you have any queries about this service, you should contact [Name of firm]. [Name of lender] is not responsible for the advice or information you received."

6.4.6
FCA

R

In adapting and revising the *illustration* that is part of the *offer document* in accordance with ■ MCOB 6.4.4 R(1) a *firm* must:

- (1) avoid amending the format of the information required by ■ MCOB 5.6 (Content of illustrations) where possible, since this could result in the *illustration* in the *offer document* being difficult to compare with the *illustration* originally provided to the *customer* in accordance with ■ MCOB 5.5.1 R;
- (2) use, where possible, the same headings, ordering of information, and language that appeared in the *illustration* provided in accordance with ■ MCOB 5.6 (Content of illustrations); and
- (3) only change section headings where necessary (for example 'What you have told us' could be renamed 'Your mortgage requirements').

6.4.7
FCA

R

In adapting and revising the *illustration* in accordance with ■ MCOB 6.4.4 R(1), a *firm* may:

- (1) add extra information at the beginning and end of the *illustration*, such as conditions which are not covered by the *illustration*;
- (2) include greater detail within each of the specified sections than that included in an *illustration* provided in accordance with ■ MCOB 5 (Pre-application disclosure); and
- (3) leave blank, except for the text 'not applicable', sections that are irrelevant, such as:
 - (a) the section on insurance (see ■ MCOB 5.6.73 R to ■ MCOB 5.6.83 G), where the *customer* is not buying insurance

from the *firm* and the *firm* does not require insurance to be in place; and

- (b) the section and sub-sections on additional features (see ■ MCOB 5.6.92 R to ■ MCOB 5.6.112 G) if there are no additional features available.

6.4.8
FCA

G

Examples of the additional information that should be included in the *offer document* in accordance with ■ MCOB 6.4.7 R (1) or ■ MCOB 6.4.7 R (2) is information about any retentions or reinspections that will be required by the *firm*.

6.4.9
FCA

R

A *firm* must ensure that the *illustration* forms the main, and an integral, part of the *offer document*.

6.4.10
FCA

G

■ MCOB 6.4.9 R prevents a *firm* from preparing a separate *illustration* and simply adding it to the existing material provided to the *customer* at the offer stage.

Other information contained in the offer

6.4.11
FCA

R

A *firm* must ensure that the *offer document* contains a prominent statement:

- (1) of the period for which the offer is valid;
- (2) explaining, where the *regulated mortgage contract* contains features, such as additional unsecured borrowing facilities, which could result in the *customer* borrowing more money, that where such features are used, the amount of the *customer's* debt will increase;
- (3) explaining when any interest rate change on the *regulated mortgage contract* takes effect. This statement must be used, for example, to explain cases where an annual review system is used;
- (4) explaining the consequences that might arise from the *customer* not entering into the *regulated mortgage contract*, including any fees that the *customer* has paid which will not be reimbursed;
- (5) explaining that once the *regulated mortgage contract* is concluded there will be no right of withdrawal; and
- (6) explaining that although no right of withdrawal exists the *customer* will have a right to repay the *regulated mortgage contract* in accordance with the terms of the *regulated mortgage contract*.

- 9.4.99 **R** Under the sub-heading "Additional borrowing available without further approval", the *illustration* must provide details of circumstances in which additional *secured lending* is offered with the *lifetime mortgage* that would allow the *customer*, subject to certain conditions, to increase the amount of the loan on which the *illustration* is based.
FCA
- 9.4.100 **R** Under the sub-heading "Additional secured borrowing", the *illustration* must provide details of circumstances in which additional *secured lending* is offered with the *lifetime mortgage* that would allow the *customer*, subject to certain conditions, to increase the amount of the loan on which the *illustration* is based.
FCA
- 9.4.101 **R** Under the sub-heading "Unsecured borrowing", the *illustration* must provide details of circumstances in which *unsecured lending* is offered with the *lifetime mortgage* that would allow the *customer* to increase the amount of the loan on which the *illustration* is based.
FCA
- 9.4.102 **R** Under the sub-heading "Credit card", the *illustration* must:
FCA
- (1) state whether a credit card is offered with the *lifetime mortgage*; and
 - (2) if a credit card is offered and it is a *mortgage credit card*:
 - (a) unless (b) applies, include the following text: "This card will not give you a number of the statutory rights associated with traditional credit cards. Your lifetime mortgage offer will tell you more about the differences." or
 - (b) where the *mortgage lender* provides the *customer* with contractual rights in relation to a *mortgage credit card* equal to or greater than the rights that the *customer* would have under the Consumer Credit Act 1974 and CONC if the card were issued under a *regulated credit agreement*, include the following text: "This card will not give you a number of the statutory rights associated with traditional credit cards. However, [insert name of *mortgage lender*] will ensure that you will be treated no differently from the user of a traditional credit card. Your lifetime mortgage offer will tell you more about this."
- 9.4.103 **R** Where any of the additional features under ■ MCOB 9.4.99 R to ■ MCOB 9.4.102 R inclusive apply, then the following must also be stated if the amount of additional borrowing that would be available to the *customer* is stated in the *illustration*:
FCA
- (1) the maximum additional amount available;
 - (2) if the interest rate payable on any additional borrowing is different to the interest rate in Section 5 and Section 8 of the *illustration*, the interest rate and the *APR* charged on the additional borrowing.

The *APR* must be calculated in accordance with *MCOB 10* (Annual Percentage Rate), based on the maximum amount of additional borrowing that would be permitted for the *customer* and the term of the loan from ■ *MCOB 9.4.10 R* or ■ *MCOB 9.4.12 R*;

- (3) the total resulting debt the *customer* could incur (including the original loan amount);
- (4) the payments on this total debt based on the frequency of payments in ■ *MCOB 9.4.37 R* (if payments are required) and the current interest rate(s) applying on the date the *illustration* is issued;
- (5) whether this additional borrowing must be repaid in full if the original loan is repaid in full, along with details of any conditions that apply;
- (6) if *early repayment charges* apply to the additional amount borrowed:
 - (a) that *early repayment charges* are payable;
 - (b) an explanation of when *early repayment charges* are payable; and
 - (c) the maximum *early repayment charge* that the customer could be charged in accordance with ■ *MCOB 12.3* which must be shown as a cash amount; and
- (7) if it is the case, that the maximum amount of borrowing available, or the terms and conditions, may change depending on other factors such as ratio of the loan amount to the property value.

9.4.104

FCA

R

Where more than one additional borrowing facility from ■ *MCOB 9.4.99 R* to ■ *MCOB 9.4.102 R* applies, the total debt and total payments due (if payments are required) under all these *linked borrowing* facilities must be included under a separate sub-section titled 'Total additional borrowing'.

9.4.105

FCA

G

The purpose of ■ *MCOB 9.4.104 R* is to show the total amount of any additional borrowing facilities that would be available to the *customer* and the cost of utilising these facilities. It must combine the amount available under any *linked borrowing* facilities including additional *secured lending*, credit cards and *unsecured lending*.

9.4.106

FCA

R

- (1) Where additional features are included in accordance with ■ *MCOB 9.4.91 R* and these are credit facilities that do not meet the definition of a *regulated mortgage contract* or a *regulated*

credit agreement , the relevant parts of Section 14 of the *illustration* must include the following text:

"This additional feature is not regulated by the *FCA*."

- (2) Where additional features are included in accordance with ■ **MCOB 9.4.91 R** and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 14 of the *illustration* must include the following text 'This additional feature is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. You will receive a separate credit agreement with any offer document for this additional feature, describing the detailed terms on which this feature is available.'

9.4.107

FCA

R

Where all or part of the maximum amount of additional borrowing is secured on the *customer's* home, a prominent warning must be included that additional borrowing increases the amount of credit secured on the *customer's* home.

9.4.108

FCA

G

Suitable wording for the warning contained in ■ **MCOB 9.4.107 R** would be: "This will increase the amount of borrowing secured on your home."

9.4.109

FCA

R

Under the sub-heading "Linked current account" the *illustration* must include the following information:

- (1) whether a linked current account is a compulsory or optional product (if the current account is a compulsory product this must also be stated in Section 5 of the *illustration* in accordance with ■ **MCOB 9.4.24 R(7)**);
- (2) an explanation of the interest rates that apply under different circumstances to the linked current account, if different from the interest rate charged on the *lifetime mortgage* (for example, if a different interest rate applies if the account is overdrawn); and
- (3) the *firm* providing the linked current account if it is not the *mortgage lender*.

9.4.110

FCA

R

Under the sub-heading "Linked savings account" the *illustration* must include the following information:

- (1) whether a linked savings account is a compulsory or optional product (if the savings account is a compulsory product this must also be stated in Section 5 of the *illustration* in accordance with ■ **MCOB 9.4.24 R(7)**);

- (2) the interest rate paid on the linked savings account if it differs from the interest rate charged on the *lifetime mortgage*; and
- (3) the *firm* providing the linked savings account if it is not the *mortgage lender*.

Section 15 of a lifetime mortgage illustration: "Overall cost of this mortgage"

9.4.111
FCA

R

Under the section heading "Overall cost of this mortgage":

- (1) the following text must be included in the illustration: "The APR helps you to compare lifetime mortgages by giving you one rate that shows the overall cost of the mortgage. It takes into account some fees and charges as well as the interest due, and this means that the APR may be higher than the interest rate shown in Sections 5 and 8. Only use the APR to compare lifetime mortgages of the same type, and where the same example term is used."
- (2) where the *customer* is required to make payments on the *lifetime mortgage* the following text must also be included in the *illustration*: "The overall cost takes into account the payments in Sections 8 and 11 above."; and
- (3) reference must be made to any other payments that have been included in the *APR* but not included in Sections 8 and 11 of the *illustration* if these are relevant to the *lifetime mortgage* that is the subject of the *illustration*.

9.4.112
FCA

G

■ MCOB 9.4.111 R(3) would require, for example, a reference to the fact that the overall cost takes into account mortgage payment protection insurance where this is required as a condition of the *lifetime mortgage* to which the *illustration* relates. The requirement to take out such insurance must be stated in Sections 5 and 12 of the *illustration* in accordance with ■ MCOB 9.4.24 R(7), ■ MCOB 9.4.72 R or ■ MCOB 9.4.76 R.

9.4.113
FCA

R

The following text must be included after the text required by ■ MCOB 9.4.111 R with the relevant cost measures shown in the right-hand column of Section 15 in accordance with the layout shown in ■ MCOB 9 Annex 1 R:

- (1) "The total amount you would pay back over the example term of [insert number of years in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R] including the amount borrowed is £ [insert *total amount payable*]", and
- (2) "The overall cost for comparison is [insert the *APR*] % *APR*."

- 9.4.114** **R**
FCA
- (1) The *APR* and the *total amount payable* in **■ MCOB 9.4.113 R** must be calculated on the basis of information obtained from the *customer* in accordance with **■ MCOB 9.4.6 R**.
 - (2) Where there is a charge to be included in the *APR* and *total amount payable* and the precise amount of that charge is not known at the time that the *illustration* is provided, **■ MCOB 10.3** (Formula for calculating the *APR*) sets out a number of relevant assumptions to be used. If the method for including the charge is not addressed in **MCOB 10** (Annual Percentage Rate), the charge must be estimated based on information which is known to be representative of the *lifetime mortgage* to which the *illustration* relates.
 - (3) Where the *lifetime mortgage* is a *roll-up of interest mortgage*, the *total amount payable* must be based on the total amount that the *customer* would owe at the end of the example term.

9.4.115 **G**
FCA

In relation to **■ MCOB 9.4.114 R(2)**, the cost of conveyancing would be an example of a charge for which representative information may need to be used in the calculation of the *APR* and the *total amount payable*.

9.4.116 **R**
FCA

At the end of Section 15 the following text must be included, if relevant: "The figures in this section will vary following interest rate changes."

9.4.117 **G**
FCA

The prescribed text at **■ MCOB 9.4.116 R** would not be relevant if the *illustration* is for a *lifetime mortgage* that has a fixed interest rate throughout the life of the mortgage.

9.4.118 **G**
FCA

The purpose of the *illustration* is to provide the *customer* with details of the cost of borrowing the amount required over the example term from **■ MCOB 9.4.6 R** and **■ MCOB 9.4.10 R** (or **■ MCOB 9.4.12 R**). Section 14 has been designed specifically to allow examples of the effect of any additional features of the *lifetime mortgage* such as a linked current account. Examples of these features should therefore be shown in Section 14 and not in Section 15 or Section 8 of the *illustration*.

Section 16 of a lifetime mortgage illustration: "Using a mortgage intermediary"

9.4.119 **R**
FCA

Where the *illustration* is issued to a *customer* by, or on behalf of, a *mortgage intermediary*, Section 16 "Using a mortgage intermediary" must be included in the *illustration* and must include the following:

- (1) unless **■ MCOB 9.4.120 R** applies, a clear statement of the amount payable (either directly or indirectly) by the *mortgage lender* to the *mortgage intermediary*, or to any third parties; and
- (2) the name of the *mortgage lender* who will make the payment, the name of the *mortgage intermediary* and the names of any third parties who will be paid.

<p>9.4.120 FCA</p>	<p>R</p>	<p>If the amount payable by the <i>mortgage lender</i> to the <i>mortgage intermediary</i> and to third parties is £250 or less, the mortgage intermediary need only state that the amount of the payment is "no more than £250", unless the <i>customer</i> requests the actual amount.</p>
<p>9.4.121 FCA</p>	<p>R</p>	<p>If the <i>mortgage intermediary</i> will pass to the <i>customer</i> all or part of the amount payable to the <i>mortgage intermediary</i> under ■ MCOB 9.4.119 R(1) or ■ MCOB 9.4.120 R, that fact may be stated in this section, along with the amount payable to the <i>customer</i>.</p>
<p>9.4.122 FCA</p>	<p>R</p>	<p>If the <i>mortgage lender</i> will make no payment to the <i>mortgage intermediary</i> or any third party, this section may state that the <i>mortgage intermediary</i> will receive no payment.</p>
<p>9.4.123 FCA</p>	<p>R</p>	<p>The amount payable in ■ MCOB 9.4.119 R(1) or ■ MCOB 9.4.120 R must include, but is not limited to:</p> <ol style="list-style-type: none"> (1) any <i>procurator fee</i>; and (2) a cash value for any material non-cash inducements that the <i>mortgage lender</i> provides to a <i>mortgage intermediary</i> or third party, whether payable directly or indirectly.
<p>9.4.124 FCA</p>	<p>G</p>	<p>■ MCOB 2.3.7 R requires any material inducements provided by a <i>mortgage lender</i>, whether directly or indirectly, to a <i>mortgage intermediary</i> or third party (unless the payment only reflects the cost of outsourcing work relating to the processing of mortgage applications by a <i>firm</i> unconnected to the <i>mortgage intermediary</i>) to be quantified in cash terms, which will enable the cash values to be included in the <i>illustration</i> in accordance with ■ MCOB 9.4.123 R.</p>
<p>9.4.125 FCA</p>	<p>G</p>	<p>An example of a statement which would comply with ■ MCOB 9.4.119 R and ■ MCOB 9.4.123 R would be: "[name of <i>mortgage lender</i>] will pay [name of <i>mortgage intermediary</i>] an amount of £350 in cash and benefits if you take out this lifetime mortgage."</p>
<p>Contact details</p>		
<p>9.4.126 FCA</p>	<p>R</p>	<p>This section must:</p> <ol style="list-style-type: none"> (1) follow Section 15 "Overall cost of this mortgage", unless the <i>illustration</i> is issued by a <i>mortgage intermediary</i>, in which case it must follow Section 16 "Using a mortgage intermediary"; and (2) include the name, address and contact point of the <i>firm</i> providing the illustration.
<p>9.4.127 FCA</p>	<p>G</p>	<p>An example of wording which would comply with ■ MCOB 9.4.126 R(2) would be: "If you wish to discuss this lifetime mortgage illustration please contact [name of individual] at [address] or on [telephone number]."</p>



9.5 Disclosure at the offer stage for equity release transactions

9.5.1
FCA

R

- (1) ■ MCOB 6.1 to ■ MCOB 6.6 (with the modifications stated in ■ MCOB 9.5.2 R to ■ MCOB 9.5.4 R) apply to an *equity release provider* where the *home finance transaction* is an *equity release transaction*, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans* (see ■ MCOB 9.1.2A G).
- (2) The table in ■ MCOB 9.5.2 R shows how the relevant *rules* and *guidance* in ■ MCOB 6 must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* in ■ MCOB 9.4, and ■ MCOB 9.5.
- (3) The table in ■ MCOB 9.5.3 R replaces certain *rules* and *guidance* in ■ MCOB 6 with *rules* and *guidance* from ■ MCOB 9.5.
- (4) The terms and expressions in the *rules* and *guidance* in ■ MCOB 6 that by their nature are only connected to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans* (see ■ MCOB 9.3.1A G).

9.5.2
FCA

R

Table of modified cross-references to other rules:

This table belongs to ■ MCOB 9.5.1 R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Application: What?	MCOB 6.1.5R	MCOB 6	MCOB 6 as modified by MCOB 9.5
Content of offer document	MCOB 6.1.6G	MCOB 5.6	MCOB 9.4
Purpose	MCOB 6.2.1G	MCOB 6	MCOB 6 as modified by MCOB 9.5
General	MCOB 6.3.2R		
Records	MCOB 6.4.3R		

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Modifications to the <i>illustration</i>	MCOB 6.4.5G	MCOB 6.4.4R(5)(b)	MCOB 9.5.4R(6)(b)
Modifications to the <i>illustration</i>	MCOB 6.4.6R	MCOB 6.4.4(1)	MCOB 9.5.4R(1)
Modifications to the <i>illustration</i>	MCOB 6.4.6R(1) and (2)	MCOB 5.6	MCOB 9.4
Modifications to the <i>illustration</i>	MCOB 6.4.7R	MCOB 6.4.4R(1)	MCOB 9.5.4R(1)
Modifications to the <i>illustration</i>	MCOB 6.4.7R(2)	MCOB 5	MCOB 9
Modifications to the <i>illustration</i>	MCOB 6.4.7R(3)	MCOB 5.6.73R to 5.6.83G	MCOB 9.4.72R to 9.4.82G
Modifications to the <i>illustration</i>	MCOB 6.4.7R(3)	MCOB 5.6.92R to 5.6.112G	MCOB 9.4.91R to 9.4.110R
Other information contained in the <i>offer document</i>	MCOB 6.4.13R	MCOB 5.6.122R	MCOB 9.4.126R
<i>Offer documents in place of illustrations</i>	MCOB 6.6.1R	MCOB 5.4 and 5.5	MCOB 5.4 and 5.5 as modified by MCOB 9

9

9.5.3
FCA

R Table of rules in ■ MCOB 6 replaced by rules in ■ MCOB 9:

This table belongs to ■ MCOB 9.5.1 R

Subject	Rule	Rule replaced by
Modifications to the <i>illustration</i>	MCOB 6.4.4R	MCOB 9.5.4R

9.5.4
FCA

R The *illustration* provided as part of the *offer document* in accordance with ■ MCOB 6.4.1 R(1) must meet the requirements of ■ MCOB 9.4, with the following modifications:

- (1) the *illustration* must be suitably adapted and revised to reflect the fact that the *firm* is making an offer to a *customer* and updated to reflect changes to, for example, for a *lifetime mortgage* the interest rate, charges, the exchange rate or the

APR required by ■ MCOB 10 (Annual Percentage Rate) at the date the *illustration* is issued;

- (2) the *illustration* must be based on the example term estimated in accordance with ■ MCOB 9.4.10 R;
- (3) ■ MCOB 9.4.2 R(2)(a) does not apply;
- (4) ■ MCOB 9.4.17 R (Information to be included at the head of the illustration) does not apply;
- (5) Section 1: 'About this information' is replaced by the following:

"Section 1: 'About this offer document'. Under the section heading 'About this offer document', the following text must be included:

 - (a) "You are not bound by the terms of this offer document until [insert relevant circumstances, including the names of any documents that must be signed. For example "you have signed the legal charge and the funds are released for your lifetime mortgage"] or "you have signed the agreement to sell your property to the reversion provider"]. We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this offer document."
 - (b) (unless the offer document is being provided in place of an *illustration*)"You should compare this offer document with the key facts illustration given to you before you applied for this [lifetime mortgage] [home reversion plan], to see how the details may have changed."
- (6) either:
 - (a) The heading for Section 2 is replaced with 'Which service did we provide you with?' and the following text should be presented as two options each with a 'check box', one of which must be marked prominently to indicate the level of service provided to the *customer*: "We have recommended, having assessed your needs, that you take out this [lifetime mortgage] [home reversion plan]." "We have not recommended a particular [lifetime mortgage] [home reversion plan] for you. You must make your own choice whether to accept this [lifetime mortgage] [home reversion] offer."; or
 - (b) if the service described in Section 2 of the earlier *illustration* was provided by another *firm*, the heading for Section 2 is replaced by 'Which service were you provided with?' and the following text should be presented as two options each with a 'check box' one of which must be marked prominently to indicate the level of service provided to the *customer*: "[name of firm] recommended that you take out this [lifetime mortgage]

[home reversion plan]." "[name of firm] did not recommend a particular [lifetime mortgage] [home reversion plan], for you. You must make your own choice whether to accept this [mortgage] [home reversion] offer.";

- (7) the fees recorded in the *illustration* that is part of the *offer document* must include any fees paid or payable by the *customer*;
- (8) any requirements to disclose whether a fee is refundable must be read as including fees that have already been paid;
- (9) [deleted]
- (10) for a *lifetime mortgage*:
 - (a) where additional features are included in accordance with ■ MCOB 9.4.91 R and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 14 of the *illustration* that is part of the *offer document* must include the following text: "This credit facility is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. Please refer to the separate credit agreement which describes the facility and the terms on which the credit is available.";
 - (b) The text required by ■ MCOB 9.4.102 R (2)(a) or ■ MCOB 9.4.102 R (2)(b) should be adapted to include, or tell the *customer* where they can find, the information required by ■ MCOB 6.5.4 R; and
 - (c) ■ MCOB 9.4.119 R and ■ MCOB 9.4.120 R apply to the *illustration* that is part of the *offer document* if the *illustration* given out in accordance with ■ MCOB 9 was issued by, or on behalf of, a *mortgage intermediary*.

9.5.5

FCA

R

For *home reversion plans*, the *firm* must provide the *customer* with copies of the valuation report for the property and the terms of the *home reversion plan* including the terms on which he will occupy the property, together with the *offer document*.



10.2 Purpose

10.2.1

FCA

G

The purpose of this chapter is to establish the requirements for the proper calculation of the *APR*. As a cost measure which facilitates comparisons between similar mortgages offered on a similar basis, the *APR* is an integral element of the *rules* relating to *financial promotions* of *qualifying credit* and disclosure.



10.3 Formula and assumptions for calculating the APR

Formula for calculating the APR

10.3.1
FCA

R

The APR must be calculated so that, subject to ■ MCOB 10.3.1B R (2), the *annual percentage rate* of charge is the rate for *i* which satisfies the equation set out in ■ MCOB 10.3.1A R, expressed as a percentage.

10.3.1A
FCA

R

Formula for calculating the APR

The equation referred to in MCOB 10.3.1R is:

$$\sum_{K=1}^{K=m} \frac{A_K}{(1+i)^{t_K}} = \sum_{K'=1}^{K'=m'} \frac{A'_{K'}}{(1+i)^{t_{K'}}$$

where

K is the number identifying a particular advance of credit;

K' is the number identifying a particular instalment;

A_K is the amount of advance *K*;

A'_{K'} is the amount of instalment *K'*;

∑ represents the sum of all terms indicated;

m is the number of advances of credit;

m' is the total number of instalments;

t_K is the interval, expressed in years, between the *relevant date* and the date of the second advance and those of any subsequent advances numbers three to *m*; and

t_{K'} is the interval, expressed in years, between the *relevant date* and the dates of instalments numbered one to *m'*.

10.3.1B
FCA

R

(1) In ■ MCOB 10.3.1A R, references to instalments are references to any payment made by or on behalf of the *customer* which comprise:

- (a) a repayment of all or part of the credit under the contract; or
- (b) a payment of all or part of the *total charge for credit*; or
- (c) both a repayment of all or part of the credit and a payment of all or part of the *total charge for credit*.

- (2) Where more than one rate is given under ■ MCOB 10.3.1 R, the *APR* is the positive rate nearest to zero or, if no positive rate is given, the negative rate nearest to zero.

10.3.2

FCA

G

This calculation method is the same (with the exception of ■ MCOB 10.3.8 R(1) and (2)) as that described in ■ CONC App 1.1 . Some of the terminology is different from that used elsewhere in *MCOB*, e.g. the references to 'transactions' should be read as relating to *secured lending*.

APR calculation: assumptions as to the credit provided

10.3.3

FCA

R

- (1) The *APR* must be calculated on the basis of the following assumptions:
- (a) the assumption that the *customer* will not be entitled to any income tax relief relating to the transaction other than relief under sections 266-7 of the Income and Corporation Taxes Act 1988 and Schedule 14-15 to the same Act without any deduction under section 274 of the Income and Corporation Taxes Act 1988;
 - (b) the assumption that no assistance is given under the Home Purchase Assistance and Housing Corporation Guarantee Act 1978;
 - (c) (i) in the case of a transaction which provides for repayment of the credit or of the *total charge for credit* at or not later than a specified time or times, the assumption that the *mortgage lender* or *mortgage administrator* will not exercise any right under the transaction to require repayment at any other time or times; and
 - (ii) in any other case, the assumption that the *mortgage lender* or *mortgage administrator* will not exercise any right under the transaction to require payment; the *customer*, in any case, performing all his obligations under the transaction;
 - (d) unless (e) applies, in the case of a transaction which provides for variation of the rate or amount of any item included in the *total charge for credit* in consequence of the occurrence after the *relevant date* of any event, the assumption that the event will not occur; and, in this sub-paragraph, 'event' means an act or omission of the *customer* or of the *mortgage lender* or *mortgage administrator* or any other event (including, where the transaction makes provision for variation upon the continuation of any circumstance, the continuation of that circumstance) but does not include an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the agreement; and

(e) in the case of a *secured lending* contract which provides for the possibility of any variation of the rate of interest in consequence of the occurrence after the *relevant date* of any event (being an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the agreement), the assumption that such a variation will, when the event occurs, take place.

(2) For the purposes of this chapter:

- (a) an item included in the *total charge for credit* must not be treated as credit, even if time is allowed for its payment;
- (b) subject to (c) and to ■ MCOB 10.3.13 R, in the case of any agreement, each provision of credit and each repayment of the credit and of the *total charge for credit* must be taken to be made:
- (i) at the earliest time provided under the transaction; and
- (ii) in a case where any such provision or repayment is to be made at or not later than a specified time, at that time;

and, where any such repayment is to be made before the *relevant date*, it must be taken to be made on the *relevant date*;

- (c) where, under an agreement for *running-account credit* or an agreement for *fixed-sum credit* where the credit is not repayable at specified intervals or in specified amounts, a constant period rate of charge in respect of periods of equal or of nearly equal length is charged, it must be assumed, despite ■ MCOB 10.3.12 R, that:
- (i) the amount of credit outstanding at the beginning of a period is to remain outstanding throughout the period;
- (ii) the amount of any credit provided during a period is provided immediately after the end of the period; and
- (iii) any repayment of credit or of the *total charge for credit* made during a period is made immediately after the end of the period; and
- (d) it must be assumed that the amount of any repayment of credit or of the *total charge for credit* will, at the time when the repayment is made, be the smallest for which the agreement provides.

[deleted] [Deleted]



12.3 Early repayment charges : regulated mortgage contracts

Early repayment charges to be expressed as cash and to be reasonable.....

12.3.1
FCA

R

A *firm* must ensure that any *regulated mortgage contract* that it enters into does not impose, and cannot be used to impose, an *early repayment charge* other than one that is:

- (1) able to be expressed as a cash value; and
- (2) a reasonable pre-estimate of the costs as a result of the *customer* repaying the amount due under the *regulated mortgage contract* before the contract has terminated.

12.3.2
FCA

G

A *firm* can choose the method it employs for calculating *early repayment charges* in accordance with ■ MCOB 12.3.1 R. A *firm* should not use the 'Rule of 78' , which is not appropriate as it effectively overstates the cost to the *mortgage lender*.

12.3.3
FCA

G

A *firm* may calculate the same level of *early repayment charge* for all *regulated mortgage contracts* of a similar type (for example a tranche of *regulated mortgage contracts* offering a particular fixed rate of interest), rather than on the basis of the individual *regulated mortgage contract* with the particular *customer*.

Early repayment charges to be disclosed in illustrations.....

12.3.4
FCA

R

Before:

- (1) *entering into a regulated mortgage contract* with a *customer*; or
- (2) making a further advance on an existing *regulated mortgage contract*; or
- (3) changing all or part of a *regulated mortgage contract* from one interest rate to another; a *firm* must disclose to the *customer*:
 - (a) in the illustration provided in accordance with ■ MCOB 5, ■ MCOB 7.6.7 R, ■ MCOB 7.6.18 R, ■ MCOB 7.6.22 R, ■ MCOB 7.6.31 R, or ■ MCOB 9; and
 - (b) in the *illustration* provided as part of the offer document in accordance with ■ MCOB 6.4.1 R(1) and ■ MCOB 9.5;

the maximum amount payable as an *early repayment charge* in respect of that *regulated mortgage contract*, if an *early repayment charge* applies.

Client Assets



1.2 General application: who? what?

General application: who?

1.2.1
FCA

G

The *rules* in ■ CASS 1.2 set out the maximum scope of this sourcebook. The application of CASS is modified for certain activities by ■ CASS 1.4. Also particular chapters or sections of CASS may have provisions which limit their application.

1.2.2
FCA

R

CASS applies to every *firm*, except as provided for in ■ CASS 1.2.3 R, with respect to the carrying on of:

- (1) all *regulated activities* except to the extent that a provision of CASS provides for a narrower application; and
- (2) *unregulated activities* to the extent specified in any provision of CASS.

1.2.3
FCA

R

CASS does not apply to:

- (1) an *ICVC*; or
- (2) an *incoming EEA firm* other than an *insurer*, with respect to its *passport activities*; or
- (3) a *UCITS qualifier*.

1.2.4
FCA

R

With the exception of this chapter and the *insurance client money chapter*, CASS does not apply to:

- (1) an *authorised professional firm* with respect to its *non-mainstream regulated activities*; or
- (2) the *Society*.

1.2.5

FCA

R

The *insurance client money chapter* does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, which are *insurance mediation activities*, if:

- (1) the *firm's designated professional body* has made rules which implement article 4 of the *Insurance Mediation Directive*;
- (2) those rules have been approved by the *FCA* under section 332(5) of the *Act*; and
- (3) the *firm* is subject to the rules in the form in which they were approved.

1.2.6

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[deleted]

1.2.7

FCA

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General application: what?

- (1) The approach in *CASS* is to ensure that the *rules* in a chapter are applied to *firms* in respect of particular *regulated activities* or *unregulated activities*.
- (2) The scope of the *regulated activities* to which *CASS* applies is determined by the description of the activity as it is set out in the *Regulated Activities Order*. Accordingly, a *firm* will not generally be subject to *CASS* in relation to any aspect of its business activities which fall within an exclusion found in the *Regulated Activities Order*. The definition of *designated investment business* includes, however, activities within the exclusion from *dealing in investments as principal* in article 15 of the *Regulated Activities Order* (Absence of holding out etc).
- (3) The *custody chapter* and the *client money chapter* apply in relation to *regulated activities*, conducted by *firms*, which fall within the definition of *MiFID business* and/or *designated investment business*.
- (3A) The *collateral rules* apply in relation to *regulated activities*, conducted by *firms*, which fall within the definition of *designated investment business* (including *MiFID business*).
- (4) The *insurance client money chapter* applies in relation to *regulated activities*, conducted by *firms*, which fall within the definition of *insurance mediation activities*.
- (5) [deleted]
- (6) The *mandate rules* apply in relation to *regulated activities*, conducted by *firms*, which fall within the definition of *designated investment business* (including *MiFID business*) and *insurance mediation activity*, except where it relates to a *reinsurance contract*.
- (7) The *debt management client money chapter* applies to *CASS debt management firms* receiving or holding *client money* for, or on behalf of, a client in the course of or in connection with *debt management activity*.

Application for retail clients, professional clients and eligible counterparties

1.2.8
FCA

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- (1) CASS applies directly in respect of activities conducted with or for all categories of clients.
- (2) [deleted]
- (3) The *insurance client money chapter* does not generally distinguish between different categories of *client*. However, the term *consumer* is used for those to whom additional obligations are owed, rather than the term *retail client*. This is to be consistent with the *client* categories used in the Insurance: New Conduct of Business sourcebook.
- (4) Each provision in the *custody chapter* and the *client money chapter* makes it clear whether it applies to activities carried on for *retail clients*, *professional clients* or both. There is no further modification of the *rules* in these chapters in relation to activities carried on for *eligible counterparties*. Such *clients* are treated in the same way as other *professional clients* for the purposes of these *rules*.
- (5) The *debt management client money chapter* generally applies in respect of relevant dealings with the client category known as *customers*. In general, the client categories of *retail clients*, *professional clients*, as well as *eligible counterparties*, have no relevance to *credit-related regulated activities*, including *debt management activities*.

1.2.9

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[deleted]

Investments and money held under different regimes

1.2.10

R

[deleted]

1.2.11
FCA

R

Where a *firm* is subject to two or more of the *client money chapter*, the *insurance client money chapter* and the *debt management client money chapter*, it must ensure segregation between *money held under each chapter*, including that *money held under different chapters is held, in different, separately designated, client bank accounts or client transaction accounts*.

1.2.12
FCA

G

The purpose of the *rules* regarding the segregation of investments and *money held under different regimes* is to reduce the risk of confusion between assets held under different regimes either on an on-going basis or on the *failure* of a *firm* or a third party holding those assets.

1.2.13
FCA

G

A *firm* may opt to hold under a single chapter *money* that would otherwise be held under different chapters (see ■ CASS 5.1.1 R (3) and ■ CASS 7.1.3 R).



1.3 General application: where?

1.3.1
FCA

G The *rules* in ■ CASS 1.3 set out the maximum territorial scope of this sourcebook. Particular rules may have express territorial limitations.

UK establishments: general

1.3.2
FCA

R Except as provided for in ■ CASS 1.2.3 R (2), CASS applies to every *firm*, in relation to *regulated activities* carried on by it from an *establishment* in the *United Kingdom*.

UK firms: passported activities from EEA branches

1.3.3
FCA

R CASS applies to every *UK firm*, other than an *insurer*, in relation to *passported activities* carried on by it from a *branch* in another *EEA State*.

1.3.4
FCA

R CASS does not apply to an *incoming ECA provider* acting as such.



1.4 Application: particular activities

Occupational pension scheme firms (OPS firms)

1.4.1
FCA

R

In the case of *OPS activity* undertaken by an *OPS firm*, CASS applies with the following general modifications:

- (1) references to *customer* are to the *OPS* or *welfare trust*, whichever fits the case, in respect of which the *OPS firm* is acting or intends to act, and with or for the benefit of which the relevant activity is to be carried on; and
- (2) if an *OPS firm* is required by any *rule* in CASS to provide information to, or obtain consent from, a *customer*, that *firm* must ensure that the information is provided to, or consent obtained from, each of the trustees of the *OPS* or *welfare trust* in respect of which that *firm* is acting, unless the context requires otherwise.

Stock lending activity with or for clients

1.4.2
FCA

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- (1) The *custody chapter* and the *client money chapter* apply in respect of any *stock lending activity* that is undertaken with or for a *client* by a *firm*.
- (2) The *collateral rules* apply, where relevant, in respect of *stock lending activity*.

Corporate finance business

1.4.3
FCA

G

- (1) The *custody chapter* and the *client money chapter* apply in respect of *corporate finance business* that is undertaken by a *firm*.
- (2) The *collateral rules* apply, where relevant, in respect of *corporate finance business*.

Oil market activity and energy market activity

PAGE 7
1.4.4
FCA

G

- (1) The *custody chapter* and the *client money chapter* apply in respect of *oil market activity* and other *energy market activity* that is undertaken by a *firm*.
- (2) The *collateral rules* apply, where relevant, in respect of *energy market activity*.

Appointed representatives and tied agents

1.4.5
FCA

G

- (1) Although CASS does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the Act). In determining whether a *firm* has complied with any provision of CASS, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the Act). Equally, CASS does not apply directly to *tied agents*. A *MiFID investment firm* will be fully and unconditionally responsible for the acts and omission of the *tied agents* that it appoints.
- (2) *Firms* should also refer to ■ SUP 12 (Appointed representatives), which sets out requirements which apply to *firms* using *appointed representatives* and *tied agents*.

Depositaries

1.4.6
FCA

R

The *client money chapter* does not apply to a *depositary* when acting as such.

1.4.6A
FCA

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Firms acting as trustee or depositary of an AIF are reminded of the obligations in ■ FUND 3.11 (Depositaries) and Chapter IV (Depositary) of the *AIFMD level 2 regulation* which apply in addition to those in CASS.

1.4.7
FCA

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Subject to ■ CASS 1.4.6 R, CASS applies to a *depositary*, when acting as such, with the following general modification: '*client*' means '*trustee*', '*trust*', '*AIF*', '*AIFM acting on behalf of the AIF*', or '*collective investment scheme*', as appropriate.

1.4.8
FCA

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- (1) Other than the *mandate rules*, CASS does not apply to a *trustee firm* which is not a *depositary*, or the trustee of a *personal pension scheme* or *stakeholder pension scheme*, unless *MiFID* applies to it, in which case the *custody chapter* and the *client money chapter* do apply.
- (2) In the *custody chapter*, the *client money chapter* and the *mandate rules*, '*client*' means '*trustee*', '*trust*', '*trust instrument*' or '*beneficiary*', as appropriate.

Auction regulation bidding

1.4.9
FCA

R

Where a *firm* carries on *auction regulation bidding* it may elect to comply with CASS (but not ■ CASS 5) in respect of this activity, subject to the general modifications in ■ CASS 1.4.10 R.

1.4.10
FCA

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Where a *firm* has made an election in accordance with ■ CASS 1.4.9 R, CASS is modified so that in relation to that *firm*:

- (1) each reference to:
- (a) *designated investments*;

- (b) *safe custody assets*; and
 - (c) *contingent liability investments*;
- includes a reference to a *two-day emissions spot*;
- (2) each reference to *designated investment business* includes *auction regulation bidding*;
 - (3) each reference to *safeguarding and administering investments, including safeguarding and administration of assets (without arranging) and arranging safeguarding and administration of assets*, includes those activities where they are carried on in relation to a *two-day emissions spot*; and
 - (4) the reference in ■ CASS 6.2.3A R to an '*emissions auction product* that is a *financial instrument*' includes a *two-day emissions spot*;

1.4.11

FCA

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The effect of ■ CASS 1.4.10 R is that when a *firm* makes an election in accordance with ■ CASS 1.4.9 R:

- (1) a *two-day emissions spot* falls within the scope of each chapter in CASS (save for ■ CASS 5), for example:
 - (a) the reference in ■ CASS 6.1.1 R (1)(b) to *safeguarding and administering investments* is modified to include the activity of safeguarding and administering a *two-day emissions spot*; and
 - (b) any *money* that the *firm* receives or holds for or on behalf of a *client* in the course of or in connection with its *auction regulation bidding* activities will be treated as *client money* and so will need to be dealt with in accordance with the *client money rules*; and
- (2) that election also has effect in relation to *rules* and *guidance* elsewhere in the *Handbook*, including:
 - (a) ■ COBS 3 (Client categorisation);
 - (b) ■ COBS 6.1.7 R (Information concerning safeguarding of designated investments belonging to clients and client money);
 - (c) ■ COBS 6.1.11 R (Timing of disclosure);
 - (d) ■ COBS 16.4 (Statements of client designated investments or client money);
 - (e) ■ SUP 3 (Auditors);
 - (f) ■ SUP 10A.4.4 R (the *table of controlled functions*) and ■ SUP 10A.7.9 R (CASS operational oversight function (CF10a)); and
 - (g) ■ SUP 16.14 (Client money and asset return).

1.4.12

FCA

G

The option to elect to comply with CASS set out in ■ CASS 1.4.9 R only applies to the extent the *firm* is carrying on *auction regulation bidding*. Where a *firm* is carrying on *MiFID business bidding*, CASS applies to it in accordance with the general application *rules* in CASS for a *firm* that is carrying on *MiFID business*.

1.4.13
FCA

R Where a *firm* makes an election in accordance with ■ CASS 1.4.9 R it must:

- (1) make a written record of the election, including the date from which the election is to be effective, on the date it makes the election;
- (2) keep that record from the date that it is made for a period of five years after ceasing to use the opt in.

1.4.14
FCA

R Where a *firm* that has opted in to CASS under ■ CASS 1.4.9 R subsequently decides to cease its use of that opt in it must:

- (1) make a written record of this decision, including the date from which the decision is to be effective, on the date it takes the decision;
- (2) keep that record from the date that it is made for a period of five years after the date it is to be effective; and
- (3) discharge any outstanding fiduciary obligations that had arisen because the *firm* had elected to comply with CASS.

Debt management activities
.....

1.4.15
FCA

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- (1) The *debt management client money chapter* applies to CASS *debt management firms* receiving or holding *client money*.
- (2) The *mandate rules* apply, where relevant, to CASS *debt management firms* carrying on *debt management activity*.

Annex 1**FCA**

As explained in ■ CASS 7.6.6 G, in complying with its obligations under ■ CASS 7.6.2 R (Records and accounts), and where relevant ■ SYSC 4.1.1 R (General organisational requirements) and ■ SYSC 6.1.1 R (Compliance), a *firm* should carry out internal reconciliations of records and accounts of *client money* the *firm* holds in *client bank accounts* and *client transaction accounts*. This Annex sets out a method of reconciliation that the FCA believes is appropriate for these purposes (the *standard method of internal client money reconciliation*).

1. Each *business day*, a *firm* that adopts the normal approach (see ■ CASS 7.4.17 G) should check whether its *client money* resource, being the aggregate balance on the *firm's client bank accounts*, as at the close of business on the previous *business day*, was at least equal to the *client money* requirement, as defined in paragraph 6 below, as at the close of business on that day.
2. Each *business day*, a *firm* that adopts the alternative approach (see ■ CASS 7.4.18 G) should ensure that its *client money* resource, being the aggregate balance on the *firm's client bank accounts*, as at the close of business on that *business day* is at least equal to the *client money* requirement, as defined in paragraph 6 below, as at the close of business on the previous *business day*.
3. No excess or *shortfall* should arise when adopting the alternative approach.
4. If a *firm* is operating the alternative approach and draws a cheque on its own bank account, it will be expected to account for those cheques that have not yet cleared when performing its reconciliations of records and accounts under paragraph 2. An historic average estimate of uncleared cheques may be used to satisfy this obligation (see ■ CASS 7.4.19 G (3)).
5. For the purposes of performing its reconciliations of records and accounts under paragraphs 1 or 2, a *firm* should use the values contained in its accounting records, for example its cash book, rather than values contained in statements received from its banks and other third parties.

Client money requirement

6. The *client money* requirement is either (1) or (2), except that for a *firm* whose *designated investment business* includes *operating an electronic system in relation to lending* it is only (2):
 - (1) (subject to paragraph 18) the sum of, for all *clients*:
 - (a) the individual *client* balances calculated in accordance with paragraph 7, excluding:
 - (i) individual *client* balances which are negative (that is, debtors); and
 - (ii) *clients' equity balances*; and
 - (b) the total *margined transaction* requirement calculated in accordance with paragraph 14;
 - (2) the sum of:
 - (a) for each *client bank account*:
 - (i) the amount which the *firm's* records show as held on that account; and

(ii) an amount that offsets each negative net amount which the *firm's* records show attributed to that account for an individual *client*; and

(b) the total *marginized transaction* requirement calculated in accordance with paragraph 14.

General transactions

7. The individual *client* balance for each *client* should be calculated in accordance with this table:

Individual client balance calculation	
Free <i>money</i> (no trades) and sale proceeds due to the <i>client</i> :	A
(a) in respect of <i>principal deals</i> when the <i>client</i> has delivered the <i>designated investments</i> ; and	B
(b) in respect of <i>agency deals</i> , when either:	
(i) the sale proceeds have been received by the <i>firm</i> and the <i>client</i> has delivered the <i>designated investments</i> ; or	C1
(ii) the <i>firm</i> holds the <i>designated investments</i> for the <i>client</i> ; and	C2
the cost of purchases:	
(c) in respect of <i>principal deals</i> , paid for by the <i>client</i> but the <i>firm</i> has not delivered the <i>designated investments</i> to the <i>client</i> ; and	D
(d) in respect of <i>agency deals</i> , paid for by the <i>client</i> when either:	
(i) the <i>firm</i> has not remitted the <i>money</i> to, or to the order of, the counterparty; or	E1
(ii) the <i>designated investments</i> have been received by the <i>firm</i> but have not been delivered to the <i>client</i> ;	E2
Less	
<i>money</i> owed by the <i>client</i> in respect of unpaid purchases by or for the <i>client</i> if delivery of those <i>designated investments</i> has been made to the <i>client</i> ; and	F
Proceeds remitted to the <i>client</i> in respect of sales transactions by or for the <i>client</i> if the <i>client</i> has not delivered the <i>designated investments</i> .	G
Individual <i>Client</i> Balance 'X' = (A+B+C1+C2+D+E1+E2)-F-G	X

8. A *firm* should calculate the individual *client* balance using the contract value of any *client* purchases or sales.

9. A *firm* may choose to segregate *designated investments* instead of the value identified in paragraph 7 (except E1) if it ensures that the *designated investments* are held in such a manner that the *firm* cannot use them for its own purposes.

10. Segregation in the context of paragraph 9 can take many forms, including the holding of a *safe custody investment* in a nominee name and the safekeeping of certificates evidencing title in a fire resistant safe. It is not the intention that all the *custody rules* in the *custody chapter* should be applied to *designated investments* held in the course of settlement.

11. In determining the *client money* requirement under paragraph 6, a *firm* need not include *money* held in accordance with ■ CASS 7.2.8 R (Delivery versus payment transaction).

12. In determining the *client money* requirement under paragraph 6, a *firm*:

(1) should include dividends received and interest earned and allocated;

- (2) may deduct outstanding *fees*, calls, rights and interest charges and other amounts owed by the *client* which are due and payable to the *firm* (see ■ CASS 7.2.9 R);
- (3) need not include *client money* in the form of *client* entitlements which are not required to be segregated (see ■ CASS 7.4.27 G) nor include *client money* forwarded to the *firm* by its appointed representatives, *tied agents*, field representatives and other agents, but not received (see ■ CASS 7.4.24 G);
- (4) should take into account any *client money* arising from ■ CASS 7.6.13 R (Reconciliation discrepancies); and
- (5) should include any unallocated *client money*.

Equity balance

13. A *firm's* equity balance, whether with an exchange, *intermediate broker* or *OTC* counterparty, is the amount which the *firm* would be liable to pay to the exchange, *intermediate broker* or *OTC* counterparty (or vice-versa) in respect of the *firm's margined transactions* if each of the open positions of the *firm's clients* was liquidated at the closing or settlement prices published by the relevant exchange or other appropriate pricing source and the *firm's* account with the exchange, *intermediate broker* or *OTC* counterparty is closed.

Margined transaction requirement

14. The total *margined transaction* requirement is:

- (1) the sum of each of the *client's equity balances* which are positive;

Less

- (2) the proportion of any individual negative *client equity balance* which is secured by *approved collateral*; and
- (3) the net aggregate of the *firm's* equity balance (negative balances being deducted from positive balances) on transaction accounts for *customers* with exchanges, *clearing houses*, *intermediate brokers* and *OTC* counterparties.

15. To meet a shortfall that has arisen in respect of the requirement in paragraph 6(1)(b) or 6(2)(b), a *firm* may utilise its own *approved collateral* provided it is held on terms specifying when it is to be realised for the benefit of *clients*, it is clearly identifiable from the *firm's* own property and the relevant terms are evidenced in writing by the *firm*. In addition, the proceeds of the sale of that *collateral* should be paid into a *client bank account*.

16. If a *firm's* total *margined transaction* requirement is negative, the *firm* should treat it as zero for the purposes of calculating its *client money* requirement.

17. The terms '*client equity balance*' and '*firm's* equity balance' in paragraph 13 refer to cash values and do not include non-cash *collateral* or other *designated investments* held in respect of a *margined transaction*.

17A. A *firm* with a *Part 30 exemption order* which also operates an LME bond arrangement for the benefit of US-resident investors, should exclude the *client equity balances* for transactions undertaken on the London Metal Exchange on behalf of those US-resident investors from the calculation of the *margined transaction* requirement.

Reduced client money requirement option

18.

(1) When, in respect of a *client*, there is a positive individual *client* balance and a negative *client equity balance*, a *firm* may offset the credit against the debit and hence have a reduced individual *client* balance in paragraph 7 for that *client*.

(2) When, in respect of a *client*, there is a negative individual *client* balance and a positive *client equity balance*, a *firm* may offset the credit against the debit and hence have a reduced *client equity balance* in paragraph 14 for that *client*.

19. The effect of paragraph 18 is to allow a *firm* to offset, on a *client* by *client* basis, a negative amount with a positive amount arising out of the calculations in paragraphs 7 and 14, and, by so doing, reduce the amount the *firm* is required to segregate.

Chapter 8

Mandates

8.1 Application

8.1.1

FCA

R

This chapter (the *mandate rules*) applies to a *firm* when it has a *mandate* in the course of, or in connection with, the *firm's*:

- (1) *designated investment business* (including *MiFID business*); or
- (2) *insurance mediation activity*, except where it relates to a *reinsurance contract*;
- (3) *debt management activity*.

8.1.2

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[deleted]

8.1.2A

FCA

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The *mandate rules* do not apply to a *firm*:

- (1) in relation to *client money* that the *firm* is holding in accordance with ■ CASS 5 or ■ CASS 7 (including *client money* that the *firm* has allowed another *person* to hold or control in accordance with ■ CASS 7.5.2 R) or ■ CASS 11; or
- (2) in relation to *safe custody assets* that the *firm* is holding, or in respect of which the *firm* is carrying on *safeguarding and administration of assets (without arranging)*, acting as trustee or depositary of an AIF or acting as trustee or depositary of a UCITS in accordance with ■ CASS 6; or
- (3) in relation to a *client's* assets that the *firm* is holding or has received under an arrangement to which ■ CASS 3 applies; or
- (4) when it acts as the *operator* of a *regulated collective investment scheme* in relation to property held for or within the *scheme*.

8.1.2B

FCA

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- (1) ■ CASS 8.1.2A R is not an absolute exemption, but it excludes the application of the *mandate rules* in relation to *money* or assets that a *firm* has received, is holding, or is responsible for (as appropriate and in the circumstances described in ■ CASS 8.1.2A R).

- (2) This means that, for example in respect of ■ CASS 8.1.2A R (1), a *firm* holding *client money* in accordance with ■ CASS 5 or ■ CASS 7 does not also need to comply with the *mandate rules* in relation to the *client money* which it actually holds, but the *mandate rules* would apply if the *firm* has a *mandate* under which it can receive a *client's money* from another *person* in the course of, or in connection with, the activities set out at ■ CASS 8.1.1 R (1) and ■ CASS 8.1.1 R (2).
- (3) Similarly, in respect of ■ CASS 8.1.2A R (4), the *mandate rules* apply to a *firm* that is the *operator* of a *regulated collective investment scheme* if, for example, it has a *mandate* under which it can receive a *client's money* from another *person* for the purposes of investing it in the *scheme*.

8.1.3

FCA

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Firms are reminded that the *mandate rules* do not apply to an *incoming EEA firm*, other than an *insurer*, with respect to its *passport activities*. The application of the *mandate rules* is also dependent on the location from which the activity is undertaken (see ■ CASS 1.3).

Purpose

8.1.4

FCA

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The *mandate rules* require *firms* to establish and maintain records and *internal controls* to prevent the misuse of a *mandate*.

8.1.4A

FCA

G

The *mandate rules* only apply to a *firm* that has a *mandate*, and do not affect the duties of any other *person* to whom the *firm* is able to give the types of instructions referred to in ■ CASS 8.2.1R (4). For example, if a *person* (A) has accepted a *deposit* from a *client*, and a *firm* (B) has a *mandate* in respect of that *client's deposit* held by A, the *mandate rules* only apply to B, and do not affect the duties of A in relation to the *deposit*.

8.1.5

R

[deleted]

8.2 Definition of mandate

8.2.1

FCA

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A *mandate* is any means that give a *firm* the ability to control a *client's* assets or liabilities, which meet the conditions in (1) to (5):

- (1) they are obtained by the *firm* from the *client*, and with the *client's* consent;
- (2) they are in written form at the time they are obtained from the *client*;
- (3) they are retained by the *firm*;
- (4) they put the *firm* in a position where it is able to give any or all of the types of instructions described in (a) to (d):
 - (a) instructions to another *person* in relation to the *client's* money that is credited to an account maintained by that other *person* for the *client*;
 - (b) instructions to another *person* in relation to any money to which the *client* has an entitlement, where that other *person* is responsible to the *client* for that entitlement (including where that other *person* is holding *client* money for the *client* in accordance with ■ CASS 5 or ■ CASS 7);
 - (c) instructions to another *person* in relation to an asset of the *client*, where that other *person* is responsible to the *client* for holding that asset (including where that other *person* is *safeguarding and administering investments*, acting as trustee or depositary of an AIF or acting as trustee or depositary of a UCITS);
 - (d) instructions to another *person* such that the *client* incurs a debt or other liability to that other *person* or any other *person* (other than the *firm*); and
- (5) their circumstances are such that the *client's* further involvement would not be necessary for the *firm's* instructions described in 4(a) to 4(d) to be given effect.

Chapter 11

Debt management client money chapter



11.1 Application

11.1.1
FCA

R

This chapter (the *debt management client money chapter*) applies to a CASS *debt management firm* that receives or holds *client money* as set out in this chapter.

11.1.2
FCA

G

The requirements imposed on a CASS *debt management firm* that holds *client money* vary depending on whether a *firm* is classified as a CASS *small debt management firm* or a CASS *large debt management firm* in ■ CASS 11.2.3 R (CASS *debt management firm* types). ■ CASS 11.1.4 R to ■ CASS 11.1.6 R indicate which rules in the *debt management client money chapter* apply to which category of *firm*.

11.1.3
FCA

G

The *debt management client money chapter* applies (to the extent indicated by ■ CASS 11.1.4 R to ■ CASS 11.1.6 R) to a CASS *debt management firm*, even if at the date of the determination or, as the case may be, the notification, referred to in ■ CASS 11.2.4 R, the CASS *debt management firm* is not holding *client money*, provided that:

- (1) it held *client money* in the previous calendar year; or
- (2) it projects to hold *client money* in the current calendar year.

Application to CASS small debt management firms

11.1.4
FCA

R

Subject to ■ CASS 11.1.6 R, only the rules and guidance in the *debt management client money chapter* listed in the table below apply to CASS *small debt management firms*.

Reference	Rule
CASS 11.1.1 R to CASS 11.1.4 R and CASS 11.1.6 R	Application
CASS 11.2.1 R to CASS 11.2.9 G	Firm classification
CASS 11.3.1 R to CASS 11.3.2 R and CASS 11.3.6 R	Responsibility for CASS operational oversight
CASS 11.4.1 G to CASS 11.4.4 G	Definition of client money and discharge of fiduciary duty
CASS 11.5.1 R and CASS 11.5.2 R	Organisational requirements

Reference	Rule
CASS 11.6.1 R and CASS 11.6.2 G	Statutory trust
CASS 11.7.1 G and CASS 11.7.5 G	Selecting an approved bank at which to hold client money
CASS 11.8.1 G to CASS 11.8.13 R	Client bank account acknowledgement letters
CASS 11.9.1 R to CASS 11.9.13 G	Segregation and the operation of client money accounts
CASS 11.10.1 R to CASS 11.10.7 G	Payments to creditors
CASS 11.11.1 R to CASS 11.11.12 R , CASS 11.11.30 R and CASS 11.11.32 G	Records, accounts and reconciliations
CASS 11.12.1 G to CASS 11.12.7 R	CASS 11 resolution pack
CASS 11.13.1 R to CASS 11.13.14 R	Client money distribution in the event of a failure of a firm or approved bank

Application to CASS large debt management firms

11.1.5
FCA

R

Subject to ■ CASS 11.1.6 R, the rules and guidance in the *debt management client money chapter* apply to CASS large debt management firms, except where indicated otherwise in the relevant rule.

Solicitors

11.1.6
FCA

R

- (1) An *authorised professional firm* regulated by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland that, with respect to its *regulated activities*, is subject to the following rules of its *designated professional body*, must comply with those rules and, if it does so, it will be deemed to comply with the *debt management client money chapter*.
- (2) The relevant rules are:
 - (a) if the *firm* is regulated by the Law Society of England and Wales, the SRA Accounts Rules 2011;
 - (b) if the *firm* is regulated by the Law Society of Scotland, the Law Society of Scotland Practice Rules 2011; and
 - (c) if the *firm* is regulated by the Law Society of Northern Ireland, the Solicitors' Accounts Regulations 1998.

11.2 Firm classification

11.2.1

FCA

R

- (1) A *CASS debt management firm* must, once every year and by the time it is required to make a notification in accordance with ■ CASS 11.2.4 R, determine whether it is a *CASS large debt management firm* or a *CASS small debt management firm* according to the amount of *client money* which it held during the previous year or, if it did not hold *client money* during the previous year, according to the amount of *client money* it projects to hold in the following year, in each case using the limits set out in the table in ■ CASS 11.2.3 R.
- (2) For the purpose of determining its '*CASS debt management firm type*' in accordance with ■ CASS 11.2.3 R, a *CASS debt management firm* must:
 - (a) if it currently holds *client money*, calculate the highest total amount of *client money* held during the previous calendar year ending on 31 December and use that figure to determine its '*CASS debt management firm type*';
 - (b) if it did not hold *client money* in the previous calendar year but projects that it will do so in the current calendar year, calculate the highest total amount of *client money* that it projects that it will hold during that year and use that figure to determine its '*CASS debt management firm type*'.

11.2.2

FCA

R

For the purpose of calculating the value of the total amounts of *client money* that it holds on any given *day* during a calendar year (in complying with ■ CASS 11.2.1 R) a *CASS debt management firm* must base its calculation on accurate internal records of *client money* holdings. A *CASS large debt management firm* must do this using the internal reconciliations performed during the previous year that are prescribed in ■ CASS 11.11.13 R. A *CASS small debt management firm* must use the records used in carrying out checks required of it under ■ CASS 11.11.8 R.

11.2.3

FCA

R

CASS debt management firm types

CASS debt management firm type	Highest total amount of <i>client money</i> held during the <i>CASS debt management firm's</i> last calendar year or

	as the case may be that it projects that it will hold during the current calendar year
<i>CASS large debt management firm</i>	An amount equal to or greater than £1 million
<i>CASS small debt management firm</i>	Less than £1 million

Notification

11.2.4
FCA

R

Once every calendar year, a *CASS debt management firm* must notify the FCA, in writing, of the information in (1), (2) or (3), as applicable, and the information in (4), in each case no later than the *day* specified in (1) to (4):

- (1) if it held *client money* in the previous calendar year, the highest total amount of *client money* held during the previous calendar year, notification of which must be made no later than the fifteenth *business day* of January; or
- (2) if it did not hold *client money* in the previous calendar year but at any point up to the fifteenth *business day* of January the *firm* projects that it will do so in the current calendar year, the highest total amount of *client money* that the *firm* projects that it will hold during the current calendar year, notification of which must be made no later than the fifteenth *business day* of January; or
- (3) in any other case, the highest total amount of *client money* that the *firm* projects that it will hold during the remainder of the current calendar year, notification of which must be made no later than the *business day* before the *firm* begins to hold *client money*; and
- (4) in every case, of its '*CASS debt management firm type*' classification, notification of which must be made at the same time the *firm* makes the notification under (1), (2) or (3).

11.2.5
FCA

R

For the purpose of the annual notification in ■ CASS 11.2.4 R, a *CASS debt management firm* must apply the calculation rule in ■ CASS 11.2.2 R.

Option to be treated as a CASS large debt management firm

11.2.6
FCA

G

■ CASS 11.2.7 R provides a *CASS debt management firm* with the ability to opt in to a higher category of '*CASS debt management firm type*'. This may be useful for a *CASS debt management firm* whose holding of *client money* is near the upper categorisation limit for a *CASS small debt management firm*.

PAGE
5

11.2.7
FCA

R

- (1) Notwithstanding ■ CASS 11.2.3 R, provided that the conditions in (2) are satisfied, a *CASS debt management firm* that would otherwise be classified as a *CASS small debt management firm*

under the limits provided for in ■ CASS 11.2.3 R may elect to be treated as a *CASS large debt management firm*.

- (2) The conditions to which (1) refers are that in either case:
 - (a) the election is notified to the *FCA* in writing;
 - (b) the notification in accordance with (a) is made at least one week before the election is intended to take effect; and
 - (c) the *FCA* has not objected.

Effective date of firm type

11.2.8
FCA

R

A *firm*'s '*CASS debt management firm type*' and any change to it takes effect:

- (1) if the *firm* notifies the *FCA* in accordance with ■ CASS 11.2.4 R (1) or ■ CASS 11.2.4 R (2), on 1 February following the notification; or
- (2) if the *firm* notifies the *FCA* in accordance with ■ CASS 11.2.4 R (3), on the *day* it begins to hold client money; or
- (3) if the *firm* makes an election under ■ CASS 11.2.7 R and provided the conditions in ■ CASS 11.2.7 R (2) are satisfied, on the *day* the notification made under ■ CASS 11.2.7 R (2)(a) states that the election is intended to take effect.

11.2.9
FCA

G

Any written notification made to the *FCA* under this chapter should be marked for the attention of: "Debt Management Client Assets Firm Classification".



11.3 Responsibility for CASS operational oversight

CASS small debt management firm other than a not-for-profit debt advice body

11.3.1
FCA

R

A CASS *small debt management firm*, other than a *not-for-profit debt advice body*, must allocate to a *director* or *senior manager* performing a *significant-influence function* responsibility for:

- (1) oversight of the *firm's* operational compliance with ■ CASS 11;
- (2) reporting to the *firm's governing body* in respect of that oversight; and
- (3) completing and submitting a CCR005 return in accordance with ■ SUP 16.12.29C R.

CASS small debt management firm that is a not-for-profit debt advice body

11.3.2
FCA

R

A CASS *small debt management firm* that is a *not-for-profit debt advice body* must allocate to a *director* or *senior manager*:

- (1) oversight of the *firm's* operational compliance with ■ CASS 11;
- (2) reporting to the *firm's governing body* in respect of that oversight; and
- (3) completing and submitting a CCR005 return in accordance with ■ SUP 16.12.29C R.

CASS large debt management firm: the CASS operational oversight function (CF10a)

11.3.3
FCA

G

■ CASS 11.3.4 R describes the *FCA controlled function* known as the *CASS operational oversight function* (CF10a) in relation to *CASS large debt management firms*, including *not-for-profit debt advice bodies*. As a consequence of ■ CASS 11.3.4 R (in conjunction with ■ SUP 10A.4.1 R and ■ SUP 10A.7.10 R), in a *CASS large debt management firm* (including a *not-for-profit debt advice body* fitting into that category) the function described in ■ CASS 11.3.4 R is required to be discharged by a *director* or *senior manager* who is an *approved person* under the *approved persons* regime provided for in *SUP*.

11.3.4
FCA

R A CASS *large debt management firm* must allocate to a *director* or *senior manager* the function of:

- (1) oversight of the operational effectiveness of that CASS *debt management firm's* systems and controls that are designed to achieve compliance with ■ CASS 11;
- (2) reporting to the CASS *debt management firm's governing body* in respect of that oversight; and
- (3) completing and submitting a CCR005 return to the FCA in accordance with ■ SUP 16.12.29C R.

11.3.5
FCA

R If, at the time a CASS *debt management firm* becomes a CASS *large debt management firm* in accordance with ■ CASS 11.2.8 R, the *firm* is not able to comply with ■ CASS 11.3.4 R because it has no *director* or *senior manager* who is an *approved person* in respect of the CASS *operational oversight function*, the *firm* must:

- (1) take the necessary steps to ensure that it complies with ■ CASS 11.3.4 R as soon as practicable, which must at least include submitting an application for a candidate in respect of the CASS *operational oversight function* within 30 *business days* of the *firm* becoming a CASS *large debt management firm*; and
- (2) until such time as it is able to comply with ■ CASS 11.3.4 R, allocate to a *director* or *senior manager* performing a *significant-influence function* responsibility for:
 - (a) oversight of the *firm's* operational compliance with ■ CASS 11;
 - (b) reporting to the *firm's governing body* in respect of that oversight; and
 - (c) completing and submitting a CCR005 return to the FCA in accordance with ■ SUP 16.12.29C R.

Record of responsibility for CASS operational oversight

11.3.6
FCA

- R**
- (1) Subject to (2), a CASS *debt management firm* must make and retain an appropriate record of the *person* to whom responsibility is allocated in accordance with, as applicable, ■ CASS 11.3.1 R, ■ CASS 11.3.2 R, and ■ CASS 11.3.4 R.
 - (2) A CASS *small debt management firm* must make and retain such a record only where it allocates responsibility to a *person* other than the *person* in that *firm* who performs the *compliance oversight function*.

-
- (3) A CASS *debt management firm* must ensure that a record made under this rule is retained for a period of five years after it is made.

11.4 Definition of client money and the discharge of fiduciary duty

11.4.1
FCA

G

■ CASS 11 provides important safeguards for the protection of *client money* held by CASS *debt management firms* that sit alongside the fiduciary duty owed by firms in relation to *client money*. ■ CASS 11.4.2 R to ■ CASS 11.4.4 G provide *guidance* and *rules* for when *money* ceases to be *client money* for the purposes of both those rules and of the fiduciary duty which CASS *debt management firms* owe to *clients* in relation to *client money*.

11.4.2
FCA

R

Money ceases to be *client money* if:

- (1) it is paid to the *client*, or a duly authorised representative of the *client*; or
- (2) it is:
 - (a) paid to a third party on the instruction of the *client*, or with the specific consent of the *client*; or
 - (b) paid to a third party further to an obligation on the *firm* under any applicable law; or
- (3) it is paid into an account of the *client* (not being an account which is also in the name of the *firm*) on the instruction, or with the specific consent, of the *client*;
- (4) it is due and payable to the *firm* for its own account;
- (5) it is paid to the *firm* as an excess in the *client bank account* (see ■ CASS 11.11.12 R (2) and ■ CASS 11.11.23 R (3)).

11.4.3
FCA

R

When a CASS *debt management firm* draws a cheque or other payable order to discharge its fiduciary duty to the *client*, it must continue to treat the sum concerned as *client money* until the cheque or order is presented and paid.

11.4.4
FCA

G

Money is not *client money* when it is properly due and payable to the *firm* for its own account. The circumstances in which *money* may become due and payable to the *firm* could include when fees have become due and payable from the *client* to the *firm* under the agreement between the *client* and the *firm*.



11.5 Organisational requirements

11.5.1

FCA

R

A CASS *debt management firm* must, when holding *client money*, make adequate arrangements to safeguard the *client's* rights and prevent the use of *client money* for its own account.

11.5.2

FCA

R

A CASS *debt management firm* must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of *client money*, or of rights in connection with *client money*, as a result of misuse of *client money*, fraud, poor administration, inadequate record-keeping or negligence.

11.6 Statutory trust

11.6.1

FCA

R

A CASS *debt management firm* receives and holds *client money* as trustee on the following terms:

- (1) for the purposes and on the terms of the *debt management client money rules* and the *debt management client money distribution rules*;
- (2) subject to (3), for the *clients* for whom that *money* is held, according to their respective interests in it;
- (3) on *failure* of the CASS *debt management firm*, for the payment of the costs properly attributable to the distribution of the *client money* in accordance with (2); and
- (4) after all valid claims and costs under (2) and (3) have been met, for the CASS *debt management firm* itself.

11.6.2

FCA

G

Section 137B(1) of the *Act* provides that rules may make provisions which result in *client money* being held by a *firm* on trust. ■ CASS 11.6.1 R creates such a rule in relation to *client money* held by a CASS *debt management firm*. The consequence of this rule is there is a fiduciary relationship between a CASS *debt management firm* and its *client*, under which *client money* is in the legal ownership of the *firm* but remains in the beneficial ownership of the *client*. In the event of *failure* of the CASS *debt management firm*, costs relating to the distribution of *client money* may have to be borne by the trust.



11.7 Selecting an approved bank at which to hold client money

11.7.1
FCA

G

A CASS *debt management firm* owes a duty of care as a trustee to its clients in relation to *client money* and has to exercise that duty of care in deciding where to hold *client money*.

11.7.2
FCA

R

Before a CASS *large debt management firm* opens a *client bank account* and as often as is appropriate on a continuing basis (such frequency being no less than once in each financial year) it must take reasonable steps to establish that it is appropriate for the *firm* to hold *client money* at the *approved bank* concerned.

11.7.3
FCA

R

A CASS *large debt management firm* must consider the risks associated with holding all *client money* with one *approved bank* and should consider whether it would be appropriate to hold *client money* in *client bank accounts* at a number of different *approved banks*.

11.7.4
FCA

G

In complying with ■ CASS 11.7.3 R a CASS *large debt management firm* should consider as appropriate, together with any other relevant matters:

- (1) the amount of *client money* held by the *firm*;
- (2) the amount of *client money* the firm anticipates holding at the *approved bank*; and
- (3) the credit worthiness of the *approved bank*.

11.7.5
FCA

G

A CASS *small debt management firm* can demonstrate compliance with ■ CASS 11.7.1 G by checking that the *person* it proposes to hold *client money* with is an *approved bank* and that nothing has come to the *firm's* attention to cause it to believe that such *person* is not an appropriate place at which to hold *client money*.

11.7.6
FCA

R

A CASS *large debt management firm* must make a record of the grounds upon which it satisfies itself as to the appropriateness of its selection of an *approved bank*. The *firm* must make the record on the date it makes the selection and must keep it from the date of such selection until five years after the *firm* ceases to use the *approved bank* to hold *client money*.



11.8 Client bank account acknowledgement letters

11.8.1
FCA

G

The main purposes of a *client bank account acknowledgement letter* are:

- (1) to put the *approved bank* on notice of a *firm's clients'* interests in *client money* that has been deposited with such *person*;
- (2) to ensure that the *client bank account* has been opened in accordance with ■ CASS 11.9.3 R, and is distinguished from any account containing money that belongs to the *firm*; and
- (3) to ensure that the *approved bank* understands and agrees that it will not have any recourse or right against *money* standing to the credit of the *client bank account*, in respect of any liability of the *firm* to such *person* (or *person* connected to such *person*).

11.8.2
FCA

R

- (1) For each *client bank account*, a *CASS debt management firm* must, in accordance with ■ CASS 11.8.4 R, complete and sign a *client bank account acknowledgement letter* clearly identifying the *client bank account*, and send it to the *approved bank* with whom the *client bank account* is, or will be, opened, requesting the bank to acknowledge and agree to the terms of the letter by countersigning it and returning it to the *firm*.
- (2) Subject to ■ CASS 11.8.6 R, a *CASS debt management firm* must not hold or receive any *client money* in or into a *client bank account* unless it has received a duly countersigned *client bank account acknowledgement letter* from the *approved bank* that has not been inappropriately redrafted and clearly identifies the *client bank account*.

11.8.3
FCA

R

In drafting *client bank account acknowledgement letters* under ■ CASS 11.8.2 R a *CASS debt management firm* is required to use the relevant template in ■ CASS 11 Annex 1 R.

11.8.4
FCA

R

When completing a *client bank account acknowledgement letter* under ■ CASS 11.8.2 R (1) a *CASS debt management firm*:

- (1) must not amend any of the *acknowledgement letter fixed text*;

- (2) subject to (3), must ensure the *acknowledgement letter variable text* is removed, included or amended as appropriate; and
- (3) must not amend any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*.

11.8.5

FCA

G

■ CASS 11 Annex 2 contains *guidance* on using the template *client bank account acknowledgement letters*, including on when and how *firms* should amend the *acknowledgement letter variable text* that is in square brackets.

11.8.6

FCA

R

(1) If, on countersigning and returning the *client bank account acknowledgement letter* to a *firm*, the relevant *approved bank* has also:

- (a) made amendments to any of the *acknowledgement letter fixed text*; or
- (b) made amendments to any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*;

the *client bank account acknowledgement letter* will have been inappropriately redrafted for the purposes of ■ CASS 11.8.2 R (2).

(2) Amendments made to the *acknowledgement letter variable text*, in the *client bank account acknowledgement letter* returned to a *firm* by the relevant *approved bank*, will not have the result that the letter has been inappropriately redrafted if those amendments do not affect the meaning of the *acknowledgement letter fixed text*, have been specifically agreed with the *firm* and do not cause the *client bank account acknowledgement letter* to be inaccurate.

11.8.7

FCA

R

A *CASS debt management firm* must use reasonable endeavours to ensure that any individual that has countersigned a *client bank account acknowledgement letter* that has been returned to the *firm* was authorised to countersign the letter on behalf of the relevant *approved bank*.

11.8.8

FCA

R

A *CASS debt management firm* must retain each countersigned *client bank account acknowledgement letter* it receives from the date of receipt until the expiry of a period of five years starting on the date on which the last *client bank account* to which the acknowledgment letter relates is closed.

11.8.9

FCA

R

A *CASS debt management firm* must also retain any other documentation or evidence it believes is necessary to demonstrate that it has complied with each of the applicable requirements in this section (such as any evidence it has obtained to ensure that the individual that has countersigned a *client bank account acknowledgement letter* that has been returned to the *firm* was authorised to countersign the letter on behalf of the relevant *approved bank*).

11.8.10
FCA

R

A CASS *debt management firm* must, periodically (at least annually, and whenever it becomes aware that something referred to in a *client bank account acknowledgement letter* has changed) review each of its countersigned *client bank account acknowledgement letters* to ensure that they remain accurate.

11.8.11
FCA

R

Whenever a CASS *debt management firm* finds a countersigned *client bank account acknowledgement letter* to contain an inaccuracy, the *firm* must promptly draw up a new replacement *client bank account acknowledgement letter* under ■ CASS 11.8.2 R and ensure that the new *client bank account acknowledgement letter* is duly countersigned and returned by the relevant *approved bank*.

11.8.12
FCA

G

Under ■ CASS 11.8.10 R, a CASS *debt management firm* should obtain a replacement *client bank account acknowledgement letter* whenever:

- (1) there has been a change in any of the parties' names or addresses or a change in any of the details of the relevant account(s) as set out in the letter; or
- (2) it becomes aware of an error or misspelling in the letter.

11.8.13
FCA

R

If a CASS *debt management firm's client bank account* is transferred to another *approved bank*, the *firm* must promptly draw up a new *client bank account acknowledgement letter* under ■ CASS 11.8.2 R and ensure that the new *client bank account acknowledgement letter* is duly countersigned and returned by the relevant *approved bank* within 20 *business days* of the *firm* sending it to that *person*.



11.9 Segregation and the operation of client money accounts

Requirement to segregate

11.9.1
FCA

R

A CASS debt management firm must take all reasonable steps to ensure that all *client money* it receives is paid directly into a *client bank account* at an *approved bank*, rather than being first received into the *firm's* own account and then segregated.

11.9.2
FCA

G

A CASS debt management firm should arrange for *clients* and third parties to make transfers and payments of any *money* which will be *client money* directly into the *firm's* *client bank accounts*.

11.9.3
FCA

R

A CASS debt management firm must ensure that *client money* is held in a *client bank account* at one or more *approved banks*.

11.9.4
FCA

R

Cheques received by a CASS debt management firm, made out to the *firm*, representing *client money* or a *mixed remittance* must be treated as *client money* from receipt by the *firm*.

11.9.5
FCA

R

Where a CASS debt management firm receives *client money* in the form of cash, a cheque or other payable order, it must:

- (1) pay the *money* into a *client bank account* in accordance with ■ CASS 11.9.1 R promptly and no later than on the *business day* after it receives the *money*;
- (2) if the *firm* holds the *money* overnight, hold it in a secure location in line with *Principle 10*; and
- (3) record the receipt of the *money* in the *firm's* books and records under the applicable requirements of ■ CASS 11.11 (Records, accounts and reconciliations).

Mixed remittance

11.9.6
FCA

R

If a CASS debt management firm receives a *mixed remittance* it must:

- (1) pay the full sum into a *client bank account* promptly and in accordance with ■ CASS 11.9.1 R to ■ CASS 11.9.5 R; and

- (2) no later than one *business day* after the payment of the *mixed remittance* into the *client bank account* has cleared, pay the money that is not *client money* out of the *client bank account*.

Allocation of client money receipts

11.9.7
FCA

R

- (1) A CASS *debt management firm* must allocate in its books and records any *client money* it receives to an individual *client* promptly and, in any case, no later than five *business days* following the receipt.
- (2) Pending a CASS *debt management firm's* allocation of a client money receipt to an individual *client* under (1), it must record the received *client money* in its books and records as "unallocated client money".

11.9.8
FCA

R

If a CASS *debt management firm* receives money (either in a *client bank account* or an account of its own) which it is unable immediately to identify as *client money* or its own *money*, it must:

- (1) take all necessary steps to identify the *money* as either *client money* or its own *money*;
- (2) if it considers it reasonably prudent to do so, given the risk that *client money* may not be adequately protected if it is not treated as such, treat the entire balance of *money* as *client money* and record the *money* in its books and records as "unidentified client money" while it performs the necessary steps under (1).

11.9.9
FCA

G

If a CASS *debt management firm* is unable to identify money that it has received as either *client money* or its own *money* under ■ CASS 11.9.8 R (1), it should consider whether it would be appropriate to return the *money* to the person who sent it (or, if that is not possible, to the source from where it was received, for example, the bank). A *firm* should have regard to its fiduciary duties when considering such matters.

Money received by appointed representatives, tied agents, field representatives and other agents

11.9.10
FCA

R

A CASS *debt management firm* must ensure that *client money* received by its *appointed representatives, field representatives* or other agents is:

- (1) received directly into a *client bank account* of the *firm*; or
- (2) if it is received in the form of a cheque or other payable order:
 - (a) paid into a *client bank account* of the CASS *debt management firm* promptly and, in any event, no later than the next *business day* after receipt; or
 - (b) forwarded to the *firm* or, in the case of a *field representative*, forwarded to a specified business address of

the *CASS debt management firm*, to ensure that the *money* arrives at the specified business address promptly and, in any event, no later than the close of the third *business day* following the receipt of the *money* from the client; or

- (3) if it is received in the form of cash, paid into a *client bank account* of the *CASS debt management firm* promptly and, in any event, no later than the next *business day* after receipt.

Interest

11.9.11 FCA R A *CASS debt management firm* must pay a *client* any interest earned on *client money* held for that *client*.

Returning money to clients

11.9.12 FCA R A *CASS debt management firm* must, on receipt of a written request to withdraw from a *debt management plan*, promptly return to the *client* any *client money* held by it for the *client*.

11.9.13 FCA G The *FCA* would expect compliance with the requirement in ■ **CASS 11.9.12 R** to return *client money* promptly to require *client money* to be returned to a *client* within five *business days* of the date on which a *client's* withdrawal from a *debt management plan* takes effect.

11.10 Payments to creditors

11.10.1 **R** Where a CASS debt management firm receives *client money* from a *client* in relation to a *debt management plan* or for the purpose of distribution to the *client's* creditors, the *firm* must pay that *money* to creditors as soon as reasonably practicable, save in the circumstances in ■ CASS 11.10.3 R.

FCA

11.10.2 **G** In the FCA's view, the payment to creditors under ■ CASS 11.10.1 R should normally be within five *business days* of the receipt of cleared funds.

FCA

11.10.3 **R** The circumstances referred to in ■ CASS 11.10.1 R are:

FCA

- (1) the contract between the *client* and the CASS debt management firm expressly provides that *client money* might be held for more than five *business days* without being distributed to creditors;
- (2) the existence of such a term expressly providing that *client money* might be held for more than five *business days* without being distributed to creditors has been separately brought to the attention of the *client* prior to his entering into the contract; and
- (3) the CASS debt management firm has explained to the *client* the risks and implications, if any, of payment to creditors being delayed prior to the entry into the contract.

11.10.4 **R** On each occasion that a CASS debt management firm receives *client money* from a *client* in relation to a *debt management plan*, or for the purpose of distribution to the *client's* creditors, and it is proposed not to make a *client's* payment to creditors within five *business days* of receipt of the *client money* in the circumstances described in ■ CASS 11.10.3 R (1), it must:

FCA

- (1) as soon as reasonably practicable and within the five *business day* period, inform the *client's* creditors of the fact that it has received *client money* from the *client* for the purpose of

distribution to his or her creditors and that it will not distribute that *client money* to the creditors within the five *business-day* period; and

- (2) perform daily reconciliations of the money held for the *client* concerned in accordance with the provisions of ■ CASS 11.11.

11.10.5

FCA

R

On each occasion a *CASS debt management firm* receives *client money* from a *client* in relation to a *debt management plan*, or for the purpose of distribution to the *client's* creditors, and is unable for any reason other than in the circumstances described in ■ CASS 11.10.3 R (1) to make a payment to the *client's* creditors within five *business days* of receipt, it must:

- (1) inform the *client* of the delay and the reason for the delay;
- (2) inform the *client* of the risks and implications of the late payments;
- (3) inform the *client's* creditors of this delay as soon as reasonably practicable and within the period of five *business days* of the receipt of the relevant *client money*; and
- (4) perform daily checks of its records of the money held for the *client* concerned in accordance with the provisions of ■ CASS 11.11.

11.10.6

FCA

R

- (1) Subject to (2), where a *CASS debt management firm* receives *client money* from a *client* in relation to a *debt management plan* or for the purpose of distribution to the *client's* creditors, and it fails to pay that *money* to creditors as soon as reasonably practicable following its receipt (see ■ CASS 11.10.1 R and ■ CASS 11.10.2 G), it must put the *client* into the financial position he would have been in had the delay not occurred.

- (2) Paragraph (1) does not apply in the circumstances described in ■ CASS 11.10.3 R or where the delay is due to circumstances beyond the *firm's* control.

11.10.7

FCA

G

Putting a *client* into the position he would have been in had the delay not occurred under ■ CASS 11.10.6 R should include paying to the *client* a sum equivalent to the amount of any additional interest which would not have accrued but for the delay and any default charges that have been applied to the account as a result of the delay.

11.11 Records, accounts and reconciliations

Records and accounts

11.11.1 **R** A CASS *debt management firm* must keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish *client money* held for one *client* from *client money* held for any other *client*, and from its own *money*.
FCA

11.11.2 **G** In accordance with **■** CASS 11.11.1 R, a CASS *debt management firm* must maintain internal records and accounts of the *client money* it holds (for example, a cash book). These internal records are separate to any external records it has obtained from *approved banks* with whom it has deposited *client money* (for example, bank statements).
FCA

11.11.3 **R** A CASS *debt management firm* must maintain its records and accounts in a way that ensures their accuracy and, in particular, their correspondence to the *client money* held for individual *clients*.
FCA

11.11.4 **R** A CASS *debt management firm* must maintain up-to-date records that detail all payments to, from, or made on behalf of, *clients* and written and oral contact with *clients* and their creditors.
FCA

Policies and procedures

11.11.5 **G** CASS *debt management firms* are reminded that they must, under **■** SYSC 6.1.1 R, establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the *firm* with the *rules* in this chapter.
FCA

Checks and reconciliations of internal records

11.11.6 **G** So that a CASS *debt management firm* may check that it has sufficient *money* segregated in its *client bank accounts* to meet its obligations to *clients* for whom it is undertaking *debt management activity*, it is required periodically to carry out reconciliations of its internal records and accounts to check that the total amount of *client money* that it should have segregated in *client bank accounts* is equal to the total amount of *client money* it actually has segregated in *client bank accounts*. **■** CASS 11.11.8 R to **■** CASS 11.11.23 R provide *rules* that the different types of CASS *debt management firm* are obliged to follow to meet this obligation.
FCA

Checks of internal records: CASS small debt management firm

11.11.7 **G** For a CASS *small debt management firm* to demonstrate it has maintained its records and accounts in a way envisaged by ■ CASS 11.11.3 R, it should carry out checks of its internal records and accounts that are reasonable and proportionate to its business. ■ CASS 11.11.8 R provides a rule that a CASS *small debt management firm* is obliged to follow to meet this obligation.
FCA

11.11.8 **R** A CASS *small debt management firm* must undertake periodic checks of its internal accounts and records to ensure that the amount of money it holds in its *client bank accounts* is equal to the amount of *client money* that should be segregated under ■ CASS 11.9.
FCA

11.11.9 **R** In carrying out the checks required by ■ CASS 11.11.8 R a CASS *small debt management firm* must use the values contained in its internal records and ledgers (for example, its cash book or other internal accounting records), rather than the values contained in the records it has obtained from *approved banks* with whom it has deposited *client money* (for example, bank statements).
FCA

11.11.10 **G** The checks that a CASS *small debt management firm* is required to undertake under ■ CASS 11.11.8 R include checking that its internal records and accounts accurately record the balances of *client money* held in respect of individual *clients*, and that the aggregate of those individual *client money* balances are equal to the total *client money* segregated in its *client bank accounts*. In undertaking the comparison between the internal records of balances of *client money* and the *client money* segregated in *client bank accounts*, a *firm* should use the previous day's closing *client money* balances and should compare those with other records relating to the same day. In determining an appropriate frequency for its record checks, a *firm* should consider the volume and frequency of transactions in its *client bank accounts*.
FCA

11.11.11 **G** In seeking to comply with its obligation to carry out checks on its internal records and accounts, a CASS *small debt management firm* may choose to follow the steps specifically required of CASS *large debt management firms* in undertaking a CASS *large debt management firm internal client money reconciliation* and CASS *large debt management firm external client money reconciliation*. A CASS *small debt management firm* which follows that procedure is likely to be regarded by the FCA as having fulfilled its obligation under ■ CASS 11.11.8 R.
FCA

CASS small debt management firms: remedying discrepancies

11.11.12 **R** Where the check of its internal records and accounts that a CASS *small debt management firm* is required to undertake under ■ CASS 11.11.8 R reveals a difference between the amount of *money* it holds in its *client bank accounts* and the amount of *client money* that should be held and segregated under ■ CASS 11.9, a CASS *small debt management firm* must:
FCA

- (1) ensure that any shortfall in the amount held in its *client bank accounts* as compared to the amount that should be held there is made up by a prompt payment into the *firm's client bank accounts*;

- (2) ensure that any excess in the amount held in its *client bank accounts* as compared to the amount that should be held there is promptly withdrawn from its *client bank accounts*; and
- (3) ensure that any correction of a shortfall or excess of the kind referred to in (1) and (2) is carried out, at the latest, before the end of the *business day* following the day on which difference was discovered.

CASS large debt management firms internal client money reconciliation

11.11.13 **R**
FCA A CASS *large debt management firm* must, as regularly as is necessary, but no less often than every five *business days*, carry out a CASS *large debt management firm internal client money reconciliation*.

11.11.14 **R**
FCA A CASS *large debt management firm internal client money reconciliation* requires a CASS *large debt management firm* to check whether its *client money* resource, as determined by ■ CASS 11.11.16 R, on the previous *business day*, was at least equal to the *client money* requirement, as determined by ■ CASS 11.11.17 R as at the close of business on that day.

11.11.15 **R**
FCA In carrying out a CASS *large debt management firm internal client money reconciliation*, a CASS *large debt management firm* must use the values contained in its internal records and ledgers (for example, its cash book or other internal accounting records), rather than the values contained in the records it has obtained from *approved banks* with whom it has deposited *client money* (for example, bank statements).

Calculating the client money resource

11.11.16 **R**
FCA The client money resource for *client money* held in accordance with ■ CASS 11.11.14 R is the aggregate of the balances on the *firm's client bank accounts*, as at the close of business on the previous *business day*.

Calculating the client money requirement

- 11.11.17 **R**
FCA
- (1) The *client money* requirement is the sum of:
 - (a) the aggregate of all individual *client* balances calculated in accordance with ■ CASS 11.11.21 R and ■ CASS 11.11.22 R;
 - (b) the amount of any unallocated *client money* under ■ CASS 11.9.7 R;
 - (c) the amount of any unidentified *client money* under ■ CASS 11.9.8 R; and
 - (d) any other amounts of *client money* included in the calculation under (2).
 - (2) For the purposes of (1)(d), the CASS *debt management firm* must consider whether there are amounts of *client money*, other

than those in (1)(a) to (c), to which the requirement to segregate applies and that it is appropriate to include in the calculation of its *client money* requirement and, if so, adjust the calculation accordingly.

11.11.18

FCA

G

The *client money* requirement calculated in accordance with ■ CASS 11.11.17 R should represent the total amount of *client money* a CASS debt management firm is required to have segregated in *client bank accounts* under the *debt management client money chapter*.

11.11.19

FCA

G

Firms are reminded that, under ■ CASS 11.4.3 R, if a firm has drawn any cheques, or other payable orders, to discharge its fiduciary duty to its *clients* (for example, to return *client money* to the *client* or distribute it to the *client's* creditors), the sum concerned must be included in the firm's calculation of its *client money* requirement until the cheque or order is presented and paid.

11.11.20

FCA

G

The following *guidance* applies where a CASS debt management firm receives *client money* in the form of cash, a cheque or other payable order:

- (1) In carrying out the calculation of the *client money* requirement, a CASS debt management firm may initially include the amount of *client money* received as cash, cheques or payment orders that has not yet been deposited in a *client bank account* in line with ■ CASS 11.9.5 R. If it does so, the firm should ensure, before finalising the calculation, that it deducts these amounts to avoid them giving rise to a difference between the firm's *client money* requirement and *client money* resource.
- (2) In carrying out the calculation of the *client money* requirement, a CASS debt management firm may alternatively exclude the amount of *client money* received as cash, cheques or payment orders that has not yet been deposited in a *client bank account* in line with ■ CASS 11.9.5 R. If it does so, the firm is reminded that it must separately record the receipt of the *money* in the firm's books and records under ■ CASS 11.9.5 R (3).
- (3) A CASS debt management firm that receives *client money* in the form of cash, a cheque or other payable order is reminded that it must pay that *money* into a *client bank account* promptly and no later than on the *business day* after it receives the *money* (see ■ CASS 11.9.5 R).

11.11.21

FCA

R

The individual *client* balance for each *client* must be calculated as follows:

- (1) the amount paid by the *client* to the CASS debt management firm;
plus
 - (2) the amount of any interest, and any other sums, due to the *client*;
- less:
- (3) the aggregate of the amount of money:
 - (a) paid back to that *client*; and

- (b) due and payable by the *client* to the CASS *debt management firm*; and
- (c) paid out to a third party for, or on behalf of, that *client*.

11.11.22 **R**
FCA

Where the individual *client* balance calculated in respect of an individual *client* under ■ CASS 11.11.21 R is a negative figure (because the amounts paid by or due to a *client* under ■ CASS 11.11.21 R (1) and ■ CASS 11.11.21 R (2) are less than the amounts paid out or due and payable by that *client* under ■ CASS 11.11.21 R (3), that individual *client* balance should be treated as zero for the purposes of the calculation of the *firm's client money* requirement in ■ CASS 11.11.17 R.

Large debt management firms: reconciliation differences and discrepancies

11.11.23 **R**
FCA

When a CASS *large debt management firm internal client money reconciliation* reveals a difference between the *client money* resource and its *client money* requirement a CASS *large debt management firm* must:

- (1) identify the reason for the difference;
- (2) ensure that any shortfall in the amount of the *client money* resource as compared to the amount of the *client money* requirement is made up by a payment into the *firm's client bank accounts* by the end of the *business day* following the day on which difference was discovered; and
- (3) ensure that any excess in the amount of the *client money* resource as compared to the amount of the *client money* requirement is withdrawn from the *firm's client bank accounts* by the end of the *business day* following the day on which the difference was discovered.

CASS large debt management firm external client money reconciliation

11.11.24 **G**
FCA

The purpose of the reconciliation process required by ■ CASS 11.11.25 R is to ensure the accuracy of a *firm's* internal accounts and records against those of any third parties by whom *client money* is held.

11.11.25 **R**
FCA

A CASS *large debt management firm* should perform a CASS *large debt management firm external client money reconciliation*:

- (1) as regularly as is necessary; and
- (2) no less frequently than the CASS *large debt management firm internal client money reconciliations*; and

(3) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of its internal accounts and records against those of *approved banks* with whom *client money* is deposited.

11.11.26 **R** A CASS large debt management firm external client money reconciliation requires a CASS large debt management firm to conduct a reconciliation between its internal accounts and records and those of any *approved banks* by whom *client money* is held.
FCA

11.11.27 **G** The FCA expects a CASS large debt management firm which carries out transactions for its clients on a daily basis to carry out a CASS large debt management firm external client money reconciliation on a daily basis.
FCA

11.11.28 **R** When any discrepancy is revealed by a CASS large debt management firm external client money reconciliation, a CASS large debt management firm must identify the reason for the discrepancy and correct it as soon as possible, unless the discrepancy arises solely as a result of timing differences between the accounting systems of the party providing the statement or confirmation and that of the *firm*.
FCA

11.11.29 **R** While a CASS large debt management firm is unable to resolve a discrepancy arising from the CASS large debt management firm external client money reconciliation, and one record or a set of records examined by the *firm* during the reconciliation process indicates that there is a need to have greater amount of *client money* than is in fact the case, the *firm* must assume, until the matter is finally resolved, that the record or set of records is accurate and pay its own *money* into a relevant account.
FCA

Notification requirements

11.11.30 **R** A CASS debt management firm must inform the FCA in writing without delay if:
FCA

- (1) its internal records and accounts of *client money* are materially out of date or materially inaccurate so that the *firm* is no longer able to comply with the requirements in ■ CASS 11.11.1 R to ■ CASS 11.11.4 R; or
- (2) it becomes aware that, at any time in the preceding 12 months, the amount of *client money* segregated in its *client bank accounts* materially differed from the total aggregate amount of *client money* the *firm* was required to segregate in *client bank accounts* in accordance with the segregation requirements in ■ CASS 11.9.

11.11.31

FCA

R

A CASS *large debt management firm* must inform the FCA in writing without delay if:

- (1) after having carried out a CASS *large debt management firm internal client money reconciliation* in accordance with
■ CASS 11.11.13 R it will be unable to, or materially fails to, pay any shortfall into (or withdraw any excess from) a *client bank account* so that the *firm* is unable to comply with
■ CASS 11.11.23 R;
- (2) after having carried out a CASS *large debt management firm external client money reconciliation* in accordance with
■ CASS 11.11.25 R it will be unable to, or materially fails to, identify and correct any discrepancies in accordance with
■ CASS 11.11.28 R;
- (3) it will be unable to or materially fails to conduct a CASS *large debt management firm internal client money reconciliation* in compliance with ■ CASS 11.11.13 R; or
- (4) it will be unable to or materially fails to conduct a CASS *large debt management firm external client money reconciliation* in compliance with ■ CASS 11.11.25 R.

11.11.32

FCA

G

CASS *debt management firms* are also reminded of their obligation to notify the *appropriate regulator* of a significant breach of a *rule* under ■ SUP 15.3.11 R.

11.12 CASS 11 resolution pack

11.12.1 **G** The purpose of the *CASS 11 resolution pack* is to ensure that a *firm* maintains and is able to retrieve information that would, in the event of its insolvency, assist an insolvency practitioner in dealing with *client money* in a timely manner.
FCA

11.12.2 **R** A *CASS debt management firm* which holds *client money* must maintain at all times and be able to retrieve, in the manner described in this section, a *CASS 11 resolution pack*.
FCA

11.12.3 **R** A *CASS debt management firm* must include within its *CASS 11 resolution pack* all those documents referred to in **■ CASS 11.12.4 R**.
FCA

11.12.4 **R** The documents in **■ CASS 11.12.3 R** that a *CASS debt management firm* must include within its *CASS 11 resolution pack* are:

- (1) a master document containing information sufficient to retrieve each document in the *firm's CASS 11 resolution pack*;
- (2) a document which identifies all the *approved banks* with whom *client money* may be deposited;
- (3) a document which identifies each *appointed representative, field representative* or other agent of the *firm* which may receive *client money* in its capacity as the *firm's agent*;
- (4) a document which identifies each *senior manager and director* and any other individual and the nature of their responsibility within the *firm* who is critical or important to the performance of operational functions related to any of the obligations imposed on the *firm* under the *debt management client money rules*;
- (5) for all *approved banks* identified in (2) the written *client bank account acknowledgement letters* sent and received in accordance with **■ CASS 11.8.2 R**; and
- (6) records relating to the internal and external client money checks it is required to carry out under **■ CASS 11.11**.

11.12.5

FCA

R

In relation to each document in a *CASS debt management firm's CASS 11 resolution pack* a *firm* must:

- (1) put in place adequate arrangements to ensure that an administrator, receiver, trustee, liquidator or analogous officer appointed in respect of it or any material part of its property is able to retrieve each document as soon as practicable and, in any event, within 48 hours of that officer's appointment; and
- (2) ensure that it is able to retrieve each document as soon as practicable and, in any event, within 48 hours where it has taken a decision to do so or as a result of an *FCA* request.

11.12.6

FCA

R

(1) A *CASS debt management firm* must ensure that it reviews the content of its *CASS 11 resolution pack* on an ongoing basis to ensure that it remains accurate.

(2) In relation to any change of circumstances that has the effect of rendering inaccurate, in any material respect, the content of a document specified in ■ CASS 11.12.4 R, a *firm* must ensure that any inaccuracy is corrected promptly and in any event no more than five *business days* after the change of circumstances arose.

11.12.7

FCA

R

A *CASS debt management firm* must notify the *FCA* in writing immediately if it has not complied with, or is unable to comply with, ■ CASS 11.12.2 R and ■ CASS 11.12.6 R.



11.13 Client money distribution in the event of a failure of a firm or approved bank

Application

11.13.1

FCA

R

This section (the *debt management client money distribution rules*) applies to a *CASS debt management firm* that holds *client money* which is subject to the *debt management client money rules* when a *primary pooling event* or a *secondary pooling event* occurs.

Purpose

11.13.2

FCA

G

The *debt management client money distribution rules* seek, in the event of the *failure* of a *CASS debt management firm* or of an *approved bank* at which the *CASS debt management firm* holds *client money*, to protect *client money* and to facilitate the timely payment of sums to creditors or the timely return of *client money* to clients.

Failure of a CASS debt management firm: primary pooling event

11.13.3

FCA

R

A *primary pooling event* occurs:

- (1) on the *failure* of a *CASS debt management firm*;
- (2) on the vesting of assets in a *trustee* in accordance with an '*assets requirement*' imposed under section 55P(1)(b) or (c) (as the case may be) of the *Act* where such a *requirement* is imposed in respect of all *client money* held by the *firm*.

Pooling and distribution after a primary pooling event

11.13.4

FCA

R

If a *primary pooling event* occurs:

- (1) all client money:
 - (a) held in the *CASS debt management firm's client bank accounts*; and
 - (b) received by the *CASS debt management firm* on behalf of a *client* but not yet paid into the *firm's client bank accounts*;
- (2) a *CASS debt management firm* must calculate the amount it should be holding on behalf of each individual client as at the time of the

primary pooling event using the method of calculating individual client balance provided for by ■ CASS 11.11.21 R;

- (3) a CASS *debt management firm* must decide whether it is in the best interests of its clients to transfer all its *debt management activity* business to another CASS *debt management firm*.

Distribution if client money not transferred to another firm

11.13.5
FCA

R

Where a *primary pooling event* occurs and the *client money* is not transferred to another *firm* in accordance with ■ CASS 11.13.4 R, a CASS *debt management firm* must distribute client money comprising the notional pool so that each client receives a sum that is rateable to their entitlement to the notional pool calculated in ■ CASS 11.13.4 R (2).

Transfer of client money to another firm

11.13.6
FCA

G

If in the event of a *primary pooling event* occurring the *debt management activity* business undertaken by a CASS *debt management firm* ("the transferor") is to be transferred to another CASS *debt management firm* ("the transferee"), then the transferor may also move the *client money* associated with that business to the transferee.

11.13.7
FCA

R

The remaining *client money* may be transferred under ■ CASS 11.13.6 G only if it will be held by the transferee in accordance with the *debt management client money chapter*, including the statutory trust in ■ CASS 11.6.1 R.

11.13.8
FCA

R

If there is a *shortfall* in the *client money* transferred under ■ CASS 11.13.6 G then the *client money* must be allocated to each of the *clients* for whom the *client money* was held so that each client is allocated a sum which is rateable to that client's *client money* entitlement in accordance with ■ CASS 11.13.4 R (2). This calculation may be done by either transferor or transferee in accordance with the terms of any transfer.

11.13.9
FCA

R

The transferee must, within seven *days* after the transfer of *client money* under ■ CASS 11.13.6 G notify *clients* that:

- (1) their *money* has been transferred to the transferee; and
- (2) they have the option of having *client money* returned to them or to their order by the transferee, otherwise the transferee will hold the *client money* for the *clients* and conduct *debt management activities* for those *clients*.

Failure of an approved bank: secondary pooling event

11.13.10
FCA

R

A *secondary pooling event* occurs on the *failure* of an *approved bank* at which a CASS *debt management firm* holds *client money* in a *client bank account*.

11.13.11

R

FCA

- (1) Subject to (2), if a *secondary pooling event* occurs as a result of the *failure* of an *approved bank* where one or more *client bank accounts* are held then in relation to every *client bank account* of the *firm*, the provisions of ■ CASS 11.13.12 R (1), ■ CASS 11.13.12 R (2) and ■ CASS 11.13.12 R (3) will apply.
- (2) ■ CASS 11.13.12 R does not apply if, on the *failure* of the *approved bank*, the *CASS debt management firm* pays to its *clients*, or pays into a *client bank account* at an unaffected *approved bank*, an amount equal to the amount of *client money* that would have been held if a shortfall had not occurred as a result of the *failure*.

11.13.12

R

FCA

Money held in each *client bank account* of the *firm* must be treated as pooled and:

- (1) any *shortfall* in *client money* held, or which should have been held, in *client bank accounts*, that has arisen as a result of the *failure* of the *approved bank*, must be borne by all *clients* whose *client money* is held in a *client bank account* of the *firm*, rateably in accordance with their entitlements to the pool;
- (2) a new *client money* entitlement must be calculated for each *client* by the *firm*, to reflect the requirements in (1), and the *firm's* records must be amended to reflect the reduced *client money* entitlement;
- (3) the *CASS debt management firm* must make and retain a record of each *client's* share of the *client money* shortfall at the *failed approved bank* until the *client* is repaid; and
- (4) the *firm* must use the new *client* entitlements, calculated in accordance with (2), when performing the *client money* calculation in ■ CASS 11.11.17 R.

11.13.13

R

FCA

The term 'which should have been held' is a reference to the failed *approved bank's* failure to hold the *client money* at the time of the pooling event.

11.13.14

R

FCA

Any interest earned on *client money* following a *primary* or *secondary pooling event* will be due to *clients* in accordance with ■ CASS 11.9.11 R (Interest).

CASS debt management firm client bank account acknowledgement letter template

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

CASS debt management firm client bank account acknowledgment letter template - CASS 11 Annex 1 R

Guidance notes for client bank account acknowledgement letters (CASS 11.8.5G)

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for CASS debt management firm client bank account acknowledgement letters (CASS 11.8.5G) - CASS 11 Annex 2 G

Client Assets

CASS TP 1 Transitional Provisions

FCA

(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
-1	CASS 1A	R	CASS 1A does not apply to an <i>operator of an electronic system in relation to lending</i> who holds an <i>interim permission</i> .	From 1 April 2014 to 30 September 2014	1 April 2014
1	CASS 2 to CASS 4	R	[deleted]		
2	Every <i>rule</i> in the <i>Handbook</i>	R	Expired		
		G	Expired		
2A		G	[deleted]		
3	CASS 5.1 to CASS 5.6	R	Apply in relation to <i>money</i> (and where appropriate <i>designated investments</i>) held by a <i>firm</i> on 14 January 2005 (being <i>money</i> or <i>designated investments</i> to which CASS 5.1 to CASS 5.6 would not otherwise apply) to the extent that such <i>money</i> (or <i>designated investments</i>) relate to business carried on before 14 January 2005 and which would, if conducted on or after 14 January 2005, be an <i>insurance mediation activity</i> .	Indefinitely	14 January 2005
4	CASS 5.1.5A	R	[Expired]		
5	CASS 5.3.2	R	[Expired]		
6	CASS 5.4.7	R	[Expired]		

(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
7	CASS 5.5.65 R	R	[Expired]		
8	CASS 6.3.5 R		[deleted]		
8A	CASS 6.3.5 R to CASS 6.3.8R	R G	The <i>rules</i> listed in column (2) do not apply in relation to agreements executed before 1 April 2012. Notwithstanding the operation of <i>CASS TP 1.1R(8A)</i> , a <i>firm</i> should as soon as reasonably practicable modify its agreement with that third party so as to meet the requirements of CASS 6.3.5 R to CASS 6.3.8 R.	1 April 2012 until 30 September 2012	1 April 2012
9	CASS 6.1.6 R (2) and CASS 6.1.6A R		[deleted]		
10	CASS 7.2.3 R (2) and CASS 7.2.3A R		[deleted]		
11	CASS 7 and CASS 7A	R	The <i>rules</i> listed in column (2) do not apply to an <i>operator of an electronic system in relation to lending</i> who holds an <i>interim permission</i> .	From 1 April 2014 to 30 September 2014	1 April 2014
12	CASS 7 and CASS 7A	R	(1) The rules in column (2) apply to an <i>operator of an electronic system in relation to lending</i> where the <i>FCA</i> or <i>PRA</i> has granted an application made by the <i>firm</i> for <i>Part 4A permission</i> and an <i>interim permission</i> the <i>firm</i> was treated as having has ceased to have effect. (2) The rules in column (2) apply in relation to <i>money</i> held by the <i>firm</i> on the date on which the written notice given by the <i>FCA</i> or <i>PRA</i> under section 55V(5) of the <i>Act</i> takes effect, to the extent that	Indefinitely	1 April 2014

(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
13	CASS 11	R	<p>such <i>money</i> was received, or is held in the course of or in connection with the <i>operation of an electronic system in relation to lending</i> carried on before that date (or business carried on before 1 April 2014 and which would, if conducted on or after 1 April 2014, be <i>money</i> which was received, or held in the course of or in connection with the <i>operation of an electronic system in relation to lending</i>).</p> <p>(1) CASS 11 does not apply to a <i>CASS debt management firm</i> which is a <i>not-for-profit debt advice body</i> treated as having <i>Part 4A permission</i> on and after 1 April 2014 by virtue of article 60 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 until 1 October 2014, if the <i>firm</i> acts in accordance with the provisions of paragraphs 3.42 and 3.43 of the Debt management (and credit repair services) guidance (OFT366rev) previously issued by the Office of Fair Trading, as they were in effect immediately before 1 April 2014.</p> <p>(2) CASS 11 applies in relation to <i>money</i> held by a <i>CASS debt management firm</i> within (1) on 1 October 2014 to the extent that such <i>money</i> was received, or is held on behalf of an individual, in the course of or in connection with <i>debt management activity</i> carried on before that date (or business carried on before 1 April 2014 and which would, if conducted on or after 1 April 2014, be a <i>debt management activity</i>).</p>	Indefinitely	1 April 2014

(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
14	CASS 11	R	<p>(1) This <i>rule</i> applies to a <i>CASS debt management firm</i> where the <i>FCA</i> or <i>PRA</i> has granted an application made by the <i>firm</i> for <i>Part 4A permission</i> and an <i>interim permission</i> the <i>firm</i> was treated as having has ceased to have effect.</p> <p>(2) <i>CASS 11</i> applies in relation to <i>money</i> held by the <i>CASS debt management firm</i> on the date on which the written notice given by the <i>FCA</i> or <i>PRA</i> under section 55V(5) of the <i>Act</i> takes effect, to the extent that such <i>money</i> was received, or is held on behalf of an individual, in the course of or in connection with <i>debt management activity</i> carried on before that date (or business carried on before 1 April 2014 and which would, if conducted on or after 1 April 2014, be a <i>debt management activity</i>).</p>	Indefinitely	1 April 2014

Client Assets

Schedule 1 Record keeping requirements

Sch 1.1 G

FCA

The aim of the guidance in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

Sch 1.2 G

FCA

It is not a complete statement of those requirements and should not be relied on as if it were.

Sch 1.3 G

FCA

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
CASS 1A.3.3 R	Allocation of the <i>CASS</i> oversight responsibilities in CASS 1A.3.1 R, of the <i>CASS operational oversight function</i> , or of the responsibilities in CASS 1A.3.1C R (2), as relevant	The <i>person</i> to whom the <i>CASS</i> oversight responsibilities have been allocated, subject to the provisions of CASS 1A.3.3 R, to whom the <i>CASS operational oversight function</i> has been allocated in accordance with CASS 1A.3.1A R, or to whom the responsibilities in CASS 1A.3.1C R (2) have been allocated	Upon allocation	5 years (from the date the record was made)
CASS 1.4.12 R and, where applicable, CASS 1.4.13 R	For a <i>firm</i> which carries on <i>auction regulation bidding</i> , election (under CASS 1.4.9 R) to comply with <i>CASS</i> in respect of this activity and, where applicable, decision to discontinue use of that opt in	Record of this election or, where applicable, the decision to discontinue use of the opt in, including the date on which either is to be effective	Upon making the election or, where applicable, upon taking the decision to discontinue use of the opt in	5 years from the date on which the opt in ceases to be used

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
CASS 5.1.1 R (4)	Record of election of compliance with specified <i>CASS</i> rules	Record of compliance with specified <i>CASS</i> rules	Not specified	Not specified
CASS 5.2.3 R (2)	Holding <i>client money</i> as agent	The terms of the agreement	Not specified	Six years
CASS 5.4.4 R (2)	Adequacy of systems and controls	Written confirmation of adequate systems and controls from its auditor	Not specified	Not specified
CASS 5.5.84 R	<i>Client money</i> calculation	Whether the <i>firm</i> calculates its <i>client money</i> requirements according to CASS 5.5.84 R or CASS 5.5.84 R	Not specified	Not specified
CASS 5.5.84 R	Transactions and commitments for <i>client money</i>	Explanation of the <i>firm's</i> transactions and commitments for <i>client money</i>	Not specified	Three years
CASS 5.8.3 R (1)	Client's title to a <i>contract of insurance</i>	Identity of such <i>documents</i> and/or property and dates received and delivered to <i>client</i>	Not specified	Three years
CASS 6.1.16C R (3)	<i>A personal investment firm</i> that temporarily holds a <i>client's designated investments</i> which is not in the course of <i>MiFID business</i>	Client details and any actions taken by the <i>firm</i>		5 years (from the making of the record)
CASS 6.1.16K R	Client custody assets which the <i>firm</i> has arranged for another to hold or receive	Full details	On receipt	5 years
				[deleted]
CASS 6.3.1R (4)	Appropriateness of a <i>firm's</i> selection of a third party	Grounds upon which a <i>firm</i> satisfies itself as to the appropriateness of the <i>firm's</i> selection of a third party to hold <i>safe</i>	Date of the selection	5 years (from the date the <i>firm</i> ceases to use the third party to hold <i>safe custody assets</i> belonging to <i>clients</i>)

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
		<i>custody assets</i> belonging to <i>clients</i>		
CASS 6.4.3 R	Details of <i>clients</i> and <i>safe custody assets</i> used for the <i>firm's</i> own account or the account of another <i>client</i> of the <i>firm</i>	Details of the <i>client</i> on whose instructions the use of the <i>safe custody assets</i> has been effected and the number of <i>safe custody assets</i> used belonging to each <i>client</i>	Maintain up to date records	5 years (from the date the record was made)
CASS 6.5.1 R	<i>Safe custody assets</i> held for each <i>client</i> and the <i>firm's</i> own <i>applicable assets</i>	All that is necessary to enable the <i>firm</i> to distinguish <i>safe custody assets</i> held for one <i>client</i> from <i>safe custody assets</i> held for any other <i>client</i> , and from the <i>firm's</i> own <i>applicable assets</i>	Maintain up to date records	5 years (from the date the record was made)
CASS 6.5.2 R	<i>Safe custody assets</i> held for <i>clients</i>	Accurate records which ensure their correspondence to the <i>safe custody assets</i> held for <i>clients</i>	Maintain up to date records	5 years (from the date the record was made)
CASS 6.5.2A R	<i>Client</i> agreements that include a <i>firm's</i> right to use <i>safe custody assets</i> for its own account	A copy of every executed <i>client</i> agreement that includes a <i>firm's</i> right to use <i>safe custody assets</i> for its own account	Maintain up-to-date records	5 years (from the date the record was made)
CASS 7.1.3 R (2)	Record of election to comply with the <i>client money chapter</i>	Record of election to comply with the <i>client money chapter</i> , including the date from which the election is to be effective	Date of the election	5 years (from the date the <i>firm</i> ceases to use the election)
CASS 7.1.15C R	Record of election in relation to CASS 7.1.15C R	Record of election in relation to CASS 7.1.15C R	Date of election	Not specified
CASS 7.4.10 R	Appropriateness of a <i>firm's</i> selection of a third party	Grounds upon which a <i>firm</i> satisfies itself as to the appropriateness of the <i>firm's</i> selection of a third party to hold <i>client money</i>	Date of the selection	5 years (from the <i>firm</i> ceases to use the third party to hold <i>client money</i>)
CASS 7.6.1 R	<i>Client money</i> held for each <i>client</i> and the <i>firm's</i> own <i>money</i>	All that is necessary to enable the <i>firm</i> to distinguish <i>client money</i> held for one <i>client</i> from <i>client money</i> held for any other <i>client</i> , and from the <i>firm's</i> own <i>money</i>	Maintain up to date records	5 years (from the date the record was made)
CASS 7.6.2 R	<i>Client money</i> held for each <i>client</i>	Accurate records to ensure the correspondence between the records and	Maintain up to date records	5 years (from the date the record was made)

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
		accounts of the entitlement of each <i>client</i> for whom the <i>firm</i> holds <i>client money</i> with the records and accounts of the <i>client money</i> the <i>firm</i> holds in <i>client bank accounts</i> and <i>client transaction accounts</i>		
CASS 7.6.7 R	Internal reconciliation of <i>client money</i> balances	Explanation of method of internal reconciliation of <i>client money</i> balances used by the <i>firm</i> , and if different from the <i>standard method of internal client money reconciliation</i> , an explanation as to how the method used affords equivalent degree of protection to <i>clients</i> , and how it enables the <i>firm</i> to comply with the <i>client money distribution rules</i>	Date the <i>firm</i> starts using the method	5 years (from the date the <i>firm</i> ceases to use the method)
CASS 7A.3.8 R (3)	<i>Client money shortfall</i>	Each <i>client's</i> entitlement to <i>client money shortfall</i> at the failed bank	Maintain up to date records	Until <i>client</i> is repaid
CASS 7A.3.10 R (3)	<i>Client money shortfall</i>	Each <i>client's</i> entitlement to <i>client money shortfall</i> at the failed bank	Maintain up to date records	Until <i>client</i> is repaid
CASS 7A.3.11 R (3)	<i>Client money shortfall</i>	Each <i>client's</i> entitlement to <i>client money shortfall</i> at the failed bank	Maintain up to date records	Until <i>client</i> is repaid
CASS 7A.3.17 R (3)	<i>Client money shortfall</i>	Each <i>client's</i> entitlement to <i>client money shortfall</i> at the failed intermediate broker, <i>settlement agent</i> or OTC counterparty	Maintain up to date records	Until <i>client</i> is repaid
CASS 8.3.1 R	Adequate records and internal controls in respect of the <i>firm's</i> use of <i>mandates</i> (see CASS 8.3.2 R (1) to CASS 8.3.2 R (5))	Up to date list of <i>firm's mandates</i> and any conditions regarding the use of <i>mandates</i> , all transactions entered into, details of procedures and <i>internal controls</i> for giving and receiving of instructions under <i>mandates</i> , and important	Maintain current full details	Not specified

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
CASS 10.1.3 R	<i>A firm's CASS resolution pack</i>	<i>client</i> documents held by the <i>firm</i> The documents to which CASS 10.2 and CASS 10.3 refer	From the date on which a <i>firm</i> becomes subject to CASS 10.1.3 R	None is specified
CASS 11.3.6 R	Allocation of CASS oversight function in CASS 11.3.1 R or CASS 11.3.2 R, or CASS operational oversight function in CASS 11.3.4 R	The <i>person</i> to whom (as applicable) the CASS oversight responsibilities have been allocated, or to whom the CASS operational oversight function has been allocated	Upon allocation	5 years (from the date the record was made)
CASS 11.7.6 R	Appropriateness of a CASS large debt management firm's selection of an approved bank	Grounds upon which a CASS large debt management firm satisfies itself as to the appropriateness of the firm's selection of an approved bank at which to hold <i>client</i> money	Date of the selection	5 years (from the date the firm ceases to use the approved bank to hold <i>client</i> money)
CASS 11.8.8 R	<i>Client</i> bank account acknowledgement letters in accordance with CASS 11.8.2 R	Each countersigned <i>client</i> bank account acknowledgement letters received	On receipt of each letter	5 years (following closure of the last <i>client</i> bank account to which the letter relates)
CASS 11.8.9 R	Demonstration that a CASS debt management firm has complied with CASS 11.8.2 R to CASS 11.8.7 R	Evidence of such compliance	On compliance with the relevant provision	None specified
CASS 11.9.5 R	Money received from <i>clients</i> in the form of cash, cheques or other payable orders	Details of money received	On receipt	None specified
CASS 11.9.8 R (2)	Unidentified <i>client</i> money under CASS 11.9.8 R (2)	Details of unidentified <i>client</i> money held	Being unable to identify money as <i>client</i> money or its own money, and deciding it is reasonably prudent to so record	Until it performs the necessary steps to identify the money under CASS 11.9.8 R (1)
CASS 11.11.1 R	<i>Client</i> money held for each <i>client</i> and the CASS debt management firm's own money	All that is necessary to enable the CASS debt management firm to distinguish <i>client</i> money held for one <i>client</i> from <i>client</i> money held for any other <i>client</i> , and from the firm's own money	Maintain up-to-date records	None is specified
CASS 11.11.3 R	<i>Client</i> money held for each <i>client</i>	Accurate records to ensure the correspondence	Maintain up-to-date records	None is specified

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
		between the records and accounts of the entitlement of each <i>client</i> for whom the <i>CASS debt management firm</i> holds <i>client money</i> with the records and accounts of the <i>client money</i> the firm holds in <i>client bank accounts</i>		
CASS 11.11.4 R	Payments made to, for or on behalf of clients by a <i>CASS debt management firm</i> and written and oral contact with <i>clients</i> and creditors	Details of payments made and of the written or oral contact	Maintain up-to-date records	None is specified
CASS 11.12.4 R	A <i>CASS debt management firm's CASS 11 resolution pack</i>	The documents to which CASS 11.12.3 R and CASS 11.12.4 R refer.	From the date on which a <i>CASS debt management firm</i> becomes subject to CASS 11.12.3 R	None is specified
CASS 11.13.12 R (3)	A <i>CASS large debt management firm's</i> record of each <i>client's</i> shortfall in the event of a <i>secondary pooling event</i>	Details of the shortfall	On the secondary pooling event occurring	None is specified

Client Assets

Schedule 2
Notification requirements

Sch 2.1 G

FCA

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CASS 1A.2.5 R	Election to be treated as a <i>CASS medium firm</i> or a <i>CASS large firm</i>	The fact of that election	The fact of that election	To be made at least one week before the election is intended to take effect
CASS 1A.2.8 R (1) - (3)				[deleted]
CASS 1A.2.8 R (4)				[deleted]
CASS 1A.2.8A R				[deleted]
CASS 1A.2.9 R (1) - (3)	The highest total amount of <i>client money</i> and the highest total value of <i>safe custody assets</i> held by a <i>firm</i> , as more fully described in CASS 1A.2.9 R	The highest total amount of <i>client money</i> and <i>safe custody assets</i> held by a <i>firm</i> , as more fully described in CASS 1A.2.9 R.	The need to comply with CASS 1A.2.9 R (1)-(3)	By the fifteenth <i>business day</i> of January unless contrary provision is made in CASS 1A.2.9 R
CASS 1A.2.9 R (4)	A <i>firm's</i> 'CASS firm type' classification	A <i>firm's</i> 'CASS firm type' classification	The need to comply with CASS 1A.2.9 R (4)	At the same time the <i>firm</i> makes the notification under CASS 1A.2.9 R (1), (2) or (3)
CASS 1A.3.2 R				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
				[deleted] [deleted]
CASS 5.5.84 R	Failure of <i>bank, broker or settlement agent</i>	Full details including whether it intends to make good any <i>shortfall</i> that may have arisen in the amounts involved	As soon as the <i>firm</i> becomes aware	Immediately
CASS 5.5.84 R	Inability to perform the calculation required by CASS 5.5.84 R	Inability to perform the calculation	Inability to perform the calculation	Immediately
CASS 5.5.84 R	Inability to make good any <i>shortfall</i> identified by CASS 5.5.84 R	Inability to make good any <i>shortfall</i> in <i>client money</i>	Inability to make good any <i>shortfall</i>	Immediately
CASS 5.5.84 R	Inability to comply with the requirements in CASS 5.5.84 R; CASS 5.5.84 R; CASS 5.5.84 R; CASS 5.5.84 R	Inability to comply with the requirements of the <i>rules</i> listed	Inability to comply with the requirements of the <i>rules</i> listed	As soon as reasonably practicable
CASS 6.5.13R (1)	Non-compliance or inability, in any material respect, to comply with the requirements in CASS 6.5.1 R (Records and accounts), CASS 6.5.2 R (Records and accounts, including internal reconciliations) or CASS 6.5.6R (Reconciliations with external records)	The fact that the <i>firm</i> has not complied or is unable, in any material respect, to comply with the requirements and the reasons for that	Non-compliance or inability, in any material respect, to comply with the requirements	Without delay
CASS 6.5.13 R (1A)	Non-compliance or material inability to comply with the requirements in CASS 6.5.1 R (Records and accounts) and/or articles 89(1)(b) or 89(1)(c) (Safekeeping duties with regard to assets held in custody) of the AIFMD level 2 regulation	The fact that the <i>firm</i> has not complied or is materially unable to comply with the requirements and the reasons for that	Non-compliance or material inability to comply with the requirement	Without delay
CASS 6.5.13R (2)	Non-compliance or inability, in any mate-	The fact that the <i>firm</i> has not complied or	Non-compliance or inability, in any mate-	Without delay

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CASS 7.4.35 R	rial respect, to comply with the requirements in CASS 6.5.10R (Reconciliation discrepancies) LME bond arrangements	is unable, in any material respect, to comply with the requirements and the reasons for that Issue of an individual letter of credit issued by the <i>firm</i>	rial respect, to comply with the requirements Upon issue of an individual letter of credit under an LME bond arrangement	Immediately
CASS 7.6.16 R (1)	Non-compliance or inability, in any material respect, to comply with the requirements in CASS 7.6.1R (Records and accounts), CASS 7.6.2R (Records and accounts, including internal reconciliations) or CASS 7.6.9R (Reconciliations with external records)	The fact that the <i>firm</i> has not complied or is unable, in any material respect, to comply with the requirements and the reasons for that	Non-compliance or inability, in any material respect, to comply with the requirements	Without delay
CASS 7.6.16 R (2)	Non-compliance or inability, in any material respect, to comply with the requirements in CASS 7.6.13R to CASS 7.6.15R (Reconciliation discrepancies)	The fact that the <i>firm</i> has not complied or is unable, in any material respect, to comply with the requirements and the reasons for that	Non-compliance or inability, in any material respect, to comply with the requirements	Without delay
CASS 7A.3.19 R (1)	Failure of a third party with which <i>money</i> is held - i.e.: bank, <i>intermediate broker</i> , <i>settlement agent</i> or OTC counterparty or other entity with which it has placed or to which it has passed <i>client money</i>	Full details	<i>Firm</i> becomes aware of the <i>failure</i> of the entity	As soon as the <i>firm</i> becomes aware
CASS 7A.3.19 R (2)	<i>Failure</i> of a third party with which money is held - i.e.: bank, <i>intermediate broker</i> , <i>settlement agent</i> or OTC counterparty or other entity with which it has placed or to which it has passed <i>client money</i>	Intentions regarding making good any <i>shortfall</i> that has arisen or may arise, and of the amounts involved	<i>Failure</i> of third party with which <i>client money</i> is held	As soon as reasonably practical

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CASS 10.1.16 R	If a <i>firm</i> has not complied with, or is unable to comply with, CASS 10.1.3 R	The fact of that <i>firm's</i> non-compliance or inability to comply with the <i>rule</i> in CASS 10.1.3 R	Non-compliance or inability to comply with CASS 10.1.3 R	Immediately (as per CASS 10.1.16 R)
CASS 11.2.4 R (1) to CASS 11.2.4 R (3)	The highest total amount of <i>client money</i> held in the previous year or projected to be held in the current year, as more fully described in CASS 11.2.4 R	The highest total amount of <i>client money</i> held in the previous year or projected to be held in the current year, as more fully described in CASS 11.2.4 R	The need to comply with CASS 11.2.4 R (1) to CASS 11.2.4 R (3)	By the fifteenth day of January unless contrary provision is made in CASS 11.2.4 R (1) to CASS 11.2.4 R (4)
CASS 11.2.4 R (4)	A <i>firm's</i> CASS debt management firm type classification	A <i>firm's</i> CASS debt management firm type classification	The need to comply with CASS 11.2.4 R (4)	At the same time as the notification in CASS 11.2.4 R (1) to CASS 11.2.4 R (4)
CASS 11.11.30 R (1)	Non-compliance with requirements in CASS 11.11.1 R to CASS 11.11.4 R	Non-compliance with requirements in CASS 11.11.1 R to CASS 11.11.4 R	The non-compliance	Without delay
CASS 11.11.30 R (2)	Amount of <i>money</i> segregated in <i>client bank accounts</i> is materially different from total aggregate of <i>client money</i> required to be segregated	The fact that there is a material difference	Awareness of the difference	Without delay
CASS 11.11.31 R	A CASS large debt management firm's inability or failure to comply with CASS 11.11.23 R, CASS 11.11.28 R, CASS 11.11.13 R or CASS 11.11.25 R	The inability or failure to comply	Awareness of the inability or failure	Without delay
CASS 11.12.7 R	A CASS large debt management firm's inability or failure to comply with CASS 11.12.2 R or CASS 11.12.6 R	The inability or failure to comply	Awareness of the inability or failure	Without delay

Supervision

Supervision

Supervision

SUP 1 [Deleted]

- 1.1 [Deleted]
- 1.2 [Deleted]
- 1.3 [Deleted]
- 1.4 [Deleted]
- 1.5 [Deleted]

SUP 1A The FCA's approach to supervision

- 1A.1 Application and purpose
- 1A.2 Introduction
- 1A.3 The FCA's approach to supervision
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Chapter 2

Information gathering by the FCA or PRA on its own initiative

2.1 Application and purpose

Application

2.1.1 **R** The application of this chapter is the same as the application of *Principle 11 (Relations with regulators)*.
FCA PRA

2.1.2 **G** ■ PRIN 3 (Rules about application) specifies to whom, to what and where *Principle 11* applies.
FCA

Purpose

2.1.3 **G** Achieving the *regulatory objectives* involves the *FCA* informing itself of developments in *firms* and in markets. The *Act* requires the *FCA* to maintain arrangements for supervising *authorised persons* (section 1L(1)). The *Act* also requires the *FCA* to take certain steps to cooperate with other relevant bodies and regulators (section 354A). For these purposes, the *FCA* needs to have access to a broad range of information about a *firm's* business.
FCA

2.1.4 **G** The *FCA* receives the information in ■ SUP 2.1.3 G through a variety of means, including notifications by *firms* (see ■ SUP 15) and regular reporting by *firms* (see ■ SUP 16). This chapter is concerned with the methods of information gathering that the *FCA* may use on its own initiative in the discharge of its functions under the *Act*. This chapter does not deal with the information gathering powers that the *FCA* has under the *Unfair Terms Regulations*. These are dealt with in *UNFCOG*.
FCA

2.1.5 **G** Part XI of the *Act* (Information Gathering and Investigations) gives the *FCA* statutory powers, including:

- (1) to require the provision of information (see sections 165 and ■ EG 3);
- (2) to require reports from *skilled persons* (see section 166 and ■ SUP 5);
- (3) to appoint investigators (see sections 167, 168 and 169 of the *Act* and ■ EG 3); and
- (4) to apply for a warrant to enter premises (see section 176 of the *Act* and ■ EG 4).

2.1.6
FCA

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The FCA prefers to discharge its functions by working in an open and cooperative relationship with *firms*. The FCA will look to obtain information in the context of that relationship unless it appears that obtaining information in that way will not achieve the necessary results, in which case it will use its statutory powers. The FCA has exercised its *rule-making* powers to make *Principle 11* which requires that a *firm* must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the *firm* of which the FCA would reasonably expect notice.

2.1.7
FCA

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The FCA operates in the context of the *Act* and the general law. The purpose of ■ SUP 2.2 is to explain how certain provisions of the *Act* and the general law are relevant to the FCA's methods of information gathering described in ■ SUP 2.3 and ■ SUP 2.4.

2.1.8
FCA

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The purpose of ■ SUP 2.3 is to amplify *Principle 11* in the context of information gathering by the FCA on its own initiative in the discharge of its functions under the *Act*. ■ SUP 2.3 therefore sets out, in *guidance on Principle 11* and in *rules*, how the FCA expects *firms* to deal with the FCA in that context, including the steps that a *firm* should take with a view to ensuring that certain connected persons should also cooperate with the FCA.

2.1.9
FCA

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The purpose of ■ SUP 2.4 is to explain a particular method of information gathering used by the FCA, known as "mystery shopping". Information about how a *firm* sells financial products can be very difficult to obtain, and the purpose of this method is to obtain such information from individuals who approach a *firm* in the role of potential retail *consumers* on the FCA's initiative. The FCA may seek information about particular issues or the activities of individual *firms* by means of mystery shopping.

2.2 Information gathering by the appropriate regulator on its own initiative: background

Link to the statutory information gathering and investigation powers

2.2.1 FCA PRA G

Breaching *Principle 11*, or the *rules* in this chapter, makes a *firm* liable to regulatory sanctions, including discipline under Part XIV of the *Act* (Disciplinary Measures), and may be relevant to the use of the *appropriate regulator's* other powers, including the statutory information gathering and investigation powers (see further ■ PRIN 1.1.7 G to ■ PRIN 1.1.9 G). But, unlike a breach of a requirement imposed under the statutory powers listed in ■ SUP 2.1.5 G, a breach of *Principle 11* or a *rule*:

- (1) is not a criminal offence; and
- (2) cannot lead to a *person* being treated as if in contempt of court (see section 177 of the *Act* (Offences)).

2.2.2 FCA PRA G

Neither *Principle 11* nor ■ SUP 2.3.5 R (1) (Access to premises) enable the *appropriate regulator* to force access to premises.

Banking confidentiality and legal privilege

2.2.3 FCA G

The *FCA* would not normally seek to gather information using the methods described in ■ SUP 2.3 or ■ SUP 2.4 in a situation where the *FCA* could not have obtained it under the powers in Part XI of the *Act* (Information Gathering and Investigations). In particular, the limitations in the following sections of the *Act* are relevant to this chapter:

- (1) section 175(5) (Information and documents: supplementary powers) under which no *person* may be required under Part XI of the *Act* (Information Gathering and Investigations) to disclose information or produce a document subject to banking confidentiality (with exceptions); the *FCA* would not normally seek such information using the methods described in ■ SUP 2.3 or ■ SUP 2.4; and
- (2) section 413 (Protected items), under which no *person* may be required under the *Act* to produce, disclose or permit the inspection of *protected items*; a *firm* would not breach *Principle 11* or the *rules* in this chapter by not producing such items.

2.2.3A PRA G

The *PRA* would not normally seek to gather information using the methods described in ■ SUP 2.3 in a situation where the *PRA* could not have obtained it under the powers

in Part XI of the *Act* (Information Gathering and Investigations). In particular, the limitations in the following sections of the *Act* are relevant to this chapter:

- (1) section 175(5) (Information and documents: supplementary powers) under which no *person* may be required under Part XI of the *Act* (Information Gathering and Investigations) to disclose information or produce a document subject to banking confidentiality (with exceptions); the *PRA* would not normally seek such information using the methods described in ■ SUP 2.3; and
- (2) section 413 (Protected items), under which no *person* may be required under the *Act* to produce, disclose or permit the inspection of *protected items*; a *firm* would not breach *Principle 11* or the *rules* in this chapter by not producing such items.

Confidentiality of information

2.2.4
FCA

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When the *FCA* obtains confidential information using the methods of information gathering described in ■ SUP 2.3 or ■ SUP 2.4, it is obliged under Part XXIII of the *Act* (Public Record, Disclosure of Information and Co-operation) to treat that information as confidential. The *FCA* will not disclose confidential information without lawful authority, for example if an exception applies under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 (SI 2001/2188) or with the consent of the *person* from whom that information was received and (if different) to whom the information relates.

2.2.4A
PRA

G

When the *PRA* obtains confidential information using the methods of information gathering described in ■ SUP 2.3, it is obliged under Part XXIII of the *Act* (Public Record, Disclosure of Information and Co-operation) to treat that information as confidential. The *PRA* will not disclose confidential information without lawful authority, for example if an exception applies under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 (SI 2001/2188) or with the consent of the *person* from whom that information was received and (if different) to whom the information relates.

Admissibility of information in proceedings

2.2.5
FCA

G

Information obtained by the *FCA* using the methods described in ■ SUP 2.3 and ■ SUP 2.4 is admissible in evidence in any proceedings, so long as it complies with any requirements governing the admissibility of evidence in the circumstances in question.

2.2.5A
PRA

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Information obtained by the *PRA* using the methods described in ■ SUP 2.3 is admissible in evidence in any proceedings, so long as it complies with any requirements governing the admissibility of evidence in the circumstances in question.

2.3 Information gathering by the appropriate regulator on its own initiative: cooperation by firms

Introduction: Methods of information gathering requiring cooperation

2.3.1

FCA

G

The *appropriate regulator* uses various methods of information gathering on its own initiative which require the cooperation of *firms*:

- (1) Visits may be made by representatives or appointees of the *appropriate regulator*. These visits may be made on a regular basis, on a sample basis, for special purposes such as theme visits (looking at a particular issue across a range of *firms*), or when the *appropriate regulator* has a particular reason for visiting a *firm*. Appointees of the *appropriate regulator* may include persons who are not *appropriate regulator* staff, but who have been appointed to undertake particular monitoring activities for the *appropriate regulator* (paragraph 6(2) of Schedule 1 to the *Act*). The *appropriate regulator* needs to have access to a *firm's documents*, personnel and business premises to carry out a visit.
- (2) The *appropriate regulator* may seek meetings at the *appropriate regulator's* offices or elsewhere.
- (3) The *appropriate regulator* may seek information or request *documents* by telephone, at meetings or in writing, including by electronic communication.

2.3.2

FCA PRA

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The *appropriate regulator* expects to request meetings or access to business premises during reasonable business hours. The *appropriate regulator* also normally expects to be able to give reasonable notice to a *firm* or connected person when it seeks information, *documents*, meetings or access to business premises. On rare occasions, however, the *appropriate regulator* may seek access to premises without notice. The prospect of unannounced visits is intended to encourage *firms* to comply with the requirements and standards under the *regulatory system* at all times.

Access to a firm's documents and personnel

2.3.3

FCA PRA

G

In complying with *Principle 11*, the *appropriate regulator* considers that a *firm* should, in relation to the discharge by the *appropriate regulator* of its functions under the *Act*:

- (1) make itself readily available for meetings with representatives or appointees of the *appropriate regulator* as reasonably requested;
- (2) give representatives or appointees of the *appropriate regulator* reasonable access to any records, files, tapes or computer systems, which are within the

firm's possession or control, and provide any facilities which the representatives or appointees may reasonably request;

- (3) produce to representatives or appointees of the *appropriate regulator* specified *documents*, files, tapes, computer data or other material in the *firm's* possession or control as reasonably requested;
- (4) print information in the *firm's* possession or control which is held on computer or on microfilm or otherwise convert it into a readily legible *document* or any other record which the *appropriate regulator* may reasonably request;
- (5) permit representatives or appointees of the *appropriate regulator* to copy *documents* or other material on the premises of the *firm* at the *firm's* reasonable expense and to remove copies and hold them elsewhere, or provide any copies, as reasonably requested; and
- (6) answer truthfully, fully and promptly all questions which are reasonably put to it by representatives or appointees of the *appropriate regulator*.

2.3.4

FCA PRA

G

In complying with *Principle 11*, the *appropriate regulator* considers that a *firm* should take reasonable steps to ensure that the following *persons* act in the manner set out in

■ SUP 2.3.3 G:

- (1) its *employees*, agents and *appointed representatives*; and
- (2) any other members of its *group*, and their *employees* and agents.

(See also, in respect of *appointed representatives*, ■ SUP 12.5.3 G (2)).

Access to premises

2.3.5

FCA PRA

R

(1) A *firm* must permit representatives of the *appropriate regulator*, or *persons* appointed for the purpose by the *appropriate regulator*, to have access, with or without notice, during reasonable business hours to any of its business premises in relation to the discharge of the *appropriate regulator's* functions under the *Act* or its obligations under the *short selling regulation* .

(2) A *firm* must take reasonable steps to ensure that its agents, suppliers under *material outsourcing* arrangements and *appointed representatives* permit such access to their business premises. (See also, in respect of *appointed representatives*, ■ SUP 12.5.3 G (2)).

2.3.6

FCA PRA

G

The *appropriate regulator* normally expects to give reasonable notice of a visit (See

■ SUP 2.3.2 G).

Suppliers under material outsourcing arrangements

2.3.7

FCA PRA

R

A *firm* must take reasonable steps to ensure that each of its suppliers under *material outsourcing* arrangements deals in an open and cooperative way with the *appropriate regulator* in the discharge of its functions under the *Act* in relation to the *firm*.

2.3.8
FCA PRA

G

The cooperation that a *firm* is expected to procure from such suppliers is similar to that expected of the *firm*, in the light of the *guidance* in ■ SUP 2.3.3 G to ■ SUP 2.3.4 G, but does not extend to matters outside the scope of the *appropriate regulator's* functions in relation to the *firm*. ■ SUP 2.3.5 R (2) also requires a *firm* to take reasonable steps regarding access to the premises of such suppliers.

2.3.9
FCA PRA

G

When a *firm* appoints or renews the appointment of a supplier under a *material outsourcing* arrangement, it should satisfy itself that the terms of its contract with the supplier require the supplier to give the *appropriate regulator* access to its premises as described in ■ SUP 2.3.5 R (2), and to cooperate with the *appropriate regulator* as described in ■ SUP 2.3.7 R. The *appropriate regulator* does not consider that the 'reasonable steps' in ■ SUP 2.3.7 R would require a *firm* to seek to change a contract, already in place either when that *rule* : (1) was made by the *appropriate regulator* on 21 June 2001; or (2) was designated by the *appropriate regulator* , until renewal of the contract.

2.3.10
FCA PRA

G

The *appropriate regulator* will normally seek information from the *firm* in the first instance, but reserves the right to seek it from a supplier under a *material outsourcing* arrangement if the *appropriate regulator* considers it appropriate.

Information requested on behalf of other regulators

2.3.11
FCA PRA

G

The *appropriate regulator* may ask a *firm* to provide it with information at the request of or on behalf of other regulators to enable them to discharge their functions properly. Those regulators may include *overseas regulators* or the *Takeover Panel*. The *appropriate regulator* may also, without notifying a *firm*, pass on to those regulators information which it already has in its possession. The *appropriate regulator's* disclosure of information to other regulators is subject to the obligation described in ■ SUP 2.2.4 G (Confidentiality of information).

2.3.12

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[Deleted]

2.3.12A
FCA

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In complying with *Principle 11*, the *FCA* considers that a *firm* should cooperate with it in providing information for other regulators. Sections 169 (Investigations etc. in support of overseas regulator) of the *Act* gives the *FCA* certain statutory powers to obtain information and appoint investigators for *overseas regulators* if required (see ■ DEPP 7 and ■ EG 3).

2.3.12B
PRA

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In complying with *Principle 11*, the *PRA* considers that a *firm* should cooperate with it in providing information for other regulators. Sections 169 (Investigations etc. in support of overseas regulator) and 169A (Support of overseas regulator with respect to financial stability) of the *Act* give the *PRA* certain statutory powers to obtain information and appoint investigators for *overseas regulators* if required (see ■ FINMAR 1).



2.4 'Mystery shopping'

2.4.1
FCA

G Representatives or appointees of the *FCA* (which may include individuals engaged by a market research firm) may approach a *firm*, its agents or its *appointed representatives* in the role of potential retail *consumers* . This is known as 'mystery shopping'.

2.4.2
FCA

G The *FCA* uses mystery shopping to help it protect *consumers*. This may be by seeking information about a particular practice across a range of *firms* (■ SUP 2.4.3 G (1)) or the practices of a particular *firm* (■ SUP 2.4.3 G (2)). One of the risks *consumers* face is that they may be sold financial products which are inappropriate to them. A problem in protecting *consumers* from this risk is that it is very difficult to establish after the event what a *firm* has said to a 'genuine' *consumer* in discussions. By recording what a *firm* says in discussions with a 'mystery shopper', the *FCA* can establish a *firm's* normal practices in a way which would not be possible by other means.

2.4.3
FCA

G The *FCA* may carry out mystery shopping:

- (1) together with a programme of visits to obtain information about a particular practice, looking at a particular issue across a range of *firms*, when the *FCA* may advise the *firms* of the issues beforehand; the practice being scrutinised may be that of *firms* or a class of *firms* in carrying on *regulated activities* or *ancillary activities* or in *communicating* or *approving financial promotions*;
- (2) together with focused visits (concentrating on particular aspects of a *firm's* business) to obtain information about the practices of a *firm*; these practices may be in carrying on *regulated activities* or *ancillary activities* or in *communicating* or *approving financial promotions* when the *FCA* has particular concerns about those practices;
- (3) using recording devices, telephonic or other communications; the *FCA* may monitor and store the contents of the materials obtained by these devices or communications.

2.4.4
FCA

G Telephone calls and meetings held during mystery shopping will be recorded. The *FCA* expects that any mystery shopping it arranges will be conducted in accordance with the Market Research Society Code of Practice.

2.4.5
FCA

G The *FCA* may use the information it obtains from mystery shopping in support of both its supervisory functions and its enforcement functions. This includes sharing any information so obtained with *firms* and *approved persons*.

3.1.2

FCA PRA

R

Table Applicable sections (see ■ SUP 3.1.1 R)

This table and the provisions in SUP 3 should be read in conjunction with GEN 2.2.23 R to GEN 2.2.25 G. In particular, the PRA does not apply any of the provisions in SUP 3 in respect of FCA-authorized persons. SUP 3.10 and SUP 3.11 are applied by the FCA only.

(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
(1) <i>Authorized professional firm</i> which is required by <i>IPRU(INV) 2.1.2R</i> to comply with chapters 3, 5 or 13 of <i>IPRU(INV)</i> and which has an auditor appointed under or as a result of a statutory provision other than in the <i>Act</i> (Notes 1 and 6)	SUP 3.1 - SUP 3.7, SUP 3.10	SUP 3.1, SUP 3.2, SUP 3.8 , SUP 3.11
(2) <i>Authorized professional firm</i> not within (1) to which the <i>custody chapter</i> or <i>client money chapter</i> applies	SUP 3.1 - SUP 3.7, SUP 3.10	SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.11
(3) <i>Authorized professional firm</i> not within (1) or (2) which has an auditor appointed under or as a result of a statutory provision other than in the <i>Act</i>	SUP 3.1, SUP 3.2, SUP 3.7	SUP 3.1, SUP 3.2, SUP 3.8
(4) <i>Bank, building society or dormant account fund operator</i> which in each case carries on <i>designated investment business</i> (Notes 2A and 6)	SUP 3.1-SUP 3.7, SUP 3.11	SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10
(5) <i>Bank , building society or a dormant account fund operator</i> which in each case does not carry on <i>designated investment business</i> (Note 2A)	SUP 3.1 - SUP 3.7	SUP 3.1, SUP 3.2, SUP 3.8

3

(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
(5A) <i>Credit union</i>	SUP 3.1 - SUP 3.7	SUP 3.1, SUP 3.2, SUP 3.8
(5B) <i>CASS debt management firm</i>	SUP 3.1	SUP 3.1
[FCA]	SUP 3.10 SUP 3.11	SUP 3.10
(6) <i>Insurer, the Society of Lloyd's, underwriting agent or members' adviser , UK ISPV (Note 5)</i>	SUP 3.1 - SUP 3.7	SUP 3.1, SUP 3.2, SUP 3.8
(7) <i>Investment management firm, (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm) , securities and futures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) or collective portfolio management firm that is an external AIFM which, in each case, has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3 and 6)</i>	SUP 3.1 - SUP 3.7, SUP 3.10 3.11	SUP 3.1, SUP 3.2, SUP 3.8 , SUP 3.10
(7A) <i>Investment management firm (other than an exempt CAD firm) , personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and fu-</i>	SUP 3.1 - SUP 3.7, SUP 3.10 3.11	SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10

(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
<p><i>tures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) or collective portfolio management firm that is an external AIFM not within (7) to which the custody chapter or client money chapter applies</i></p>		
<p>(7AA) <i>A firm that has exercised an opt in to CASS in accordance with CASS 1.4.9 R</i></p>	<p>SUP 3.1 to SUP 3.7, SUP 3.11</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10.</p>
<p>(7B) <i>Collective portfolio management firm that is a UCITS firm or an internally managed AIF (Note 6)</i></p>	<p>SUP 3.1 - SUP 3.7, SUP 3.11</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8 , SUP 3.10</p>
<p>(7C) <i>UK MiFID investment firm, which has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3B and 6)</i></p>	<p>SUP 3.1 - 3.7, SUP 3.11</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</p>
<p>(7D) <i>Sole trader or partnership that is a UK MiFID investment firm (other than an exempt CAD firm) (Notes 3C and 6)</i></p>	<p>SUP 3.1 - SUP 3.7, SUP 3.11</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</p>
<p>(8) <i>Small personal investment firm or service company which, in either case, has an auditor appointed under or as a result of a statutory provision other than in the Act</i></p>	<p>SUP 3.1, SUP 3.2, SUP 3.7</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8</p>
<p>(9) <i>Home finance provider which has an auditor appointed under or as a</i></p>	<p>SUP 3.1 - SUP 3.7</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8</p>

(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
<p>result of a statutory provision other than in the <i>Act</i></p>		
<p>(10) <i>Insurance intermediary (other than an exempt insurance intermediary) to which the insurance client money chapter (except for CASS 5.2 (Holding money as agent)) applies (see Note 4)</i></p>	<p>SUP 3.1 - SUP 3.7 , SUP 3.11</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</p>
<p>(11) <i>Exempt insurance intermediary and insurance intermediary not subject to SUP 3.1.2 R(10) which has an auditor appointed under or as a result of a statutory provision other than in the Act</i></p>	<p>SUP 3.1, SUP 3.2, SUP 3.7</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8</p>
<p>(12) <i>Home finance intermediary or home finance administrator which has an auditor appointed under or as a result of a statutory provision other than in the Act.</i></p>	<p>SUP 3.1, SUP 3.2, SUP 3.7</p>	<p>SUP 3.1, SUP 3.2, SUP 3.8</p>
<p>Note 1 = This chapter applies to an <i>authorised professional firm</i> in row (1) (and its auditor) as if the <i>firm</i> were of the relevant type in the right-hand column of <i>IPRU(INV) 2.1.4R</i>.</p>		
<p>Note 2 [deleted]</p>		
<p>Note 2A = For this purpose, <i>designated investment business</i> does not include either or both:</p>		
<p>(a) <i>dealing</i> which falls within the exclusion in article 15 of the <i>Regulated Activities Order</i> (Absence of holding out etc) (or agreeing to do so); and</p>		
<p>(b) <i>dealing in investments as principal</i> (or agreeing to do so):</p>		

(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
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(i) by a *firm* whose *permission to deal in investments as principal* is subject to a *limitation* to the effect that the *firm*, in carrying on this *regulated activity*, is limited to entering into transactions in a manner which, if the *firm* was an *unauthorised person*, would come within article 16 of the *Regulated Activities Order (Dealing in contractually based investments)*; and

(ii) in a manner which comes within that *limitation*;

having regard to article 4(4) of the *Regulated Activities Order (Specified activities: general)*).

Note 3 = This note applies in relation to an *oil market participant* to which *IPRU(INV) 3* does not apply and in relation to an *energy market participant* to which *IPRU(INV) 3* does not apply. In SUP 3:

(a) only SUP 3.1, SUP 3.2 and SUP 3.7 are applicable to such a *firm*; and

(b) only SUP 3.1, SUP 3.2 and SUP 3.8 are applicable to its auditor;

and, in each case, only if it has an auditor appointed under or as a result of a statutory provision other than in the *Act*.

Note 3A [deleted]

Note 3B = *UK MiFID investment firms* include *exempt CAD firms*. An *exempt CAD firm* that has opted into *MiFID* can benefit from the audit exemption for small companies in the Companies Act legislation if it meets the relevant criteria in that legislation and fulfils the conditions of regulation 4C(3) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007. If a *firm* does so benefit then SUP 3 will not apply to it. For further details about *exempt CAD firms*, see PERG 13, Q58.

Note 3C = A *sole trader* or a *partnership* that is a *UK MiFID investment firm* to which the *custody chapter* or *client money chapter* applies must have its annual accounts audited.

Note 4 = The *client money* audit requirement in SUP 3.1.2 R(10) therefore applies to all *insurance intermediaries* except:

- those which do not hold *client money* or *other client assets* in relation to *insurance mediation activities*; or
- those which only hold up to, but not exceeding, £30,000 of *client money* under a statutory trust arising under CASS 5.3.

(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
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Insurance intermediaries which, in relation to insurance mediation activities, hold no more than that amount of client money only on a statutory trust are exempt insurance intermediaries.

Note (5) = In row (6):

- (a) **SUP 3.1 - SUP 3.7 applies to a *managing agent* in respect of its own business and in respect of the *insurance business* of each *syndicate* which it manages; and**
- (b) **SUP 3.1, SUP 3.2 and SUP 3.8 apply to the auditors of a *managing agent* and the auditors of the *insurance business* of each *syndicate* which the *managing agent* manages.**

Note 6 = Where SUP 3.11 applies to a *firm*, and SUP 3.10 applies to the auditor of that *firm*, those sections apply whether or not that *firm's* *permission* prevents it from holding *client money* or *custody assets* and whether or not it holds *client money* or *custody assets*. A *collective portfolio management firm* that is an *internally managed AIF* is required to appoint an auditor under FUND 3.3.6 R (2) (Annual report of an AIF) because the *AIFM* is also an *AIF*.

3.1.2A
FCA PRA

G

If a *firm* falls within more than one row in column (1) of the table in ■ SUP 3.1.2 R, ■ SUP 3.1.1 R requires the *firm* and its external auditor to comply with all the sections referred to in column (2) or (3).

Incoming firms

3.1.3
FCA PRA

R

This chapter applies to an *incoming EEA firm* (and the auditor of such a *firm*) only if it has a *top-up permission*.

3.1.4
FCA PRA

G

The application of ■ SUP 3.10 to the auditor of an *incoming EEA firm* with a *top-up permission* is qualified in ■ SUP 3.10.3 R.

3.1.5
FCA PRA

R

This chapter does not apply to an *incoming Treaty firm*, which:

- (1) does not have a *top-up permission*; and
- (2) is not required to comply with the *client asset rules*.

3.1.6
FCA PRA

G

The application of ■ SUP 3.7 to an *incoming Treaty firm* or an auditor of such a *firm* is further qualified in ■ SUP 3.7.1 G .

Auditors of lead regulated firms

3.1.7 G The application of ■ SUP 3.1.0 to the auditor of a *lead regulated firm* is qualified in FCA ■ SUP 3.1.0.3 R.

3.1.8 G [deleted]

Material elsewhere in the Handbook

3.1.9 G A *firm* which is mentioned in ■ SUP 3.1.10 G should see the Prudential Standards part of the *Handbook* for further provisions on auditors as set out in ■ SUP 3.1.10 G. FCA PRA

3.1.10 G Table Other relevant sections of the Handbook (see ■ SUP 3.1.9 G) FCA PRA

<i>Friendly society</i>	<i>IPRU(FSOC)</i>
<i>Insurer (other than a friendly society)</i>	<i>IPRU(INS)</i>
<i>Investment management firm, personal investment firm, securities and futures firm and collective portfolio management firm (other than IFPRU investment firms and BIPRU firms)</i>	<i>IPRU(INV)</i>
<i>UCITS firm</i>	<i>(UPRU)</i>
<i>Society of Lloyd's and Lloyd's managing agents</i>	<i>IPRU(INS)</i>

Lloyd's

Enabling provision and application

3.1.11 G The *insurance market direction* in this chapter is given under section 316(1) of the Act (Direction by a regulator) and applies to *members*. PRA

Purpose

3.1.12 G The *insurance market direction* in this chapter is intended to enable the *rules* in ■ SUP 3 and ■ SUP 4 to be applied to a *managing agent* in respect of the *insurance business* of each *syndicate* which it manages. PRA

Insurance market direction on rules concerning auditors and actuaries

- 3.1.13 D
- (1) With effect from 1 January 2005, Part XXII of the *Act* (Auditors and Actuaries) applies to the carrying on of *insurance business* by *members* as modified by paragraph (3).
 - (2) For the purposes of (1) "insurance business" means the *regulated activities of effecting or carrying out contracts of insurance* written at Lloyd's.
 - (3) Regulations made by the Treasury under section 342(5) and section 343(5) of Part XXII of the *Act* apply only to *actuaries* appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*, in relation to the *long-term insurance business* of that *syndicate*.
- PRA

- (4) In Part XXII of the *Act* (Auditors and Actuaries) as applied by this *insurance market direction*:
 - (a) a reference to an auditor of an *authorised person* is to be read as including an auditor appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*; and
 - (b) a reference to an *actuary* acting for an *authorised person* is to be read as including an *actuary* appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*.

3.1.14
PRA

G

Part XXII (Auditors and Actuaries) is a *core provision* mentioned in section 317(1) of the *Act* (The core provisions).

3.1.15
PRA

G

Section 317(2) of the *Act* (The core provisions) provides that references in an applied *core provision* to an *authorised person* are to be read as references to a *person* in the class to which the *insurance market direction* applies. The effect of this, and of the *insurance market direction* set out at ■ SUP 3.1.13 D, is that Part XXII of the *Act* (Auditors and Actuaries), applies also to auditors and *actuaries* who are appointed to report on the underwriting business of *members*. Part XXII is modified in its application to *members* by paragraph (3) of ■ SUP 3.1.13 D with the effect that the regulations made under sections 342(5) and 343(5) of the *Act* relating to communications by *actuaries* will only apply where the *actuary* is appointed to evaluate the *long-term insurance business* of the *syndicate*. The regulations made under sections 342(5) and 343(5) in relation to communications by auditors will apply in relation to both *general insurance business* and *long-term insurance business*.

3.1.16
PRA

G

■ SUP 3.3 sets out *rules* the effect of which is to require a *managing agent* to appoint an auditor in respect of its own business and the *insurance business* of each *syndicate* which it manages.

3.1.17
PRA

G

References in ■ SUP 3, as applied by ■ SUP 3.1.2 R, to a *firm* include, where appropriate:

- (1) a *managing agent*; and
- (2) one or more *members* carrying on *insurance business* at Lloyd's through a *syndicate*,

and references to an *actuary* of a *firm* should be read accordingly.

3.1.18
PRA

G

■ SUP 4.6 sets out *rules* the effect of which is to require a *managing agent* to appoint an *actuary* in respect of the *insurance business* of each *syndicate* which it manages.



3.9 [deleted]

- 3.9.1 [Deleted]
- 3.9.2 [Deleted]
- 3.9.3 [Deleted]
- 3.9.4 [Deleted]
- 3.9.5 [Deleted]
- 3.9.6 [Deleted]
- 3.9.7 [Deleted]
- 3.9.8 [Deleted]
- 3.9.9 [Deleted]
- 3.9.10 [Deleted]
- 3.9.11 [Deleted]

3.10 Duties of auditors: notification and report on client assets

Application

- 3.10.1 **R** [deleted]
- 3.10.2 **R** An auditor of an *authorised professional firm* need not report under this section in relation to that *firm's* compliance with the *client money rules* in the *client money chapter* or the *debt management client money rules* if:
- (1) that *firm* is regulated by:
 - (a) the Law Society (England and Wales); or
 - (b) the Law Society of Scotland; or
 - (c) the Law Society of Northern Ireland; and
 - (2) that *firm* is subject to the rules of its *designated professional body* as specified in ■ CASS 7.1.15 R (2) or ■ CASS 11.1.6 R (2) with respect to its *regulated activities*.
- 3.10.3 **R** ■ SUP 3.10.5 R(3) does not apply to an auditor of a *lead regulated firm* or an *incoming EEA firm*.

Client assets report: content

- 3.10.4 **R** An auditor of a *firm* must submit a client assets report addressed to the FCA which:
- (1) (a) states the matters set out in ■ SUP 3.10.5 R; and
 - (b) specifies the matters to which ■ SUP 3.10.9 R and ■ SUP 3.10.9A R refer; or
 - (2) if the *firm* claims not to hold *client money* or *custody assets*, states whether anything has come to the auditor's attention that causes him to believe that the *firm* held *client money* or *custody assets* during the period covered by the report.

3.10.4A

FCA

R

- (1) For the purpose of ■ SUP 3.10.4 R (1), an auditor must ensure that the report is prepared in accordance with the terms of a *reasonable assurance engagement*.
- (2) For the purpose of ■ SUP 3.10.4 R (2), an auditor must ensure that the report is prepared in accordance with the terms of a *limited assurance engagement*.

3.10.5

FCA

R

Table Client assets report

Whether in the auditor's opinion

- (1) the *firm* has maintained systems adequate to enable it to comply with the *custody rules*, the *collateral rules*, the *client money rules* (except CASS 5.2), the *debt management client money rules* and the *mandate rules* throughout the period ;
- (2) the *firm* was in compliance with the *custody rules*, the *collateral rules*, the *client money rules* (except CASS 5.2), the *debt management client money rules* and the *mandate rules*, at the date as at which the report has been made;
- (3) in the case of an *investment management firm*, *personal investment firm*, a *UCITS firm*, *securities and futures firm*, *firm acting as trustee or depositary of an AIF*, *firm acting as trustee or depositary of a UCITS* or *IFPRU investment firm* or *BIPRU firm*, when a *subsidiary of the firm* is during the period a *nominee company* in whose name *custody assets* of the *firm* are registered during the period, that *nominee company* has maintained throughout the period systems for the custody, identification and control of *custody assets* which:
 - (a) were adequate; and
 - (b) included reconciliations at appropriate intervals between the records maintained (whether by the *firm* or the *nominee company*) and statements or confirmations from *custodians* or from the *person* who maintained the record of legal entitlement; and
- (4) if there has been a *secondary pooling event* during the period, the *firm* has complied with the *rules* in CASS 5.6 and CASS 7A (Client money distribution) and CASS 11.13 (*debt management client money distribution rules*) in relation to that pooling event.

PAGE 27

3.10.5A

FCA

R

In relation to a client assets report provided in accordance with ■ SUP 3.10.4 R, an auditor must ensure that it:

- (1) is submitted in the form prescribed by ■ SUP 3 Annex 1 R; and

(2) is signed on behalf of the audit firm by the individual with primary responsibility for a *firm's* client assets report and in that individual's own name.

3.10.5B

FCA

G

■ SUP 3.10.4 R provides that an auditor must ensure that a client assets report is prepared in accordance with the terms of, as the case may be, a *reasonable assurance engagement* or a *limited assurance engagement*. However, the FCA also expects an auditor to have regard, where relevant, to material published by the Auditing Practices Board that deals specifically with the client assets report which the auditor is required to submit to the FCA . In the FCA's view, a client assets report that is prepared in accordance with that material is likely to comply with ■ SUP 3.10.4 R and ■ SUP 3.10.5 R where that report is prepared for a *firm* within the scope of the material in question.

3.10.5C

FCA

R

(1) An auditor must ensure that the information provided to it by a *firm* in accordance with ■ SUP 3.11.1 G is included in the client assets report.

(2) If by the date at which the report is due for submission in accordance with ■ SUP 3.10.7 R or ■ SUP 3.10.8A R an auditor has not received the information prescribed in ■ SUP 3.11.1 G it must submit the report without that information, together with an explanation for its absence.

Client assets report: period covered

3.10.6

FCA

R

The period covered by a report under ■ SUP 3.10.4 R must end not more than 53 weeks after the period covered by the previous report on such matters, or, if none, after the *firm* is *authorised* or becomes subject to ■ SUP 3.11 and its auditor becomes subject to ■ SUP 3.10.

Client assets report: timing of submission

3.10.7

FCA

R

An auditor must deliver a client assets report under ■ SUP 3.10.4 R to the FCA within four months from the end of each period covered , unless it is the auditor of a *firm* falling within category (10) of ■ SUP 3.1.2 R.

3.10.7A

G

[deleted]

3.10.8

FCA

R

(1) If an auditor expects that it will fail to comply with ■ SUP 3.10.7 R, it must no later than the end of the four month period in question:

- (a) notify the FCA that it expects that it will be unable to deliver a client assets report by the end of that period; and
- (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its expected failure to comply with ■ SUP 3.10.7 R.

SUP 3 Annex 1

FCA

Auditor's client assets report - SUP 3 Annex 1

3

- (a) make an application for an internal transfer of an *approved person*, Form E (Internal transfer), or make an application for an individual to perform additional *controlled functions*, the relevant Form A (Application); see ■ SUP 10.13.3 D to ■ SUP 10.13.5 G;
 - (b) notify the *appropriate regulator* of any *approved person* who has ceased to perform a *controlled function* specified by that regulator, Form C (Ceasing to perform controlled functions); see ■ SUP 10.13.6 R to ■ SUP 10.13.13 G.
- (2) If the *firm* intends to recruit new individuals to perform *controlled functions*, it should apply for approval of the individuals as *approved persons* as soon as possible using Form A (Application); see ■ SUP 10.12.

6.3.9 G [deleted]

6.3.10 G [deleted]

Variation of permission involving insurance business

6.3.11 G FCA PRA A *firm* with *Part 4A permission* to carry on *insurance business*, which is applying for a variation of its *Part 4A permission* to add further insurance activities or *specified investments*, will be required to submit particular information on its existing activities as part of its application. This includes the *scheme of operations* which is required to be submitted as part of the application pack (for further details on the *scheme of operations*, see ■ SUP App 2 (Insurers: scheme of operations)).

6.3.12 G FCA PRA In applying to vary its *Part 4A permission* to add categories of *specified investments*, in relation to *insurance business*, a *firm* carrying on *insurance business* will need to determine the *classes* of *specified investments* relating to *effecting* and *carrying out contracts of insurance* for which variation of *Part 4A permission* will be necessary, having regard to whether certain *classes* of contract may qualify to be effected or carried out on an ancillary or supplementary basis.

6.3.13 G FCA PRA The application for variation of *Part 4A permission* will need to provide information about the *classes* of *contract of insurance* for which variation of *Part 4A permission* is requested and also those *classes* qualifying to be carried on, on an ancillary or supplementary basis. For example, an *insurer* applying to vary its *permission* to include *class 10* (motor vehicle liability, other than carrier's liability) must satisfy the *FCA* that it will meet, and continue to meet, *threshold condition 3F* (Appointment of claims representatives). *Firms* should note that, although the relevant regulator is able in principle to use its power to give *Part 4A permission* for an applicant to carry on a *regulated activity* for which it did not originally apply, this is not possible under the Insurance Directives, which set out minimum information requirements for an application for *authorisation* including information on the specified investments the applicant proposes to deal in.

6.3.14 G PRA (1) A *firm* carrying on *insurance business* which is seeking to cease such business in respect of one or more classes of *specified investment*, but which is not intending to cease all *insurance business*, should apply to vary its *Part 4A permission* to remove the activity of *effecting contracts of insurance* in respect of those *specified investments* in relation to which it no longer wishes to carry

on business. A *firm* intending to cease all *insurance business* should refer to ■ SUP 6 Annex 4.

- (2) If the application for variation of *Part 4A permission* is granted by the *PRA*, the *firm* will have *Part 4A permission* only to *carry out contracts of insurance* in respect of the *specified investments* in relation to which it no longer wishes to carry on business (see ■ SUP 6 Annex 4). This will allow the *firm* to run off this aspect of its business. When the business in question has been run-off completely, the *firm* should then apply to vary its *Part 4A permission* to remove the relevant *classes of specified investment*.

The application for variation of permission and/or imposition, variation or cancellation of requirements

6.3.15

FCA PRA

D

- (1) Subject to (1A), a *firm* other than a *credit union* wishing to make an application under ■ SUP 6 must apply online using the form specified on the *ONA* system.

(1A) A *firm* wishing to make an application under ■ SUP 6 which covers only *credit-related regulated activities* must submit any form, notice or application by using the form in ■ SUP 6 Annex 5 D and submitting it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

(2) [deleted]

(3) Until the application has been determined, a *firm* which submits an application must inform the relevant regulator of any significant change to the information given in the application immediately it becomes aware of the change.

(3A) Where an application requires the consent of the *FCA*, a *firm* which submits an application must inform the *FCA* of any significant change to the information given in the application immediately it becomes aware of the change.

(4) Where a *firm* is obliged to submit any form, notice or application online under (1), if the *ONA* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a *firm* must submit any form, notice or application by using the form in ■ SUP 6 Ann 5D and submitting it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

6.3.15A

FCA PRA

G

(1) If the *ONA* systems fail and online submission is unavailable for 24 hours or more, the relevant regulator will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 6.3.15 D (4) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.

(2) Where ■ SUP 6.3.15 D (4) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

6.3.15B

PRA

G

A *credit union* wishing to make an application under ■ SUP 6 must apply using the form in ■ SUP 6 Annex 5 D and submit its application in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

6.3.16

FCA PRA

G

- (1) Section 55(U)(2) of the *Act* (Applications under this Part) requires that the application for variation of *Part 4A permission* must contain a statement:
 - (a) of the desired variation; and
 - (b) of the *regulated activity* or *regulated activities* which the *firm* proposes to carry on if its *permission* is varied.
- (1A) Section 55(U)(3) of the *Act* requires that an application for variation of a *requirement* imposed under section 55L or 55M or the imposition of a new *requirement* must contain a statement of the desired variation or *requirement*.
- (2) The full form and content of the application for variation of *Part 4A permission* or for the imposition or variation of a *requirement* is a matter for direction by the relevant regulator, who will determine the additional information and documentation required on a case by case basis.

6.3.17

FCA PRA

G

- (1) [deleted]
- (2) A *firm* is advised to discuss its application with the relevant regulator before submission, particularly if it is seeking a variation of *Part 4A permission* or imposition, variation or cancellation of a *requirement* within a short timescale. A *firm* is also advised to include as much detail as possible (including any additional information identified by its supervisors at this stage) with its application.

6.3.18

FCA PRA

G

The relevant regulator, as soon as possible after receipt of an application, will advise the *firm* of any additional information which is required as part of its application (see ■ SUP 6.3.23 G to ■ SUP 6.3.27 G). The amount of information required will vary depending on the scale of the variation in the context of the *firm* as a whole, and the nature, risk profile and complexity of the variation.

Applications from firms winding down (running off) business over the long term

6.3.19

FCA PRA

G

A *firm* which is making an application for variation of *Part 4A permission* to wind down (run off) its business before applying for a cancellation of that *permission* (see ■ SUP 6.2.9 G) should read ■ SUP 6 Annex 4 for details of the additional procedures that apply.

Applications involving significant changes

6.3.20

FCA PRA

G

In certain cases, the relevant regulator may consider that granting an application for imposition, variation or cancellation of any *requirement* or for variation of *Part 4A permission* which includes adding further *regulated activities* or changing a *limitation* would cause a significant change in the *firm's* business or risk profile. In these circumstances, the relevant regulator may require the *firm* to complete appropriate parts of the full application pack (see the relevant regulator's website), as directed by the relevant regulator. Applications for variation involving significant changes may be

processed by the *firm's* appropriate supervisory contact in conjunction with the Authorisations Team. Examples of an application for imposition, variation or cancellation of a *requirement* and for variation of *Part 4A permission* which may represent a significant change include, but are not limited to, an application:

- (1) to carry on new *regulated activities* such as *accepting deposits*;
- (2) to extend the *insurance business* of a *firm* which already has *Part IV permission* which includes *carrying out* or *effecting contracts of insurance* (or both), to new *classes of specified investment*; or
- (3) to remove a *requirement* preventing a *firm* from holding or controlling *client money*.
- (4) [deleted]

6.3.21 FCA PRA G

A *firm* that wishes to make a significant change to its business, or is unsure whether the changes it is proposing would be considered to be significant, should contact the relevant regulator. The relevant regulator will discuss with the *firm* whether it will be required to submit parts of the application pack and whether any reports from third parties may be required.

6.3.22 FCA PRA G

The fees payable for a *firm* applying for the imposition, variation or cancellation of any *requirements* and/or a variation of its *Part 4A permission* are set out in ■ FEES 3.

6.3.22A R [Deleted]

6.3.22B G [Deleted]

6.3.22C G [Deleted]

Information to be supplied to the relevant regulator as part of the application

6.3.23 FCA PRA G

- (1) The relevant regulator may ask for any information it reasonably requires before determining the application. The information required will be determined on a case by case basis, taking into account the relevant regulator's existing knowledge of the *firm* and the change requested. The relevant regulator will advise the *firm* of the information required at an early stage in the application process.
- (2) The nature of the information and documents requested will be related to the risks posed to the relevant regulator's *statutory objectives* by the *regulated activities* and any *unregulated activities* that the *firm* is carrying on or is seeking to carry on. This information will be proportional to the nature of the business which the *firm* intends to carry on or the risks posed by the *firm*.

6.3.24 FCA PRA G

- (1) The information the relevant regulator may require includes, but is not limited to, the examples given in ■ SUP 6.3.25 G:

6.3.25 FCA PRA G

Table Information which may be required. See ■ SUP 6.3.24 G

Type of business	Information which may be required
All	<ol style="list-style-type: none"> 1. Details of how the <i>firm</i> plans to comply with the relevant regulator's regulatory requirements relating to any additional <i>regulated activities</i> it is seeking to carry on. 2. Descriptions of the <i>firm's</i> key controls, senior management arrangements and audit and proposed compliance arrangements in respect of any new <i>regulated activity</i> (see <i>SYSC</i>). 3. Organisation charts and details of individuals transferring or being recruited to perform new <i>controlled functions</i> (see <i>SUP 10</i> for details of the application or transfer procedures under the <i>approved persons</i> regime).
Insurance business	<ol style="list-style-type: none"> 1. A <i>scheme of operations</i> in accordance with <i>SUP App 2</i>. 2. (If the application seeks to vary a <i>permission</i> to include <i>motor vehicle liability insurance business</i>) details of the claims representatives required by <i>threshold condition 3F</i> (Appointment of claims representatives), if applicable.
Accepting deposits and designated investment business	<ol style="list-style-type: none"> 1. A business plan which includes the impact of the variation on the <i>firm's</i> existing or continuing business financial projections for the <i>firm</i>, including the impact of the requested change on the <i>firm's</i> financial resources and capital adequacy requirements.

6

6.3.26
FCA PRA

G

Specific information may also be required by the relevant regulator on the activities the *firm* intends to cease, or cease carrying on in relation to any *specified investments* (see ■ *SUP 6 Annex 4*).

6.3.27
FCA PRA

G

When determining whether to grant an application, the relevant regulator may request further information, including reports from third parties such as the *firm's* auditors, and may require meetings with, and visits to, the *firm*. The relevant regulator may also require a statement from members of the *firm's governing body* confirming, to the best of their knowledge, the completeness and accuracy of the information supplied. The relevant regulator may also discuss the application with other regulators or exchanges.

When will an application for variation of permission and/or imposition or variation of requirements be granted?

6.3.28
FCA PRA

G

(1) The relevant regulator is required by section 55B(3) of the *Act* to ensure that a *firm* applying to gain or vary a *Part 4A permission* or to impose or vary a *requirement* satisfies and will continue to satisfy the *threshold conditions* in relation to all the regulated activities for which the *firm* has or will have a *Part 4A permission*.

(2) [deleted]

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6.3.28A
FCA

G

Where a *firm* applies to the *PRA* for the variation of its *Part 4A permission*, the *FCA*, in giving consent to such an application or imposing any requirements on the *firm*, is required by section 55B(3) of the *Act* to ensure that the *firm* satisfies and will continue to satisfy the *threshold conditions* for which the *FCA* is responsible in relation to all the *regulated activities* for which the *firm* has or will have *Part 4A permission* after the variation.

6.3.28B

FCA

G

- (1) The *FCA's* duty under section 55B(3) of the *Act* does not prevent it, having regard to that duty, from taking such steps as it considers necessary in relation to a particular *firm*, to meet any of its operational objectives. This may include granting or consenting to (as the case may be) a *firm's* application for variation of *Part 4A permission* when it wishes to wind down (run off) its business activities and cease to carry on new business as a result of no longer being able to satisfy the *threshold conditions*.
- (2) The *FCA* may refuse an application, or refuse to give its consent to an application, under section 55B(3) of the *Act* if it considers that it is desirable to do so in order to advance any of its operational objectives.

6.3.28C

PRA

G

- (1) The *PRA's* duty under section 55B(3) of the *Act* does not prevent it, having regard to that duty, from taking such steps as it considers necessary in relation to a particular *firm*, to meet any of its objectives. This may include, with the consent of the *FCA*, granting a *firm's* application for variation of *Part 4A permission* when it wishes to wind down (run off) its business activities and cease to carry on new business as a result of no longer being able to satisfy the *threshold conditions*.
- (2) The *PRA* may refuse an application under section 55B(3) of the *Act* if it considers that it is desirable to do so in order to advance any of its objectives.

6.3.29

FCA PRA

G

In determining whether the *firm* satisfies and continues to satisfy the *threshold conditions*, the regulator concerned will consider whether the *firm* is ready, willing and organised to comply with the regulatory requirements it will be subject to if the application is granted.

6.3.30

FCA PRA

G

The specific requirements that apply to certain types of activity will also need to be considered as these may not allow certain combinations of activity.

6.3.31

FCA PRA

G

In considering whether to grant (or consent to, as the case may be) a *firm's* application to vary its *Part 4A permission* or impose or vary a *requirement*, the regulator concerned will also have regard, under section 55R(1) of the *Act* (Persons connected with an applicant), to any *person* appearing to be, or likely to be, in a relationship with the *firm* which is relevant. The *Financial Groups Directive Regulations* make special consultation provisions where the regulator is exercising its functions under Part 4A of the *Act* (Permission to carry on regulated activities) for the purposes of carrying on supplementary supervision. Broadly, where a regulator, in the course of carrying on supplementary supervision, is considering varying the *Part 4A permission* of a *person* who is a member of a *group* which is a *financial conglomerate*, the consultation provisions in section 55R(2) of the *Act* are disapplied. In their place, the regulations impose special obligations, linked to the *Financial Groups Directive*, to obtain the consent of the relevant competent authorities, to consult those authorities and to consult with the *group* itself.

The regulator's powers in respect of application for variation of Part IV permission

6.3.32

G

[deleted]

6.3.32A **FCA** **G** The *FCA*'s power to vary a *Part 4A permission* after it receives an application from a *firm* extends to including in the *Part 4A permission* as varied any provision that could be included as though a fresh *permission* was being given in response to an application under section 55A of the *Act* (Application for permission). Under section 55E of the *Act* (Giving permission: the *FCA*) the *FCA* may:

- (1) incorporate in the description of a *regulated activity* such *limitations* (for example, as to the circumstance in which a *regulated activity* may or may not be carried on) as it considers appropriate; or
- (2) specify a narrower or wider description of *regulated activity* than that to which the application relates; or
- (3) give permission for the carrying on of a *regulated activity* which is not included among those to which the application relates and is not a *PRA-regulated activity*.

6.3.32B **FCA** **G** Thus, when determining an application for variation of *Part 4A permission*, the *FCA* can, include new *limitations* and vary existing *limitations*, either on application from the *firm* (for example, the *customer* categories with which a *firm* may carry on a specified activity) or, if considered appropriate, by the *FCA* under section 55E(5) of the *Act*.

6.3.32C **FCA** **PRA** **G** If a *firm* has applied (whether to the *FCA* or the *PRA*) for the variation of a *Part 4A permission*, the *FCA* has the power to impose on that person such *requirements*, taking effect on or after the variation of permission, as the *FCA* considers appropriate.

6.3.33 **G** [deleted]

6.3.33A **PRA** **G** The *PRA*'s powers to vary a *Part 4A permission* after it receives an application from a *firm* extends, subject to the consent of the *FCA*, to including in the *Part 4A permission* as varied any provision that could be included as though a fresh *permission* was being given in response to an application under section 55A of the *Act* (Application for permission). Under section 55F of the *Act* (Giving permission: the *PRA*), the *PRA* may:

- (1) incorporate in the description of a *regulated activity* such *limitations* (for example, as to the circumstance in which a *regulated activity* may or may not be carried on) as it considers appropriate; or
- (2) specify a narrower or wider description of *regulated activity* than that to which the application relates; or
- (3) give permission for the carrying on of a *regulated activity* which is not included among those to which the application relates.

6.3.33B **PRA** **G** Thus, when determining an application for variation of *Part 4A permission*, the *PRA* can include new *limitations* and vary existing *limitations*, either on application from the *firm* (for example, the *customer* categories with which a *firm* may carry on a specified activity), or if considered appropriate by the *PRA* under section 55F(4) of the *Act*.

6.3.33C **PRA** **G** If a *firm* has applied to the *PRA* for the variation of a *Part 4A permission*, the *PRA* has the power to impose on that person such *requirements*, taking effect on or after the giving or variation of the *permission*, as the *PRA* considers appropriate.

6.3.34 FCA PRA G If *limitations* are varied or imposed or *requirements* are imposed by the relevant regulator which were not included in the *firm's* application for variation of *Part 4A permission*, the relevant regulator will be required to issue the *firm* with a *warning notice* and *decision notice* (see ■ SUP 6.3.39 G).

6.3.34A FCA PRA G Where a *firm* has made an application to the *PRA* for the variation of its *Part 4A permission* and *requirements* are imposed by the *FCA* which were not included in the *firm's* application, the *FCA* will be required to issue the *firm* with a *warning notice* and *decision notice* (see ■ SUP 6.3.39 G).

How long will an application take?

6.3.35 FCA PRA G Under section 55V(1) of the *Act* (Determination of applications), the relevant regulator has six months to consider a completed application from the date of receipt.

6.3.36 FCA PRA G If the relevant regulator receives an application which is incomplete (that is, if information or a document required as part of the application is not provided), section 55V(2) of the *Act* requires the relevant regulator to determine that incomplete application within 12 months of the initial receipt of the application.

6.3.36A FCA PRA G Where the application cannot be determined by the *PRA* without the consent of the *FCA*, section 55V(3) of the *Act* requires that the *FCA's* decision must also be made within the period required in ■ SUP 6.3.35 G or ■ SUP 6.3.36 G as appropriate.

6.3.37 FCA PRA G Within these time limits, however, the length of the process will relate directly to the complexity of the application.

6.3.37A FCA G The *FCA* publishes standard times on its website setting out how long the application process is expected to take. From time to time, the *FCA* also publishes its performance against these times.

6.3.38 FCA PRA G At any time after receiving an application and before determining it, the relevant regulator may require the applicant to provide additional information or documents. The circumstances of each application will dictate what additional information or procedures are appropriate.

How will the relevant regulator make the decision?

6.3.39 FCA PRA G A decision to grant an application will be taken by appropriately experienced staff at the relevant regulator. However, if the staff dealing with the application recommend that a *firm's* application for variation of *Part 4A permission* be either refused or granted subject to *limitations* or *requirements* or a narrower description of *regulated activities* than applied for, the decision will be subject to the regulator's formal decision making process.

6.3.40 FCA G *DEPP* gives guidance on the *FCA's* decision making procedures including the procedures it will follow if it proposes to refuse an application for variation of *Part 4A permission* or for imposition or variation of a *requirement* either in whole or in part (for example,

- (2) *Firms* should note, however, that the relevant regulator will not grant an application for cancellation of *Part 4A permission* until the *firm* can demonstrate that it has ceased carrying on all *regulated activities* (■ SUP 6.4.19 G).
- (3) The relevant regulator may apply additional procedures or require additional information, as if the *firm* had entered into a long term wind down of business (see ■ SUP 6 Annex 4), if it considers it appropriate to the circumstances of the *firm*.

6.4.4

FCA **PRA**

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Additional guidance for a *firm* carrying on *insurance business, accepting deposits, operating a dormant account fund* or which holds *client money* or *customer's* assets is given in ■ SUP 6 Annex 4. As noted in ■ SUP 6.2.9 G, it will usually be appropriate for a *firm* to apply for variation of its *Part 4A permission* and/or the imposition, variation or cancellation of a *requirement* while winding down (running off) its *regulated activities* and before applying to cancel its *Part 4A permission*.

6.4.5

FCA **PRA**

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The application for cancellation of permission

- (1) Subject to (1A), a *firm* other than a *credit union* wishing to cancel its *Part 4A permission*, must apply online at the *appropriate regulator* website using the form specified on the *ONA* system.
- (1A) An *FCA-authorized person* wishing to cancel its *Part 4A permission* which covers only *credit-related regulated activities* must submit any form, notice or application by using the form in ■ SUP 6 Annex 6 D and submitting it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (2) [deleted]
- (3) [deleted]
- (4) Until the application has been determined, a *firm* which submits an application for cancellation of *Part 4A permission* must inform the relevant regulator of any significant change to the information given in the application immediately it becomes aware of the change.
- (5) Where a *firm* is obliged to submit any form, notice or application online under (1), if the *ONA* systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a *firm* must submit any form, notice or application by using the form in ■ SUP 6 Annex 6D and submitting it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

6.4.5A

FCA **PRA**

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- (1) If the *ONA* systems fail and online submission is unavailable for 24 hours or more, the relevant regulator will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 6.4.5 D (5) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.
- (2) Where ■ SUP 6.4.5 D (5) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

6.4.5B
PRA

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A *credit union* wishing to cancel its *Part 4A permission* must apply using the form in ■ SUP 6 Annex 6 D and submit its application in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification). The application must be addressed for the attention of the [to be inserted] at the *PRA*.

6.4.6
FCA PRA

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- (1) In addition to applying for cancellation of *Part 4A permission* in accordance with ■ SUP 6.4.5 D, a *firm* may discuss prospective cancellations with its supervisory contact at the *appropriate regulator*. Alternatively a *firm* can contact the Firms Contact Centre on 0845 606 9966.
- (2) To contact the
 - (a) write to: Cancellations Team, The Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS; or ; or
 - (b) email cancellation.team@fca.org.uk
- (3) If a *firm* which has applied for cancellation decides to remain authorised it should inform the relevant regulator immediately using one of the methods in ■ SUP 6.4.6 G (2).

6.4.7
FCA PRA

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When an application is received , the relevant regulator will send the *firm* a written acknowledgement. The *firm* will be required to provide information which, in the opinion of the relevant regulator, is necessary for it to determine whether to grant or refuse the application for cancellation of *Part 4A permission*.

Information to be supplied to the relevant regulator as part of the application for cancellation of permission

6.4.8
FCA PRA

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The information which the relevant regulator may request on the circumstances of the application for cancellation and the confirmations which the relevant regulator may require a *firm* to provide will differ according to the nature of the *firm* and the activities it has *Part 4A permission* to carry on.

6.4.9
FCA PRA

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A *firm* will be expected to demonstrate to the relevant regulator that it has ceased carrying on *regulated activities*. The relevant regulator may require, as part of the application, a report from the *firm* that includes, but is not limited to, the confirmations referred to in ■ SUP 6.4.12 G (as appropriate to the *firm's* business). The relevant regulator may also require additional information to be submitted with the report including, in some cases, confirmation or verification from a professional adviser on certain matters to supplement the report (see ■ SUP 6.4.15 G).

6.4.10
FCA

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- (1) If a *firm* is subject to the complaints rules in *DISP*, the *FCA* may request confirmation from the *firm* that there are no unresolved, unsatisfied or undischarged complaints against the *firm* from a *customer* of the *firm*.
- (2) If there are unresolved or undischarged complaints against a *firm* from a *customer* of the *firm*, the *FCA* may request confirmation, as appropriate, of the steps (if any) which have been taken under the *firm's* complaints procedures and the amount of compensation claimed. The *FCA* may also request an explanation of the arrangements made for the future consideration of such complaints.

6.4.11

FCA

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If the *firm* is carrying on *designated investment business* with *retail clients*, the *FCA* may request confirmation that the *firm* has written, or intends to write, to all *retail clients* with, or for whom, the *firm* has conducted *regulated activities* within a certain period.

Confirmations and resolutions

6.4.12

FCA PRA

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The relevant regulator will usually require the report in ■ SUP 6.4.9 G to be signed by a *director* or other officer with authority to bind the *firm*. It may include confirmations from the *firm* that, in relation to business carried on under its *Part 4A permission*, it has:

- (1) ceased carrying on all *regulated activities*;
- (2) properly disbursed funds in its *client bank accounts* and closed those accounts;
- (3) discharged all insurance or *deposit* liabilities; and
- (4) properly transferred all *investments*, title documents and other property that it held on behalf of *clients*.

6.4.13

FCA PRA

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The relevant regulator may also require a resolution from the *firm's governing body*, for example to support the application for cancellation of *permission*, expressed to be irrevocable, and to give the signatory the authority to sign the formal report to the relevant regulator.

6.4.14

FCA PRA

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Under section 398 of the *Act* (Misleading the FCA or PRA: residual cases), it is an *offence*, in purported compliance with a requirement imposed by or under the *Act* (including the directions in ■ SUP 6.4.5 D), for a *person* to knowingly or recklessly give the regulator information that is false or misleading. If necessary, a *firm* should take appropriate professional advice when supplying information required by the regulator(s). An *insurer*, for example, may ask an *actuary* to check assumptions in respect of future *claims* made under *contracts of insurance*.

Reports from professionals

6.4.15

FCA PRA

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The relevant regulator may require additional information, including professional advice, to supplement or support the report in ■ SUP 6.4.9 G where it considers this appropriate. Examples of reports that may be requested by the relevant regulator include, but are not limited to those detailed in ■ SUP 6.4.16 G.

6.4.16

FCA PRA

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Table Types of reports. See ■ SUP 6.4.15 G

Category of firm	Type of report
a <i>bank</i> or <i>building society</i>	<ul style="list-style-type: none"> • an audited balance sheet which confirms that, in the auditor's opinion, the <i>firm</i> has no remaining <i>deposit</i> liabilities to <i>customers</i>; • a report from auditors or <i>reporting accountants</i>;
a <i>securities and futures firm</i>	<ul style="list-style-type: none"> • a report from auditors or <i>reporting accountants</i>

Category of firm	Type of report
an <i>insurer</i>	<ul style="list-style-type: none"> • an audited closing balance sheet which demonstrates that the <i>firm</i> has no insurance liabilities to <i>policyholders</i>; • a report from the auditors or <i>reporting accountants</i>; and • in some cases, an actuarial opinion as to the likelihood of any remaining liabilities to <i>policyholders</i>.

6.4.17
FCA PRA

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If a *firm* is transferring its business, the relevant regulator may require a professional opinion in respect of certain aspects of the transfer. For example, the relevant regulator may require a legal opinion on the validity of arrangements to transfer *regulated activities, client money, client deposits, custody assets* or any other property belonging to *clients*, to another *authorised person*. Alternatively, an auditor or *reporting accountant* may be requested to verify that a transfer has been properly accounted for in the *firm's* books and records. Transfers of *insurance* and *banking business* are subject to statutory requirements (see ■ SUP 18).

6.4.18
FCA PRA

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Approved persons

A *firm* which is applying for cancellation of *Part 4A permission* and which is not otherwise *authorised* by, or under, the *Act* should, at the same time, comply with ■ SUP 10.13.6 R and notify the *appropriate regulator* of persons ceasing to perform *controlled functions* specified by that regulator. These forms should give the effective date of withdrawal, if known (see ■ SUP 10 (Approved persons)).

6.4.19
FCA PRA

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When will the relevant regulator grant an application for cancellation of permission?

The relevant regulator will usually not cancel a *firm's Part 4A permission* until the *firm* can demonstrate that, in relation to business carried on under that permission, it has, as appropriate:

- (1) ceased carrying on *regulated activities* or fully run off or transferred all insurance liabilities;
- (2) repaid all *client money* and *client deposits*;
- (3) discharged *custody assets* and any other *property* belonging to *clients*; and
- (4) discharged, satisfied or resolved complaints against the *firm*.

6.4.20
FCA PRA

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If it is not possible for a *firm* to demonstrate a relevant matter referred to in ■ SUP 6.4.19 G, for example, depositors are uncontactable, the *firm* will be expected to have satisfied the relevant regulator that it has made adequate provisions for discharging any liabilities to *clients* which do not involve the *firm* carrying on *regulated activities*.

Variation of permission application form

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

Supervision forms http://fshandbook.info/FS/form_links.jsp



8.3 Applying for a waiver

Conditions for giving a waiver

8.3.1

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FCA PRA

Under section 138A(4) of the *Act*, the *appropriate regulator* may not give a *waiver* unless it is satisfied that:

- (1) compliance by the *firm* with the *rules*, or with the *rules* as unmodified, would be unduly burdensome, or would not achieve the purpose for which the *rules* were made; and
- (2) the *waiver* would not adversely affect the advancement of, in the case of the *PRA*, any of its objectives and, in the case of the *FCA*, any of its operational objectives.

8.3.1A

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FCA PRA

Even if the conditions in section 138A(4) of the *Act* are satisfied, the *appropriate regulator* will consider other relevant factors before giving a *waiver*, such as whether the *waiver* would be compatible with European law, including relevant EC Directives.

Publication of waivers

8.3.2

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FCA PRA

The *appropriate regulator* is required by section 138B of the *Act* to publish a *waiver* unless it is satisfied that it is inappropriate or unnecessary to do so (see ■ SUP 8.6).

8.3.2A

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FCA

The *FCA* must consult the *PRA* before publishing or deciding not to publish a *waiver* which relates to:

- (1) a *PRA-authorised person*; or
- (2) an *authorised person* who has as a member of its *immediate group* a *PRA-authorised person*;

unless the *waiver* relates to rules made by the *FCA* under sections 247 or 248 of the *Act*.

Form and method of application

PAGE
5

8.3.3

D

FCA PRA

A firm wishing to apply for a *waiver* must complete the application form in ■ SUP 8 Annex 2 D and submit it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

- (1) [deleted]

- (2) [deleted]
- (3) [deleted]
- (4) [Deleted]
- (5) [Deleted]
- (6) [Deleted]
- (7) [Deleted]
 - (a) [Deleted]
 - (b) [Deleted]

8.3.3A FCA PRA G

- (1) The *appropriate regulator's* preferred method of submission for *waiver* applications is by e-mail.
- (2) The form is available on the *appropriate regulator's* website.

8.3.4 FCA PRA G

Before sending in a *waiver* application, a *firm* may find it helpful to discuss the application with its appropriate supervisory contact . However, the *firm* should still ensure that all relevant information is included in the application.

8.3.4A FCA G

Firms or *persons* other than *PRA-authorised persons* should send applications for *waivers* or applications for variations of *waivers* to the *FCA*.

8.3.4B FCA PRA G

PRA-authorised persons should send applications for *waivers* or applications for variations of *waivers* to:

- (1) the *FCA* in respect of *rules* in the *FCA Handbook* applicable to that *PRA-authorised person*; and
- (2) the *PRA* in respect of *rules* in the *PRA Handbook*.

Procedure on receipt of an application

8.3.5 FCA G

The *appropriate regulator* will acknowledge an application promptly and if necessary will seek further information from the *firm*. The time taken to determine an application will depend on the issues it raises. A *firm* should make it clear in the application if it needs a decision within a specific time.

8.3.5A FCA PRA G

The *appropriate regulator* will treat a *firm's* application for a *waiver* as withdrawn if it does not hear from the *firm* within 20 *business days* of sending a communication which requests or requires a response from the *firm*. The *appropriate regulator* will not do this if the *firm* has made it clear to the *appropriate regulator* in some other way that it intends to pursue the application.

8.3.6 FCA PRA G

In some cases, the *appropriate regulator* may give a modification of a *rule* rather than direct that the *rule* is not to apply. The *appropriate regulator* may also impose

conditions on a *waiver*, for example additional reporting requirements. A *waiver* may be given for a specified period of time only, after which time it will cease to apply. A *firm* wishing to extend the duration of a *waiver* should follow the procedure in ■ SUP 8.3.3 D. A *waiver* will not apply retrospectively.

8.3.7

FCA PRA

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If the *appropriate regulator* decides not to give a *waiver*, it will give reasons for the decision.

8.3.8

FCA PRA

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A *firm* may withdraw its application at any time up to the giving of the *waiver*. In doing so, a *firm* should give the *appropriate regulator* its reasons for withdrawing the application.

8.3.9

FCA PRA

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If the *appropriate regulator* believes that a particular *waiver* given to a *firm* may have relevance to other *firms*, it may publish general details about the possible availability of the *waiver*. For example, IPRU(INV) 3-80(10)G explains that a *firm* that wishes to use its own internal model to calculate its position risk requirement (PRR) will need to apply for a *waiver* of the relevant *rules*.

Giving a waiver with consent rather than on an application

8.3.10

FCA PRA

G

Under section 138A(1) of the *Act* the *appropriate regulator* may give a *waiver* with the consent of a *firm*. This power may be used by the *appropriate regulator* in exceptional circumstances where the *appropriate regulator* considers that a *waiver* should apply to a number of *firms* (for example, where a *rule* unmodified may not meet the particular circumstances of a particular category of *firm*). In such cases the *appropriate regulator* will inform the *firms* concerned that the *waiver* is available, either by contacting *firms* individually or by publishing details of the availability of the *waiver* on the *appropriate regulator's* website provided that the *FCA* must comply with ■ SUP 8.3.2A G. The *firms* concerned will not have to make a formal application but will have to give their written consent for the *waiver* to apply.

Waiver of an evidential provision

8.3.11

FCA PRA

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An application for a *waiver* of an *evidential provision* will normally be granted only if a breach of the underlying binding *rule* is actionable under section 138D of the *Act*. Individual *guidance* would normally be a more appropriate response (see ■ SUP 9 (Individual Guidance)) if there is no right of action.

8.3.12

FCA PRA

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An application for a *waiver* of the presumption of compliance created by an *evidential provision* would not normally be granted.

8.3.13

FCA PRA

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For an application for a *waiver* of the presumption of contravention of a binding *rule*, which is actionable under section 138D of the *Act*, the *appropriate regulator* would normally wish to be satisfied that the evidential *rule* is itself unduly burdensome or does not achieve the purpose of the *rule*.

8.3.13A

FCA PRA

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In accordance with section 138C(4) of the *Act*, in ■ SUP 8.3.11 G to ■ SUP 8.3.13 G, a reference to a *rule* does not include a *rule* made under:

- (1) section 137O of the *Act*; or
- (2) section 192J of the *Act*.

8.3.14

FCA PRA

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Waiver of a two-way evidential provision

In the case of an application for a *waiver* of a two-way *evidential provision* relating to an actionable binding *rule*, the policy in ■ SUP 8.3.12 G would apply to the presumption of compliance and the policy in ■ SUP 8.3.13 G would apply to the presumption of contravention. In other words, any modification is likely to be in relation to the second presumption only.

Chapter 8A

Directions and determinations by the FCA waiving, varying or disapplying CCA requirements

8A.1 Application, purpose and interpretation

8A.1.1

FCA

D

This chapter applies to every *firm* which:

- (1) is subject to the requirements as to the form and content of regulated agreements under the Consumer Credit (Agreements) Regulations 1983 (SI 1983/1553) and the Consumer Credit (Agreements) Regulations (SI 2010/1014) made under section 60(1) of the CCA that wishes to apply for a direction from the FCA waiving or varying those requirements;
- (2) is subject to the requirement under section 64(1)(b) of the CCA to send debtors or hirers a notice of their rights to cancel a cancellable agreement within the seven days following the making of that agreement that wishes to apply for a determination by the FCA that that requirement can be dispensed with; and
- (3) wishes to apply for a direction from the FCA that the *hirer's* rights to terminate a *regulated consumer hire agreement* under section 101 of the CCA do not apply to *regulated consumer hire agreements* made by that *firm*.

8A.1.2

FCA

G

This chapter explains how the regime works for obtaining:

- (1) a direction from the FCA waiving or varying the requirements as to the form and content of regulated agreements under the Consumer Credit (Agreements) Regulations 1983 (SI 1983/1553) and the Consumer Credit (Agreements) Regulations (SI 2010/1014) made under section 60(1) of the CCA;
- (2) a determination by the FCA that the requirement under section 64(1)(b) of the CCA to send debtors or hirers a notice of their rights to cancel a cancellable agreement within the seven days following the making of that agreement can be dispensed with; and
- (3) a direction from the FCA that the *hirer's* rights to terminate a *regulated consumer hire agreement* under section 101 of the CCA do not apply to *regulated consumer hire agreements* made by the relevant *firm*.

8A.1.3

FCA

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Unless italicised, and except where the contrary intention appears, expressions used in this chapter have the same respective meanings as in the CCA.

8A.2 Introduction and conditions

Directions under section 60(3) of the CCA

8A.2.1
FCA

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Under section 60(3) of the CCA, if, on an application made to the FCA by a *firm* carrying on a consumer credit business or a consumer hire business, it appears to the FCA impracticable for the *firm* to comply with any requirement of the Consumer Credit (Agreements) Regulations 1983 (SI 1983/1553) or the Consumer Credit (Agreements) Regulations (SI 2010/1014) in a particular case, it may direct that the requirement be waived or varied in relation to the regulated agreement and subject to such conditions (if any) as it may specify.

8A.2.2
FCA

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Under section 60(4) of the CCA, the FCA will make the direction only if it is satisfied that to do so would not prejudice the interests of debtors or hirers.

8A.2.3
FCA

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An application may be made under section 60(3) of the CCA only if it relates to:

- (1) a consumer credit agreement secured on land; or
- (2) a consumer credit agreement under which a person takes an article in *pawn*; or
- (3) a consumer credit agreement under which the creditor provides the debtor with a credit that exceeds £60,260; or
- (4) a consumer credit agreement entered into by the debtor wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by him; or
- (5) a consumer hire agreement.

Determinations under section 64(4) of the CCA

8A.2.4
FCA

G

The requirement under section 64(1)(b) of the CCA to send debtors or hirers a notice of their rights to cancel a cancellable agreement within the seven days following the making of that agreement does not apply in the case of the agreements described in ■ SUP 8A.2.5 G, if:

- (1) on application by a *firm* to the FCA, the FCA has determined, having regard to:
 - (a) the manner in which antecedent negotiations for the relevant agreements with the *firm* are conducted; and

(b) the information provided to debtors or hirers before those agreements are made;

the requirement can be dispensed with without prejudicing the interests of debtors or hirers; and

(2) any conditions imposed by the *FCA* in making the determination are complied with.

8A.2.5

FCA

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A determination under 64(4) of the *CCA* may only be made in respect of agreements specified in the Consumer Credit (Notice of Cancellation Rights) (Exemptions) Regulations 1983.

Directions under section 101(8) of the CCA

8A.2.6

FCA

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If on an application made to the *FCA* by a *firm* carrying on a consumer hire business, it appears to the *FCA* that it would be in the interests of hirers to do so, the *FCA* may direct that subject to such conditions (if any) as it may specify, section 101 of the *CCA* shall not apply to consumer hire agreements made by that *firm*.

Transitional provision

8A.2.7

FCA

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Under article 53 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013, any of the following given or made by the Office of Fair Trading which were in effect immediately before 1 April 2014 have effect as if they had been given or made by the *FCA*:

(1) a direction given under section 60(3) of the *CCA* (form and content of agreements);

(2) a determination made under section 64(4) of the *CCA* (duty to give notice of cancellation rights) and the Consumer Credit (Notice of Cancellation Rights) (Exemptions) Regulations 1983;

(3) a direction given under section 101(8) or (8A) of the *CCA* (right to terminate hire agreement).



8A.3 Applying for a direction or determination by the FCA waiving, varying or disapplying CCA requirements

Publication

8A.3.1
FCA

G

The *FCA* intends to include any direction or determination made by the *FCA* waiving, varying or disapplying *CCA* requirements in the public register under section 347 of the *Act*.

Form and method of application

8A.3.2
FCA

D

A *firm* wishing to apply for a direction under section 60(3) of the *CCA*, must complete the application form in ■ SUP 8A Annex 1 D and submit it to the *FCA* in the way set out in ■ SUP 15.7.4 R, ■ SUP 15.7.5A R, ■ SUP 15.7.6A G and ■ SUP 15.7.9 G.

8A.3.3
FCA

D

A *firm* wishing to apply for a determination under section 64(4) of the *CCA* must apply to the *FCA* in the way set out in ■ SUP 15.7.4 R, ■ SUP 15.7.5A R, ■ SUP 15.7.6A G and ■ SUP 15.7.9 G.

8A.3.4
FCA

D

A *firm* wishing to apply for a direction under section 101(8) of the *CCA* must complete the application form in ■ SUP 8A Annex 2 D and the information form in ■ SUP 8A Annex 3 D, and submit them to the *FCA* in the way set out in ■ SUP 15.7.4 R, ■ SUP 15.7.5A R, ■ SUP 15.7.6A G and ■ SUP 15.7.9 G.

Procedure on receipt of an application

8A.3.5
FCA

G

The *FCA* will acknowledge an application promptly and, if necessary, will seek further information from the *firm*. The time taken to determine an application will depend on the issues it raises. However, the *FCA* will aim to give decisions within 20 *business days* of receiving an application which includes sufficient information. If the *FCA* expects to take longer, it will tell the *firm* and give an estimated decision date. A *firm* should make it clear in the application if it needs a decision within a specific time.

8A.3.6
FCA

G

The *FCA* will treat a *firm's* application as withdrawn if it does not hear from the *firm* within 20 *business days* of sending a communication which requests or requires a response from the *firm*. The *FCA* will not do this if the *firm* has made it clear to the *FCA* in some other way that it intends to pursue the application.

8A.3.7
FCA

G

If the *FCA* decides not to give a direction or a determination, it will give reasons for the decision.

8A.3.8
FCA

G

A *firm* may withdraw its application at any time up to the giving of the direction or determination. In doing so, a *firm* should give the *FCA* its reasons for withdrawing the application.



**8A.4 Notification of altered circumstances
relating to directions or waivers**

8A.4.1

FCA

R

A *firm* which has applied for or has been granted a direction or determination must notify the *FCA* immediately if it becomes aware of any matter which could affect the continuing relevance or appropriateness of the application or the direction or determination.

8A.4.2

FCA

G

Firms are also referred to ■ SUP 15.6 (Inaccurate, false or misleading information). This requires a firm to notify the *FCA* if false, misleading, incomplete or inaccurate information has been provided (see ■ SUP 15.6.4 R). This would apply in relation to information provided in an application for a direction or a determination.



**8A.5 Revoking or varying directions and
determinations**

8A.5.1
FCA

G

The *FCA* may revoke or vary any of the directions or determinations referred to in this chapter.

Application form for a direction under section 60(3) of the CCA

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Application form for a direction under section 60(3) of the CCA

Application form for a direction under section 101(8) of the CCA

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Application form for a direction under section 101(8) of the CCA

**Information form in support of an application for a direction under section 101(8)
of the CCA**

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Information form in support of an application for a direction under section 101(8) of the CCA

Chapter 10A

FCA Approved Persons

10A.1 Application

General

- 10A.1.1** **R** This chapter applies to every *firm*.
FCA
- 10A.1.2** **G** This chapter is also relevant to every *FCA-approved person*.
FCA
- 10A.1.3** **G** The *rules* in this chapter specify descriptions of *FCA controlled functions* under section 59 of the *Act* (Approval for particular arrangements).
FCA
- 10A.1.4** **G** The directions in this chapter relate to the manner in which a *firm* must apply for the *FCA's* approval under section 59 of the *Act* and other procedures.
FCA
- 10A.1.5** **R** This chapter does not apply to an *overseas firm* in relation to *regulated activities* which are carried on in the *United Kingdom* other than from an establishment maintained by it or its *appointed representative* in the *United Kingdom*.
FCA
- 10A.1.6** **R** Only the following *FCA controlled functions* apply to an *overseas firm* which maintains an establishment in the *United Kingdom* from which *regulated activities* are carried on:
FCA

- (1) the *director function* where the *person* performing that function:
 - (a) has responsibility for the *regulated activities* of a *UK branch* which are likely to enable him to exercise significant influence over that *branch*; or
 - (b) is someone whose decisions or actions are regularly taken into account by the *governing body* of that *branch*;
- (2) the *non-executive director function* where the *person* performing one of those functions:

- (a) has responsibility for the *regulated activities* of a *UK branch* which is likely to enable him to exercise significant influence over that *branch*; or
 - (b) is someone whose decisions or actions are regularly taken into account by the *governing body* of that *branch*;
- (3) the *chief executive function*;
 - (4) the *FCA required functions*;
 - (5) the *systems and controls function*;
 - (6) the *significant management function* in so far as the function relates to:
 - (a) *designated investment business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*; or
 - (b) processing confirmations, payments, settlements, insurance claims, *client money* and similar matters in so far as this relates to *designated investment business*; and
 - (7) the *customer function*.

Incoming EEA firms, incoming Treaty firms and UCITS qualifiers

10A.1.7

FCA

R

This chapter does not apply to:

- (1) an *incoming EEA firm*; or
- (2) an *incoming Treaty firm*; or
- (3) a *UCITS qualifier*;

if and in so far as the question of whether a *person* is fit and proper to perform a particular function in relation to that *firm* is reserved, under any of the *Single Market Directives*, the *Treaty*, the *UCITS Directive* or the *auction regulation*, to an authority in a country or territory outside the *United Kingdom*.

10A.1.8

FCA

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■ SUP 10A.1.7 R reflects the provisions of section 59(8) of the *Act* and, in relation to an incoming *Treaty firm* and a *UCITS qualifier*, the *Treaty* and the *UCITS Directive*. It preserves the principle of *Home State* prudential regulation. In relation to an *incoming EEA firm* exercising an *EEA right*, or an *incoming Treaty firm* exercising a *Treaty right*, the effect is to reserve to the *Home State regulator* the assessment of the fitness and propriety of a *person* performing a function in the exercise of that right. A member of the *governing body*, or the notified *UK branch manager*, of an *incoming EEA firm*, acting in that capacity, will not therefore have to be approved by the *FCA* under the *Act*.

10A.1.9

FCA

G

Notwithstanding ■ SUP 10A.1.8 G, an *incoming EEA firm* (other than an *EEA pure reinsurer*) or *incoming Treaty firm* will have had to consider the impact of the *Host State* rules with which it is required to comply when carrying on a *passported activity* or *Treaty activity* through a *branch* in the *United Kingdom*. An *incoming EEA firm* (other than an *EEA pure reinsurer*) will have been notified of those provisions under Part II of Schedule 3 to the *Act* in the course of satisfying the conditions for *authorisation* in the *United Kingdom*.

10A.1.10

FCA

G

An *incoming EEA firm* will have to consider, for example, the position of a *branch manager* based in the *United Kingdom* who may also be performing a function in relation to the carrying on of a *regulated activity* not covered by the *EEA right* of the *firm*. In so far as the function is within the description of an *FCA controlled function*, the *firm* will need to seek approval for that *person* to perform that *FCA controlled function*.

Incoming EEA firms: passported activities from a branch

10A.1.11

FCA

R

Only the following *FCA controlled functions* apply to an *incoming EEA firm* with respect to its *passported activities* carried on from a *branch* in the *United Kingdom*:

- (1) the *money laundering reporting function*;
- (2) the *significant management function*, in so far as the function relates to:
 - (a) *designated investment business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*; or
 - (b) processing confirmations, payments, settlements, insurance claims, client money and similar matters, in so far as this relates to *designated investment business*; or
 - (c) the activity of *accepting deposits* from *banking customers* and activities substantially connected to that activity to the extent that it does not fall within (a) or (b); and
- (3) the *customer function* other than where this relates to the function in ■ SUP 10A.10.7R (4) and ■ (7).

10A.1.12

FCA

R

If an *incoming EEA firm* is an *EEA pure reinsurer*, then ■ SUP 10A.1.11 R does not apply. Instead, none of the *FCA controlled functions* apply with respect to its *passported activities* carried on from a *branch* in the *United Kingdom*.

10A.1.13

FCA

R

Incoming EEA firms etc with top-up permission activities from a UK branch

In relation to the activities of a *firm* for which it has a *top-up permission*, only the following *FCA controlled functions* apply:

- (1) the *FCA required functions*, other than the *apportionment and oversight function* and the *compliance oversight function*;
- (2) the *significant management function*, in so far as it relates to:
 - (a) *designated investment business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*; or
 - (b) processing confirmations, payments, settlements, insurance claims, *client money* and similar matters, in so far as this relates to *designated investment business*; or
 - (c) the activity of *accepting deposits* from *banking customers* and activities substantially connected to that activity to the extent that it does not fall within (a) or (b); and
- (3) the *customer function*.

10A.1.14

FCA

R

A *person* does not perform the *significant management function* for a *firm* under ■ SUP 10A.1.11 R or ■ SUP 10A.1.13 R if that *person* would not have been treated as performing any *FCA controlled function* for that *firm* if that *firm* had been a *UK firm*.

Appointed representatives

10A.1.15

FCA

R

The descriptions of the following *FCA controlled functions* apply to an *appointed representative* of a *firm*, except an *introducer appointed representative*, as they apply to an *FCA-authorised person*:

- (1) the *FCA governing functions*, subject to ■ SUP 10A.1.16 R and except for a *tied agent* of an *EEA MiFID investment firm*; and
- (2) the *customer function* other than in relation to acting in the capacity of an *investment manager* (see ■ SUP 10A.10.7R (6)).

10A.1.16

FCA

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- (1) ■ SUP 10A.1.15 R is modified in relation to an *appointed representative* meeting the conditions in (2) so that only one of the following *FCA governing functions*:
 - (a) *director function*; or
 - (b) *chief executive function*; or
 - (c) *partner function*; or
 - (d) *director of unincorporated association function*;

applies, as appropriate, to an individual within that *appointed representative* who will be required to be an *FCA-approved person*.

- (2) The conditions are that:
- (a) the scope of appointment of the *appointed representative* includes *insurance mediation activity* in relation to *non-investment insurance contracts* or *credit-related regulated activity*, but no other *regulated activity*; and
 - (b) the principal purpose of the *appointed representative* is to carry on activities other than *regulated activities*.

10A.1.16A **R**
FCA

This chapter applies to an *appointed representative* that has a *limited permission* to carry on a *regulated activity* prescribed for the purposes of section 39(1E)(a) of the *Act* as follows:

- (1) *FCA controlled functions* apply to the *appointed representative* as set out in ■ SUP 10A.1.15 R and ■ SUP 10A.1.16 R in relation to the carrying on of the *regulated activity*, for which it does not have *permission*, comprised in the business for which its *principal* has accepted responsibility;
- (2) (a) unless it is a *not-for-profit debt advice body*, the *apportionment and oversight function* applies in relation to the carrying on of the *regulated activity* for which it has *limited permission*;
- (b) if it is a *not-for-profit debt advice body* and a *CASS large debt management firm*, the *CASS operational oversight function* applies in relation to the carrying on of *debt management activity*.

Members of a profession

10A.1.17 **R**
FCA

- (1) This chapter, except in respect of the *FCA required functions*, does not apply to an *authorised professional firm* in respect of its *non-mainstream regulated activities*, subject to (2).
- (2) Where the *authorised professional firm* has appointed *FCA-approved persons* to perform the *FCA governing functions* with equivalent responsibilities for the *firm's non-mainstream regulated activities* and other *regulated activities*, for the *firm's non-mainstream regulated activities* this chapter applies with respect to the *FCA governing functions* and the *FCA required functions* (other than the *apportionment and oversight function*) only.

10A.1.18

FCA

R

Oil market participants, service companies, energy market participants, subsidiaries of local authorities or registered social landlords and insurance intermediaries.

The descriptions of *FCA significant-influence functions*, other than the *FCA required functions*, and, if the *firm* is a *MiFID investment firm*, the *FCA governing functions* do not extend to activities carried on by a *firm* whose principal purpose is to carry on activities other than *regulated activities* and which is:

- (1) an *oil market participant*; or
- (2) a *service company*; or
- (3) an *energy market participant*; or
- (4) a wholly owned *subsidiary* of:
 - (a) a local authority; or
 - (b) a registered social landlord; or
- (5) a *firm* with *permission* to carry on *insurance mediation activity* in relation to *non-investment insurance contracts* but no other *regulated activity*.

10A.1.19

FCA

G

It will be a matter of fact in each case whether, having regard to all the circumstances, including in particular where the balance of the business lies, a *firm's* principal purpose is to carry on activities other than *regulated activities*. If a *firm* wishes to rely on ■ SUP 10A.1.18 R, it should be in a position to demonstrate that its principal purpose is to carry on activities other than *regulated activities*.

Insolvency practitioners

10A.1.20

FCA

R

This chapter does not apply to a function performed by:

- (1) a *person* acting as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986; or
- (2) a *person* acting as a nominee in relation to a voluntary arrangement under Parts I (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency Act 1986; or
- (3) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989; or
- (4) a *person* acting as a nominee in relation to a voluntary arrangement under Parts II (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

10A.1.21

FCA

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Bidders in emissions auctions

For a *firm* that is exempt from MiFID under article 2(1)(i) and whose only *permission* is *bidding in emissions auctions*, the only FCA controlled functions that apply to it are:

- (1) the *FCA governing functions*;
- (2) the *money laundering reporting function*;
- (3) the *customer function*; and
- (4) (where it has exercised an opt-in to CASS in accordance with ■ CASS 1.4.9 R and is a *CASS medium firm* or a *CASS large firm*) the *CASS operational oversight function*.

This is because the *FCA-approved person* regime specifies a number of functions by incorporation of requirements in SYSC; however, a *firm* carrying on *auction regulation bidding* is only subject to SYSC to a limited extent in relation to that activity. This means that the *FCA required functions* do not apply to *auction regulation bidding*, except for the *money laundering reporting function*. Similarly, the *significant management function* does not apply in relation to *auction regulation bidding* because, in carrying on that activity, a *firm* is not subject to ■ SYSC 2.1.1 R or ■ SYSC 4.1.1 R and is not undertaking *proprietary trading*.

Territorial scope of SUP 10A in relation to benchmark submission

10A.1.22

FCA

R

Notwithstanding anything to the contrary in ■ SUP 10A.1.5 R, ■ SUP 10A.1.6 R and ■ SUP 10A.1.13 R the application of ■ SUP 10A to the *benchmark submission function* is as set out in ■ MAR 8.2.3 R.

10A.1.23

FCA

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■ MAR 8.2.3 R says that the obligation on a *benchmark submitter* to appoint a benchmark manager applies if it maintains an establishment in the *United Kingdom*. Therefore, ■ SUP 10A applies to the *benchmark submission function* whether or not the activity of *providing information in relation to a specified benchmark* (or any other regulated activity) or the *benchmark submission function* are carried on from that establishment.

Internally managed corporate AIFs

10A.1.24

FCA

G

In accordance with section 59(7C) of the *Act* this chapter does not apply to an *internally managed corporate AIF*.

Credit firms with limited permission

10A.1.25

FCA

R

- (1) Subject to (2) and (3), this chapter, except in respect of the *apportionment and oversight function*, does not apply to a *firm* that has *limited permission* in relation to the carrying on of the relevant credit activity (as defined in paragraph 2G of Schedule 6 to the *Act*) for which it has *limited permission*.
- (2) Subject to (3), this chapter does not apply to a *not-for-profit debt advice body*.

-
- (3) This chapter applies to a *not-for-profit debt advice body* that is a *CASS large debt management firm* with respect to the *CASS operational oversight function* only.



10A.2 Purpose

10A.2.1
FCA

G

The immediate purpose of ■ SUP 10A.3 to ■ SUP 10A.11 is to specify, under section 59 of the *Act*, descriptions of the *FCA controlled function* which are listed in ■ SUP 10A.4.4 R. The underlying purpose is to establish, and mark the boundaries of, the "FCA-approved persons regime".

10A.2.2
FCA

G

■ SUP 10A does not deal with the *PRA's approved persons* regime.

10A.2.3
FCA

G

The *FCA* has certain powers in relation to *PRA-approved persons*, such as the requirement to give its consent in certain cases to the *PRA* granting approval for the performance of a *PRA controlled function*. ■ SUP 10A does not deal with these.

10A.3 Provisions related to the Act

- 10A.3.1** **R** A function is an *FCA controlled function* only to the extent that it is performed under an *arrangement* entered into by:
- FCA**
- (1) a *firm*; or
 - (2) a contractor of the *firm*;
- in relation to the carrying on by the *firm* of a *regulated activity*.
- 10A.3.2** **G** Sections 59(1) and (2) of the *Act* provide that approval is necessary in respect of an *FCA controlled function* which is performed under an *arrangement* entered into by a *firm*, or its contractor (typically an *appointed representative*), in relation to a *regulated activity*.
- FCA**
- 10A.3.3** **G** *Arrangement* is defined in section 59(10) of the *Act* as any kind of arrangement for the performance of a function which is entered into by a *firm* or any of its contractors with another *person* and includes the appointment of a *person* to an office, his becoming a *partner*, or his employment (whether under a contract of service or otherwise). For the provisions in this chapter relating to outsourcing, see ■ SUP 10A.13.5 G and ■ SUP 10A.13.6 G.
- FCA**
- 10A.3.4** **G** If, however, a *firm* is a member of a group, and the *arrangements* for the performance of an *FCA controlled function* of the *firm* are made by, for instance, the *holding company*, the *person* performing the function will only require approval if there is an arrangement (under section 59(1)) or a contract (under section 59(2)) between the *firm* and *holding company* permitting this. This need not be a written contract but could arise, for example, by conduct, custom and practice.
- FCA**
- 10A.3.5** **G** The *arrangement* must be "in relation to" the carrying on of a *regulated activity*. *Regulated activities* are defined in the Glossary by reference to the *Regulated Activities Order*. This order prescribes the activities which are *regulated activities* for the purposes of the *Act*.
- FCA**



10A.4 Specification of functions

- 10A.4.1
FCA
R
Each of the functions described in **■** SUP 10A.4.4 R (the table of FCA controlled function) is an *FCA controlled function*.
- 10A.4.2
FCA
R
Part 1 of the table of *FCA controlled functions* applies in relation to an *FCA-authorised person*. It also applies in relation to an *appointed representative* for the purposes of **■** SUP 10A.1.15 R (Appointed representatives) whether its *principal* is an *FCA-authorised person* or a *PRA-authorised person*. Part 2 applies in relation to a *PRA-authorised person*.
- 10A.4.3
FCA
G
The fact that a *person* may be *FCA*-approved for one purpose does not have the effect of bringing all his activities within that *FCA controlled function*.

10A.4.4 **R** **FCA controlled functions**

Part 1 (FCA controlled functions for FCA-authorised persons and appointed representatives)		
Type	¶	Description of FCA controlled function
<i>FCA governing functions*</i>	1	<i>Director function</i>
	2	<i>Non-executive director function</i>
	3	<i>Chief executive function</i>
	4	<i>Partner function</i>
	5	<i>Director of unincorporated association function</i>
	6	<i>Small friendly society function</i>
<i>FCA required functions*</i>	8	<i>Apportionment and oversight function</i>
	10	<i>Compliance oversight function</i>
	10A	<i>CASS operational oversight function</i>
	11	<i>Money laundering reporting function</i>

Part 1 (FCA controlled functions for FCA-authorized persons and appointed representatives)		
Type	CF	Description of FCA controlled function
	40	<i>Benchmark submission function</i>
	50	<i>Benchmark administration function</i>
<i>Systems and controls function*</i>	28	<i>Systems and controls function</i>
<i>Significant management function*</i>	29	<i>Significant management function</i>
<i>Customer-dealing functions</i>	30	<i>Customer function</i>
<i>*FCA significant-influence functions</i>		

Part 2 (FCA controlled functions for PRA-authorized persons)		
Type	CF	Description of FCA controlled function
<i>FCA required functions*</i>	8	<i>Apportionment and oversight function</i>
	10	<i>Compliance oversight function</i>
	10A	<i>CASS operational oversight function</i>
	11	<i>Money laundering reporting function</i>
	40	<i>Benchmark submission function</i>
	50	<i>Benchmark administration function</i>
<i>Significant management function*</i>	29	<i>Significant management function</i>
<i>Customer-dealing function</i>	30	<i>Customer function</i>
<i>*FCA significant-influence functions</i>		



10A.5 Significant-influence functions

What are the FCA significant-influence functions?

10A.5.1
FCA

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The *FCA significant-influence functions*, which are specified in ■ SUP 10A.4.1 R, comprise the *FCA governing functions* (■ SUP 10A.6), the *FCA required functions* (■ SUP 10A.7), the *systems and controls function* (■ SUP 10A.8) and the *significant management function* (■ SUP 10A.9). ■ SUP 10A.5 applies to each of the *FCA significant-influence functions*.

Definition of FCA significant-influence function

10A.5.2
FCA

R

Each *FCA significant-influence function* is one which comes within the definition of a *significant-influence function*.

10A.5.3
FCA

G

Section 59(7B) of the *Act* says that a *significant-influence function*, in relation to the carrying on of a *regulated activity* by a *firm*, means a function that is likely to enable the *person* responsible for its performance to exercise a significant influence on the conduct of the *firm's* affairs, so far as relating to the activity.

10A.5.4
FCA

G

■ SUP 10A.5.2 R gives effect to section 59(5)(b) of the *Act*.

10A.5.5
FCA

G

Whether an *FCA controlled function* is likely to result in the *person* responsible for its performance exercising significant influence on the conduct of the *firm's* affairs is a question of fact in each case. The *FCA* has identified the *FCA significant-influence functions* as satisfying this condition.

Periods of less than 12 weeks

10A.5.6
FCA

R

If:

- (1) a *firm* appoints an individual to perform a function which, but for this *rule*, would be an *FCA significant-influence function*;
- (2) the appointment is to provide cover for an *approved person* whose absence is:
 - (a) temporary; or
 - (b) reasonably unforeseen; and

- (3) the appointment is for less than 12 weeks in a consecutive 12-month period;

the description of the relevant *FCA significant-influence function* does not relate to those activities of that individual.

10A.5.7

FCA

G

■ SUP 10A.5.6 R enables cover to be given for, as an example, holidays and emergencies and avoids the need for the precautionary approval of, for example, a deputy. However, as soon as it becomes apparent that a *person* will be performing an *FCA controlled function* for more than 12 weeks, the *firm* should apply for approval.

10A.6 FCA governing functions

Introduction

10A.6.1
FCA

G

Every *firm* will have one or more *persons* responsible for directing its affairs. These *persons* will be performing the *FCA governing functions* and will be required to be *FCA-approved persons* unless the application provisions in ■ SUP 10A.1, or the particular description of an *FCA controlled function*, provide otherwise. For example, each *director* of a *company* incorporated under the Companies Acts will perform an *FCA governing functions*. However, if the *firm* is a *PRA-authorised person*, the *governing functions* do not apply. Instead, those *persons* will be performing the *PRA governing functions* and will be required to be *PRA-approved person* instead.

10A.6.2
FCA

G

A *sole trader* does not fall within the description of the *governing functions*.

What the FCA governing functions include

10A.6.3
FCA

R

Each of the *FCA governing functions* includes:

- (1) (where apportioned under ■ SYSC 2.1.1 R or ■ SYSC 4.3.1 R and ■ SYSC 4.4.3 R (or, for a *full-scope UK AIFM* apportioned under article 60(1) of the *AIFMD level 2 regulation*))
 - (a) the *systems and controls function* (if it applies to the *firm*); and
 - (b) the *significant management function*;
- (2) (in respect of *bidding in emissions auctions*) that part of the *customer function* specified in ■ SUP 10A.10.7R (7) (bidder's representative).

This does not apply to the *non-executive director function* or the function described in ■ SUP 10A.6.8 R.

10A.6.4
FCA

G

- (1) The effect of ■ SUP 10A.6.3 R is that a *person* who is approved to perform an *FCA governing function* will not have to be specifically *FCA-approved* to perform the *systems and controls function* or the *significant management function* or the part of the *customer function* specified in ■ SUP 10A.10.7R (7). However, a *person* who is approved to perform an *FCA governing function* will have to be additionally *FCA-approved* before he can perform any of the

FCA required functions or the *customer function* (except the part specified in ■ SUP 10A.10.7R (7)).

- (2) ■ SUP 10A.6.3 R does not apply to the *non-executive director function*. It does not apply to the *director function* if the only part of that function that the *FCA-approved person* is performing is the function described in ■ SUP 10A.6.8 R.

10A.6.5
FCA

G

A *firm* carrying on *insurance mediation activity*, other than a *sole trader*, must allocate to a *director* or *senior manager* the responsibility for the *firm's insurance mediation activity* (■ MIPRU 2.2.1 R). ■ MIPRU 2.2.2 R (1) provides that the *firm* may allocate this responsibility to one or more of the *persons* performing an *FCA governing function* (other than the *non-executive director function*).

10A.6.6
FCA

G

Where a *person* performing a *governing function* is also responsible for the *firm's insurance mediation activity*, the words "(insurance mediation)" will be inserted after the relevant *FCA controlled function* (see ■ MIPRU 2.2.5 G).

Director function (CF1)

10A.6.7
FCA

R

If a *firm* is a *body corporate* (other than a *limited liability partnership*), the *director function* is the function of acting in the capacity of a *director* (other than *non-executive director*) of that *firm*.

10A.6.8
FCA

R

- (1) If a *firm* is a *body corporate* (other than a *limited liability partnership*), the *director function* is also the function of acting in the capacity of a *person*:
 - (a) who is a *director*, partner, officer, member (if the *parent undertaking* or *holding company* is a *limited liability partnership*), *senior manager*, or employee of a *parent undertaking* or *holding company* of the *firm*; and
 - (b) whose decisions or actions are regularly taken into account by the *governing body* of the *firm*.
- (2) (1) does not apply if that *parent undertaking* or *holding company* has a *Part 4A permission* or is regulated by an *EEA regulator*.
- (3) (1) does not apply to the function falling into ■ SUP 10A.6.13 R (*non-executive director* of the *parent undertaking* or *holding company*).

10A.6.9
FCA

G

Examples of where ■ SUP 10A.6.8 R might apply include (but are not limited to):

- (1) a chairman of an audit committee of a *parent undertaking* or *holding company* of a *UK firm* where that audit committee is working for that *UK firm* (that is, functioning as the audit committee for the *group*); or
- (2) a *director* (other than a *non-executive director*) of a *parent undertaking* or *holding company* of a *UK firm* exercising significant influence by way of his involvement in taking decisions for that *UK firm*; or

- (3) an individual (such as a *senior manager*) of a *parent undertaking* or *holding company* of a *UK firm* who is responsible for and/or has significant influence in setting the objectives for and the remuneration of executive *directors* of that *UK firm*; or
- (4) an individual who is a *director* (other than a *non-executive director*) or a *senior manager* of a *parent undertaking* or *holding company* of a *UK firm* who is accustomed to influencing the operations of that *UK firm*, and acts in a manner in which it can reasonably be expected that an executive *director* or *senior manager* of that *UK firm* would act; or
- (5) an individual of an *overseas firm* which maintains an establishment in the *United Kingdom* from which *regulated activities* are carried on, where that individual has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the *UK branch*.

10A.6.10 G
FCA

A *director* can be a *body corporate* and may accordingly require approval as an *FCA-approved person* in the same way as a natural *person* may require approval.

10A.6.11 G
FCA

The *director function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.

Non-executive director function (CF2)

10A.6.12 R
FCA

If a *firm* is a *body corporate*, the *non-executive director function* is the function of acting in the capacity of a *non-executive director* of that *firm*.

10A.6.13 R
FCA

- (1) If a *firm* is a *body corporate*, the *non-executive director function* is also the function of acting in the capacity of a *person*:
 - (a) who is a *non-executive director* of a *parent undertaking* or *holding company*; and
 - (b) whose decisions or actions are regularly taken into account by the *governing body* of the *firm*.
- (2) However, (1) does not apply if that *parent undertaking* or *holding company* has a *Part 4A permission* or is regulated by an *EEA regulator*.

10A.6.14 G
FCA

Examples of where ■ SUP 10A.6.13 R might apply include (but are not limited to):

- (1) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* who takes an active role in the running of the business of a *UK firm*, for example, as a member of a board or committee (on audit or remuneration) of that *firm*; or
- (2) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* having significant influence in setting and monitoring the business strategy of the *UK firm*; or

- (3) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* of a *UK firm* involved in carrying out responsibilities such as scrutinising the approach of executive management, performance, or standards of conduct of the *UK firm*; or
- (4) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* of a *UK firm* who is accustomed to influence the operations of the *UK firm*, and acts in a way in which it can reasonably be expected that a *non-executive director* of the *UK firm* would act; or
- (5) an individual who is a *non-executive director* of an *overseas firm* which maintains a *branch* in the *United Kingdom* from which *regulated activities* are carried on where that individual has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the *UK branch*.

10A.6.15
FCA

G The *non-executive director function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.

Guidance on persons in a parent undertaking or holding company exercising significant influence

10A.6.16
FCA

- G**
- (1) This paragraph explains the basis on which the *director function* and the *non-executive director function* are applied to *persons* who have a position with the *firm's parent undertaking* or *holding company* under ■ SUP 10A.6.8 R or ■ SUP 10A.6.13 R.
 - (2) The basic position is set out in ■ SUP 10A.3.4 G. As is the case with all *controlled functions*, ■ SUP 10A.6.8 R and ■ SUP 10A.6.13 R are subject to the overriding provisions in ■ SUP 10A.3.1 R, which sets out the requirements of section 59(1) and (2) of the *Act*. This means that unless the *firm* has an *arrangement* permitting the performance of these roles by the *persons* concerned, these *persons* will not be performing these *controlled functions*. Therefore, the *FCA* accepts that there will be cases in which a *person* performing these roles will not require approval. However where there is such an *arrangement* the function may apply.

Chief executive function (CF3)

10A.6.17
FCA

R The *chief executive function* is the function of acting in the capacity of a *chief executive* of a *firm*.

10A.6.18
FCA

G This function is having the responsibility, alone or jointly with one or more others, under the immediate authority of the *governing body*:

- (1) for the conduct of the whole of the business (or relevant activities); or
- (2) in the case of a *branch* in the *United Kingdom* of an *overseas firm*, for the conduct of all of the activities subject to the *UK regulatory system*.

10A.6.19
FCA

G For a *branch* in the *United Kingdom* of an *overseas firm*, the *FCA* would not normally expect the overseas *chief executive* of the *firm* as a whole to be *FCA*-approved for this function where there is a *senior manager* under him with specific responsibility for those activities of the *branch* which are subject to the *UK regulatory system*. In some

circumstances, the *person* within the *firm* responsible for *UK* operations may, if the function is likely to enable him to exercise significant influence over the *branch*, also perform the *chief executive function* (see ■ SUP 10A.7.4 G).

10A.6.20 G
FCA

A *person* performing the *chief executive function* may be a member of the *governing body* but need not be. If the chairman of the *governing body* is also the *chief executive*, he will be discharging this function. If the responsibility is divided between more than one *person* but not shared, there is no *person* exercising the *chief executive function*. But if that responsibility is discharged jointly by more than one *person*, each of those *persons* will be performing the *chief executive function*.

10A.6.21 G
FCA

Note that a *body corporate* may be a *chief executive*. If so, it will need to be approved (if the *firm* in question is an *FCA-authorised person*) to perform the *chief executive function*.

10A.6.22 G
FCA

The *chief executive function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.

Partner function (CF4)

10A.6.23 R
FCA

- (1) If a *firm* is a *partnership*, the *partner function* is the function of acting in the capacity of a *partner* in that *firm*.
- (2) If the principal purpose of the *firm* is to carry on one or more *regulated activities*, each *partner* performs the *partner function*.
- (3) If the principal purpose of the *firm* is other than to carry on *regulated activities*:
 - (a) a *partner* performs the *partner function* to the extent only that he has responsibility for a *regulated activity*; and
 - (b) a *partner* in a *firm* will be taken to have responsibility for each *regulated activity* except where the *partnership* has apportioned responsibility to another *partner* or group of *partners*.

10A.6.24 G
FCA

Any apportionment referred to in ■ SUP 10A.6.23R (3)(b) will have taken place under ■ SYSC 2.1.1 R or ■ SYSC 4.3.1 R and ■ SYSC 4.4.3 R. The *FCA* may ask to see details of the apportionment but will not require, as a matter of course, a copy of the material which records this (see ■ SYSC 2.2).

10A.6.25 G
FCA

The effect of ■ SUP 10A.1.17 R is that *regulated activity* in ■ SUP 10A.6.23 R (and elsewhere) is to be taken as not including an activity that is a *non-mainstream regulated activity*. Therefore, a *partner* whose only *regulated activities* are incidental to his professional services, in a *partnership* whose principal purpose is to carry on other than *regulated activities*, need not be an *FCA-approved person*. What amounts to the principal purpose of the *firm* is a matter of fact in each case having regard to all the circumstances, including the activities of the *firm* as a whole. Any *regulated activities* which such a partner carries on are not within the description of the *partner function*.

10A.6.26 **R** If a *firm* is a *limited liability partnership*, the *partner function* extends to the *firm* as if the *firm* were a *partnership* and a member of the *firm* were a *partner*.
FCA

10A.6.27 **R** If a *partnership* is registered under the *Limited Partnership Act 1907*, the *partner function* does not extend to any function performed by a limited partner.
FCA

10A.6.28 **G** The *partner function* does not apply in relation to a *PRA-authorized person*. *PRA* approval is required instead.
FCA

Director of unincorporated association function (CF5)

10A.6.29 **R** If a *firm* is an unincorporated association, the *director of unincorporated association function* is the function of acting in the capacity of a *director* of the unincorporated association.
FCA

10A.6.30 **G** The *director of unincorporated association function* does not apply in relation to a *PRA-authorized person*. *PRA* approval is required instead.
FCA

Small friendly society function (CF6)

10A.6.31 **R** (1) If a *firm* is a *non-directive friendly society*, the *small friendly society function* is the function of directing its affairs, either alone or jointly with others.
FCA

(2) If the principal purpose of the *firm* is to carry on *regulated activities*, each *person* with responsibility for directing its affairs performs the *FCA controlled function*.

(3) If the principal purpose of the *firm* is other than to carry on *regulated activities*, a *person* performs the *small friendly society function* only to the extent that he has responsibility for a *regulated activity*.

10A.6.32 **R** (1) Each *person* on the *non-directive friendly society's governing body* will be taken to have responsibility for its *regulated activities*, unless the *firm* has apportioned this responsibility to one particular individual to whom it is reasonable to give this responsibility.
FCA

(2) The individual need not be a member of the *governing body*.

10A.6.33 **G** Typically a *non-directive friendly Society* will appoint a "committee of management" to direct its affairs. However, the governing arrangements may be informal and flexible. If this is the case, the *FCA* would expect the society to resolve to give responsibility for the carrying on of *regulated activities* to one individual who is appropriate in all the circumstances. That individual may, for example, have the title of *chief executive* or similar. The individual would have to be an *FCA-approved person* under **SUP 10A.6.31 R**.
FCA

10A.6.34

FCA

G

In practice, the FCA expects that most *non-directive friendly societies* will be *PRA-authorized persons*. Where that is the case, the *small friendly society function* will not apply. *PRA* approval is required instead.



10A.7 FCA required functions

Apportionment and oversight function (CF8)

10A.7.1
FCA

R

The *apportionment and oversight function* is the function of acting in the capacity of a *director* or *senior manager* responsible for either or both of the apportionment function and the oversight function set out in ■ SYSC 2.1.3 R or ■ SYSC 4.4.5 R.

10A.7.2
FCA

G

In requiring someone to apportion responsibility, a *common platform firm* should not apply for that *person* or *persons* to be FCA-approved to perform the *apportionment and oversight function* (see ■ SUP 10A.7.1 R, ■ SYSC 2.1.3 R and ■ SYSC 1 Annex 1).

10A.7.3
FCA

G

The fact that there is a *person* performing the *apportionment and oversight function*, and who has responsibility for activities subject to regulation by the FCA, may have a bearing on whether a manager who is based overseas will be performing an *FCA controlled function*. It is a factor to take into account when assessing the likely influence of the overseas manager.

10A.7.4
FCA

G

Generally, in relation to a UK establishment of an *overseas firm* or a *firm* which is part of an overseas *group*, where an overseas manager's responsibilities in relation to the *United Kingdom* are strategic only, he will not need to be an *FCA-approved person*. However, where, in accordance with ■ SYSC 3 or ■ SYSC 4 to ■ SYSC 10, he is responsible for implementing that strategy in the *United Kingdom*, and has not delegated that responsibility to a *senior manager* in the *United Kingdom*, he is likely to be performing an *FCA controlled function* for example, the *chief executive function* or a *PRA controlled function*.

10A.7.5
FCA

G

A *firm* carrying on *insurance mediation activity*, other than a *sole trader*, must allocate to a *director* or *senior manager* the responsibility for the *firm's insurance mediation activity* (■ MIPRU 2.2.1 R). ■ MIPRU 2.2.2 R (2) provides that the *firm* may allocate this responsibility to the *person* performing the *apportionment and oversight function*.

10A.7.6
FCA

G

Where the *person* performing the *apportionment and oversight function* is also responsible for the *firm's insurance mediation activity*, the words "(insurance mediation)" will be inserted after this *FCA controlled function* (see ■ MIPRU 2.2.5 G).

10A.7.7
FCA

G

As explained in ■ SUP 10A.11 (Minimising overlap with the PRA approved persons regime), the application of the *apportionment and oversight function* is sometimes disapplied for a *PRA-authorised person*.

10A.7.8
FCA

R

Compliance oversight function (CF10)

The *compliance oversight function* is the function of acting in the capacity of:

- (1) a *director* or *senior manager* who is allocated the function set out in ■ SYSC 3.2.8 R , ■ SYSC 6.1.4 R (2) or ■ SYSC 6.1.4C R; or
- (2) for a *full-scope UK AIFM*, a person allocated the function in article 61(3)(b) of the *AIFMD level 2 regulation*.

10A.7.9
FCA

R

CASS operational oversight function (CF10a)

In relation to a *CASS medium firm* and a *CASS large firm* (other than a *CASS large debt management firm*), the *CASS operational oversight function* is the function of acting in the capacity of a *person* to whom is allocated the function set out in ■ CASS 1A.3.1A R.

10A.7.9A
FCA

R

In relation to a *CASS large debt management firm*, the *CASS operational oversight function* is the function of acting in the capacity of a *person* to whom is allocated the function in ■ CASS 11.3.4 R.

10A.7.10
FCA

R

Money laundering reporting function (CF11)

The *money laundering reporting function* is the function of acting in the capacity of the *money laundering reporting officer* of a *firm*.

10A.7.11
FCA

G

A *firm's* obligations in respect of its *money laundering reporting officer* are set out elsewhere in the *Handbook* (see ■ SYSC 3.2.6I R and ■ SYSC 6.3.9 R and for their scope, see the application provisions in ■ SYSC 1 Annex 1).

10A.7.12
FCA

R

Benchmark submission function (CF40)

The *benchmark submission function* is the function of acting in the capacity of a *person* to whom is allocated the function set out in ■ MAR 8.2.3 R (1) (Organisational and governance arrangements).

10A.7.13
FCA

R

Benchmark administration function (CF50)

The *benchmark administration function* is the function of acting in the capacity of a *person* to whom is allocated the function set out in ■ MAR 8.3.5 R (1) (Requirements for benchmark administrators).

10A.8 Systems and controls functions

Systems and controls function (CF28)

10A.8.1
FCA

R

The *systems and controls function* is the function of acting in the capacity of an *employee* of the *firm* with responsibility for reporting to the *governing body* of a *firm*, or the audit committee (or its equivalent) in relation to:

- (1) its financial affairs;
- (2) setting and controlling its risk exposure (see ■ SYSC 3.2.10 G and ■ SYSC 7.1.6 R);
- (3) adherence to internal systems and controls, procedures and policies (see ■ SYSC 3.2.16 G and ■ SYSC 6.2).

10A.8.2
FCA

R

The *systems and controls function* does not apply in relation to *bidding in emissions auctions* carried on by a *firm* that is exempt from *MiFID* under article 2(1)(i).

10A.8.3
FCA

G

The *systems and controls function* does not apply in relation to a *PRA-authorized person*. *PRA* approval is required instead.

10A.8.4
FCA

G

Where an *employee* performs the *systems and controls function* the *FCA* would expect the *firm* to ensure that the *employee* had sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation.

Full scope UK AIFM

10A.8.5
FCA

G

For a *full-scope UK AIFM*, the requirement to have an *employee* responsible for reporting to the *governing body* of the *firm* or the audit committee for matters in ■ SUP 10A.8.1R (2) and ■ SUP 10A.8.1 R (3) is derived from the *AIFMD level 2 regulation*, which imposes obligations on such *firms* to have a permanent risk management function and, where appropriate and proportionate for their business, an internal audit function.

10A.9 Significant management functions

Application

10A.9.1

FCA

R

■ SUP 10A.9 applies only to a *firm* which:

- (1) under ■ SYSC 2.1.1 R or, ■ SYSC 4.1.1 R, apportions a significant responsibility, within the description of the *significant management function*, to a *senior manager* of a significant business unit; or
- (2) undertakes *proprietary trading*; or
- (3) (in the case of an *EEA firm*) undertakes the activity of *accepting deposits* from *banking customers* and activities connected with this.

10A.9.2

FCA

G

The FCA anticipates that there will be only a few *firms* needing to seek approval for an individual to perform the *significant management function* set out in ■ SUP 10A.9.1 R (1). In most *firms*, those approved for the *FCA governing functions*, *FCA required functions* and, where appropriate, the *systems and controls function* or the equivalent *PRA controlled functions*, are likely to exercise all the significant influence at senior management level.

10A.9.3

FCA

G

A *proprietary trader* undertakes activities with the *firm's money* and has the ability to commit the *firm*. By virtue of this role, all *proprietary traders* have potential to be able to exercise significant influence on the *firm* for the purposes of the definition of *significant-influence function*. Therefore, it is the FCA's expectation that all *firms* will assess all their *proprietary traders* to ascertain the ones for whom approval is required.

10A.9.4

FCA

G

The scale, nature and complexity of the *firm's* business may be such that a *firm* apportions, under ■ SUP 10A.9.1 R (1), a significant responsibility to an individual who is not approved to perform the *FCA governing functions*, *FCA required functions* or, where appropriate, the *systems and controls function* or the equivalent *PRA controlled functions*. If so, the *firm* should consider whether the functions of that individual fall within the *significant management function*. For the purposes of the description of the *significant management functions*, the following additional factors about the *firm* should be considered:

- (1) the size and significance of the *firm's* business in the *United Kingdom*; for example, a *firm* carrying on *designated investment business* may have a large

number of *approved persons* (for example, in excess of 100 individuals); or a *firm* carrying on general insurance business may have gross written *premiums* in excess of £100m;

- (2) the number of *regulated activities* carried on, or proposed to be carried on, by the *firm* and (if relevant) other members of the *group*;
- (3) its *group* structure (if it is a member of a *group*);
- (4) its management structure (for example, matrix management); and
- (5) the size and significance of its international operations, if any.

10A.9.5

FCA

G

When considering whether a business unit is significant, the *firm* should take into account all relevant factors in the light of the *firm's* current circumstances and its plans for the future, including:

- (1) the risk profile of the unit; or
- (2) its use or commitment of a *firm's* capital; or
- (3) its contribution to the profit and loss account; or
- (4) the number of *employees* or *approved persons* in the unit; or
- (5) the number of *customers* of the unit; or
- (6) any other factor which makes the unit significant to the conduct of the *firm's* affairs so far as relating to the *regulated activity*.

10A.9.6

FCA

G

The question may arise whether a manager who is based overseas will be performing the *significant management function* under ■ SUP 10A.9.9 R and should, therefore, be an *FCA-approved person*. This is especially true where the *firm* operates matrix management. The fact there is a *person* performing the *apportionment and oversight function*, and who has responsibility for activities subject to regulation by the *FCA*, may have a bearing on this. It is a factor to take into account when assessing the likely influence of the overseas manager.

10A.9.7

FCA

G

Generally, in relation to a *branch* of a *firm*, or a *firm* which is part of an overseas *group*, where an overseas *manager* is responsible for strategy, he will not need to be approved for the *significant management function*. However, where he is responsible for implementing that strategy in the *United Kingdom*, and has not delegated that responsibility to a *senior manager* in the *United Kingdom*, he is likely to be performing that *FCA controlled function*.

10A.9.8

FCA

G

See also ■ SUP 10A.7.3 G to ■ SUP 10A.7.6 G in relation to matrix management.

Significant management function (CF29)

10A.9.9

FCA

R

The *significant management function* is the function of acting as a *senior manager* with significant responsibility for a significant business unit that:

- (1) carries on *designated investment business* or other activities not falling within (2) to (4);
- (2) *effects contracts of insurance* (other than *contractually based investments*);
- (2A) carries on *credit-related regulated activity*;
- (3) makes material decisions on the commitment of a *firm's* financial resources, its financial commitments, its assets acquisitions, its liability management and its overall cash and capital planning;
- (4) processes confirmations, payments, settlements, insurance claims, *client money* and similar matters;
- (5) (in the case of an *EEA firm*) undertakes the activity of *accepting deposits* from *banking customers* and activities connected with this.

10A.9.10

FCA

R

The *significant management function* also includes the function of acting as a *proprietary trader*.

10A.9.11

FCA

R

The *significant management function* does not include any of the activities described in any other *FCA controlled function* or *PRA controlled function* if that other *controlled function* applies to the *firm*.

10A.9.12

FCA

G

A *senior manager* carrying on the *significant management function* under ■ SUP 10A.9.9 R with significant responsibility for a significant business unit that carries on activities other than *designated investment business* for the purposes of ■ SUP 10A.9.9 R (1) could, for example, be the head of a unit carrying on the activities of: retail banking, personal lending, corporate lending, salvage or loan recovery, or *proprietary trading*, or a member of a committee (that is, a *person* who, together with others, has authority to commit the *firm*) making decisions in these functions.

10A.9.13

FCA

G

A *proprietary trader* also undertakes activities which may have a significant influence on the *firm*. Such activities may require approval for CF29 under ■ SUP 10A.9.10 R.

10A.9.14

FCA

G

A *firm* carrying on *insurance mediation activity*, other than a *sole trader*, must allocate to a *director* or *senior manager* the responsibility for the *firm's insurance mediation activity* (■ MIPRU 2.2.1 R). ■ MIPRU 2.2.2 R (3) provides that the *firm* may allocate this responsibility to the *person* performing the *significant management function*.

10A.9.15

FCA

G

Where the *person* performing the *significant management function* is also responsible for the *firm's insurance mediation activity*, the words "(insurance mediation)" will be inserted after this *FCA controlled function* (see ■ MIPRU 2.2.5 G).

10A



10A.10 Customer-dealing functions

Introduction

10A.10.1 **R** ■ SUP 10A.10 applies with respect to activities carried on from an establishment maintained by the *firm* (or by its *appointed representative*) in the *United Kingdom*.
FCA

10A.10.2 **G** Without ■ SUP 10A.10.1 R, the description of the *customer function* would extend to this function wherever it was performed. The effect of ■ SUP 10A.10.1 R is that the description is limited, in relation to *regulated activities* with an overseas element, in a manner which is broadly consistent with the scope of conduct of business regulation.
FCA

10A.10.3 **G** The *customer function* has to do with giving advice on, *dealing* and arranging deals in and *managing investments*; it has no application to banking business such as deposit taking and lending, nor to *general insurance business* or *credit-related regulated activity*.
FCA

The basic rule about the customer function

10A.10.4 **R** The *customer function* is one which comes within the definition of a *customer-dealing function*.
FCA

10A.10.5 **G** Section 59(7A) of the *Act* (Approval for particular arrangements) says that the customer-dealing function, in relation to the carrying on of a *regulated activity* by a *firm* ("A"), means a function that will involve the *person* performing it in dealing with:
FCA

- (1) customers of A; or
- (2) property of customers of A;

in a manner substantially connected with the carrying on of the activity.

10A.10.6 **G** The *FCA* interprets the phrase "dealing with" as including having contact with *customers* and extending beyond "dealing" as used in the phrase "dealing in investments". "Dealing in" is used in Schedule 2 to the *Act* to describe in general terms the *regulated activities* which are specified in Part II of the *Regulated Activities Order*.
FCA

Customer function (CF 30)

10A.10.7

R

FCA

The *customer function* is the function of:

- (1) *advising on investments* other than a *non-investment insurance contract* (but not where this is *advising on investments* in the course of carrying on the activity of giving *basic advice* on a *stakeholder product*) and performing other functions related to this such as *dealing* and *arranging*;
- (2) giving advice to *clients* solely in connection with *corporate finance business* and performing other functions related to this;
- (3) giving advice or performing related activities in connection with *pension transfers* or opt-outs for *retail clients*;
- (4) giving advice to a *person* to become, or continue or cease to be, a member of a particular Lloyd's syndicate;
- (5) *dealing*, as principal or as agent, and *arranging (bringing about) deals in investments* other than a *non-investment insurance contract* with, for, or in connection with *customers* where the *dealing* or *arranging deals* is governed by ■ COBS 11 (Dealing and managing);
- (6) acting in the capacity of an *investment manager* and carrying on functions connected to this;
- (7) in relation to *bidding in emissions auctions*, acting as a 'bidder's representative' within the meaning of subparagraph 3 of article 6(3) of the *auction regulation*.

10A.10.8

R

FCA

The *customer function* does not extend to an individual who is performing the functions in ■ SUP 10A.10.7 R (1) to ■ SUP 10A.10.7R (2) or ■ SUP 10A.10.7 R (5) to ■ (7) and who is based overseas and who, in a 12-month period, spends no more than 30 days in the *United Kingdom* to the extent that he is appropriately supervised by a *person* approved for this function.

10A.10.9

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FCA

The FCA would expect an individual from overseas to be accompanied on a visit to a *customer*. ■ TC 2.1.9 R (2) provides that the *firm* will have to be satisfied that the individual has at least three years of up-to-date, relevant experience obtained outside the *United Kingdom*. However, the remaining provisions of ■ TC 2.1.9 R (2) are disappplied in these circumstances (except for an individual who gives advice to *retail clients* on *retail investment products* or is a *broker fund adviser*). The effect of this is that such individuals need not attain the relevant regulatory module of an appropriate qualification (see ■ TC 2.1.9 R (2)).

10A.10.10

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FCA

The *customer function* in ■ SUP 10A.10.7 R (5) does not extend to the individual who, on the instructions of the *customer*, simply inputs the *customer's* instructions into an automatic

execution system where no discretion is or may be exercised by the individual performing the activity. Nor does it extend to merely introducing a *customer* to a *firm* or distributing advertisements.

10A.10.11 **G****FCA**

An individual may *advise on investments* prior to being assessed as competent in accordance with the *rules* in the Senior Management Arrangements, Systems and Controls sourcebook (*SYSC*) and, where relevant, the Training and Competence sourcebook (*TC*). The *firm* should record when that *person* subsequently becomes competent.



10A.11 Minimising overlap with the PRA approved persons regime

Introduction

10A.11.1
FCA

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■ SUP 10A.11 deals with how the FCA's *approved persons* regime applies to *PRA-authorised persons*. ■ SUP 10A.11 therefore only applies if the *firm* in question is a *PRA-authorised person*.

10A.11.2
FCA

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Both the FCA and the PRA may specify a function as a *controlled function* in relation to a *PRA-authorised person*. However, only the FCA has power to specify a *customer-dealing function* as a *controlled function*.

10A.11.3
FCA

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Therefore, if a *person's* job for a *firm* involves:

- (1) an *FCA controlled function*, the *firm* should apply to the FCA for approval;
- (2) a *PRA controlled function*, the *firm* should apply to the PRA for approval;
- (3) both an *FCA controlled function* and a *PRA controlled function*, the *firm* should apply to both the FCA and the PRA for approval (the purpose of ■ SUP 10A.11 is to cut down the need for this sort of dual approval).

10A.11.4
FCA

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The PRA cannot give its approval for the performance of a *PRA controlled function* without the consent of the FCA. The *firm* does not need to apply to the FCA for that consent. The PRA must as soon as practicable notify the FCA of the receipt or withdrawal of an application to the PRA.

10A.11.5
FCA

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Under section 59B of the *Act* (Role of FCA in relation to PRA decisions) the FCA may arrange with the PRA that in agreed cases the PRA may give approval without obtaining the consent of the FCA. No such arrangements are currently in force.

10A.11.6
FCA

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The FCA and PRA have coordinated their *approved persons* regime to reduce the amount of overlap. These arrangements relate to *significant-influence functions* only.

10A.11.7
FCA

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The FCA is under a duty under section 59A of the *Act* (Specifying functions as controlled functions: supplementary) to exercise the power to specify any *significant-influence function* as an *FCA controlled function* in a way that it considers will minimise the likelihood that approvals fall to be given by both the FCA and the PRA in respect of the performance by a *person of significant-influence functions* in relation to the same *PRA-authorised person*.

Guidance on how SUP 10A.11 works

10A.11.8 G
FCA

■ SUP 10A.11 disapplies the *apportionment and oversight function* for a *person* who is the subject of an application for approval to perform a *PRA governing function*, subject to certain conditions set out in ■ SUP 10A.11.11 R. Where this is the case the *apportionment and oversight function* is included in the *PRA governing function* for which the *person* has approval. ■ SUP 10B.7 of the *PRA's Handbook* deals with this.

10A.11.9 G
FCA

■ SUP 10A.11.10 G gives some examples of how ■ SUP 10A.11 works.

10A.11.10 G
FCA

Table: Examples of how the need for dual FCA and PRA approval in relation to PRA-authorized persons is reduced

Example	Whether FCA approval required	Whether PRA approval required	Comments
(1) A is being appointed <i>chief executive</i> and the <i>person</i> performing the <i>apportionment and oversight function</i> .	No.	Yes	The <i>PRA chief executive function</i> is expanded to include the <i>apportionment and oversight function</i> . To avoid the need for <i>FCA</i> approval, A's appointment as the <i>person</i> performing the <i>apportionment and oversight function</i> should not take effect before <i>PRA</i> approval for the chief executive role.
(2) Same as (1) but the application to the <i>PRA</i> does not mention that it is also intended that A is perform what would otherwise be the <i>apportionment and oversight function</i>	Yes	Yes	SUP 10A.11 does not apply if the application for <i>PRA</i> approval does not say that A will also be performing what would otherwise be the <i>apportionment and oversight function</i> .
(3) A is appointed as <i>chief executive</i> . Later, he is appointed to perform the <i>apportionment and oversight function</i> while carrying on as <i>chief executive</i> .	Yes, when he is appointed to perform the <i>apportionment and oversight function</i>	Yes, when he takes up the <i>chief executive</i> role	
(4) A is appointed to perform the <i>apportionment and oversight function</i> . He later becomes the <i>chief executive</i> .	Yes, when he is appointed to perform the <i>apportionment and oversight function</i> .	Yes, when he becomes the <i>chief executive</i>	When A is appointed as chief executive he retains his status as an <i>FCA-approved person</i> .

Example	Whether FCA approval required	Whether PRA approval required	Comments
<p>(5) A is being appointed as director and as the <i>person performing the apportionment and oversight function</i>. Later, he becomes chief executive (but carries on with the <i>apportionment and oversight function</i>).</p>	<p>On being appointed director, see the answers to (1) and (2). No <i>FCA</i> approval is needed when A becomes chief executive; the <i>apportionment and oversight function</i> remains switched off when A takes up the role of chief executive. The application to the PRA should say that A is performing what would otherwise be the <i>apportionment and oversight function</i>.</p>	<p>Yes</p>	
<p>(6) A is appointed as <i>chief executive</i> and to perform the <i>apportionment and oversight function</i> at the same time. Later, A gives up his role as <i>chief executive</i> but carries on performing the <i>apportionment and oversight function</i> role.</p>	<p>On A's first appointment, No. But when A gives up the role as <i>chief executive</i>, <i>FCA</i> approval is needed to perform the <i>apportionment and oversight function</i>. Form E should be used. The application should state that it is being made as a result of ceasing to perform a <i>PRA controlled function</i> when the rule in SUP 10B.7.4 R of the <i>PRA's Handbook</i> applies.</p> <p>Form A should be used if there have been changes in fitness of the <i>approved person</i> (SUP 10A.14.4 D (3)).</p>	<p>On his first appointment, Yes.</p>	<p>Performing the <i>apportionment and oversight function</i> requires <i>FCA</i> approval. A does not have that approval because A did not need it when he was first appointed. The combined effect of SUP 10A.11 and SUP 10B.7 of the <i>PRA's Handbook</i> is that the <i>firm</i> has three months to secure approval by the <i>FCA</i> for A's performance of the <i>apportionment and oversight function</i>. During that interim period, A keeps his status as a <i>PRA-approved person</i> performing the apportionment and oversight element of the <i>PRA chief executive function</i> which is included in that function under SUP 10B.7 of the <i>PRA's Handbook</i>. This is because SUP 10B.7.4 R in the <i>PRA's Handbook</i> says that during this transitional period he is still treated as performing the <i>PRA chief executive function</i> and SUP</p>

Example	Whether FCA approval re-quired	Whether PRA approval re-quired	Comments
			10A.11 says that for as long as he is performing a <i>PRA governing function</i> he does not perform the <i>apportionment and oversight function</i> .

The main rule

10A.11.11 **R**
FCA

A person (referred to as A in this rule) is not performing the *apportionment and oversight function* in relation to a *PRA-authorised person* (referred to as B in this rule), at a particular time, if:

- (1) A has been approved by the *PRA* to perform any *PRA governing function* in relation to B;
- (2) throughout the whole of the period between the time of the *PRA* approval in (1) and the time in question A has been the subject of a *current PRA approved person approval* to perform a *PRA governing function* in relation to B;
- (3) at the time of the *PRA* approval referred to in (1), A was not subject to a *current FCA approved person approval* to perform the *apportionment and oversight function* in relation to B; and
- (4) at the time of the *PRA* approval referred to in (1), A had not started to perform what would otherwise have been the *apportionment and oversight function* (the *FCA* function) and, as part of the application for the *PRA* approval referred to in (1), B notified the *PRA* that A would start to perform the *FCA* function at or around the time of the *PRA* approval in (1).

10A.12 Procedures relating to FCA-approved persons

Forms

10A.12.1
FCA

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The forms listed in ■ SUP 10A.12.2 G are referred to in ■ SUP 10A.12 (Procedures relating to FCA-approved persons) to ■ SUP 10A.17 (Further questions).

10A.12.2
FCA

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Table: FCA-approved persons forms

Form		Purpose	Handbook requirement
the relevant Form A	The relevant online form on the <i>FCA</i> and <i>PRA's ONA</i> system or the form in SUP 10A Annex 4D (See Note)	Application to perform controlled functions under the approved persons regime	SUP 10A.13.3 D
Form B	SUP 10A Annex 5R	Notice to withdraw an application to perform controlled functions under the approved persons regime	SUP 10A.13.19 R
Form C	SUP 10A Annex 6R	Notice of ceasing to perform controlled functions	SUP 10A.14.8 R
Form D	SUP 10A Annex 7R	Notification of changes in personal information or application details	SUP 10A.14.15 R
Form E	The relevant online form on the <i>FCA</i> and <i>PRA's ONA</i> system or the form in SUP 10A Annex 8D (See Note)	Internal transfer of an <i>approved person</i>	SUP 10A.14.4 D

Note: The form in the SUP annex shown is to be used by *credit unions*, and by other *firms* only in the event of a failure of the information technology systems used by the *FCA*. See the relevant "Handbook requirement"

10A.12.3
FCA

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A summary of the forms and their purposes is in ■ SUP 10A Annex 2.

- 10A.12.4** **FCA** **G** Unless the context otherwise requires, in ■ SUP 10A.12 (Procedures relating to FCA-approved persons) to ■ SUP 10A.17 (Further questions) where reference is made to a *firm*, this also includes an applicant for *Part 4A permission*, and other *persons* seeking to carry on *regulated activities* as an *authorised person*.
- 10A.12.5** **FCA** **G** Forms B, C, D and E can only be submitted in respect of an *FCA-approved person* by the *firm* that submitted an *FCA-approved person's* original application (the relevant Form A).
- 10A.12.6** **FCA** **G** Copies of Forms A, B, C, D and E may be obtained from the *FCA* website. *Credit unions* can obtain copies from the *FCA's* Firm Contact Centre. To contact the *FCA's* Customer Contact Centre for *approved persons* enquiries:
- (1) telephone 0845 606 9966; or
 - (2) e-mail firm.queries@fca.org.uk ; or
 - (3) fax 020 7066 0017; or
 - (4) write to:

Customer Contact Centre

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

LONDON E14 5HS.



10A.13 Application for approval and withdrawing an application for approval

When to apply for approval

10A.13.1
FCA

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In accordance with section 59 of the *Act* (Approval for particular arrangements), where a *candidate* will be performing one or more *FCA controlled functions*, a *firm* must take reasonable care to ensure that the candidate does not perform these functions unless he has prior approval from the *FCA*.

Failure to apply for approval

10A.13.2
FCA

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If a *person* performs an *FCA controlled function* without approval it is not only the *firm* that is accountable. Under section 63A of the *Act* (Power to impose penalties), if the *FCA* is satisfied that:

- (1) a *person* ("P") has at any time performed an *FCA controlled function* without approval; and
- (2) at that time P knew, or could reasonably be expected to have known, that P was performing an *FCA controlled function* without approval;

it may impose a penalty on P of such amount as it considers appropriate.

How to apply for approval

10A.13.3
FCA

D

An application by a *firm* for the *FCA's* approval under section 59 of the *Act* (Approval for particular arrangements) must be made by completing Form A (except where ■ SUP 10A.14.4 D requires a Form E).

10A.13.4
FCA

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■ SUP 10A.16.1 D explains how applications should be submitted.

Who should make the application?

10A.13.5
FCA

G

- (1) In accordance with section 60 of the *Act* (Applications for approval), applications must be submitted by, or on behalf of, the *firm* itself, not by:
 - (a) the *FCA candidate*; or
 - (b) (where the *FCA candidate* works for the *firm's parent undertaking* or *holding company*) by the *firm's parent undertaking* or *holding company*.
- (2) Usually this will be the *firm* that is employing the *FCA candidate* to perform the *FCA controlled function*. Where a *firm* has outsourced the performance of an *FCA controlled function*, the details of the outsourcing determine where

responsibility lies and whom the *FCA* anticipates will submit *FCA-approved persons* application forms. ■ SUP 10A.13.6 G describes some common situations. The *firm* which is outsourcing is referred to as "A" and the *person* to whom the performance of the *FCA controlled function* has been outsourced, or which makes the arrangement for the *FCA controlled function* to be performed, is referred to as "B". In each situation, A must take reasonable care to ensure that, in accordance with section 59(2) of the *Act*, no *person* performs an *FCA controlled function* under an arrangement entered into by its contractor in relation to the carrying on by A of a *regulated activity*, without approval from the *FCA*. See also ■ SYSC 3.2.4 G and ■ SYSC 8.1.1 R, and ■ SYSC 13.9 for *insurers*.

10A.13.6 G
FCA

Outsourcing arrangements

Outsourcing arrangements	Submitting form
<i>Firm A to firm B</i>	The <i>FCA</i> will consider A to have taken reasonable care if it enters into a contract with B under which B is responsible for ensuring that the relevant <i>FCA controlled functions</i> are performed by <i>FCA-approved persons</i> , and that it is reasonable for A to rely on this
Outsourcing by A to B (both being a member of the same <i>United Kingdom</i> group and each having its registered office in the <i>United Kingdom</i>)	See SUP 10A.3.4 G
(i) A to B, where B is a non- <i>authorised person</i> not part of the same group as A	See SUP 15.7.8 G
(ii) A to B, where A is a <i>branch</i> of an <i>overseas firm</i> in the <i>United Kingdom</i> , and B is an <i>overseas undertaking</i> of the same <i>group</i>	Responsibility for (as opposed to the performance of) any activity outsourced to B will remain with A. See SYSC 3.2.4 G and SYSC 8
(iii) A to B, where A is a UK <i>authorised subsidiary</i> of an <i>overseas firm</i> and B is an <i>overseas undertaking</i> of the same <i>group</i>	A ensures that an individual approved by the <i>FCA</i> or the <i>PRA</i> under a controlled function that is a <i>significant-influence function</i> has responsibility for the <i>outsourced arrangement</i> and A submits a form in relation to that individual

10A.13.7 G
FCA

Where the notification of an *appointed representative* (■ SUP 12.7.1 R) is linked to an application for approval (■ SUP 10A.13 (Applications for approval and withdrawing an application for approval)), any delay in receiving the notification under ■ SUP 12.7.1 R may delay the *FCA*'s approval of the individuals employed by that *appointed representative* who will be performing *FCA controlled functions* for the *firm*.

Processing an application

10A.13.8

FCA

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The *Act* sets out the time that the *FCA* has to consider an application and come to a decision.

10A.13.9

FCA

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In any case where the application for approval is made by a *person* applying for *permission* under Part 4A of the *Act*, the *FCA* has until the end of whichever of the following periods ends last:

- (1) the period within which an application for that *permission* must be determined; and
- (2) the period of three months from the time it receives a properly completed application.

10A.13.10

FCA

G

In any other case it is the period of three months from the time it receives a properly completed application.

10A.13.11

FCA

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The *FCA* must either grant the application or, if it proposes not to grant an application, issue a *warning notice* (see ■ DEPP 2). The *FCA* will deal with cases more quickly than this whenever circumstances allow and will try to meet the standard response times published on the website and in its Annual Report. However, if an application is incomplete when received, or the *FCA* has knowledge that, or reason to believe that, the information is incomplete, then the processing time will be longer than the published standard response times.

10A.13.12

FCA

G

Application forms must always be completed fully and honestly. Further notes on how to complete the form are contained in each form. If forms are not completed fully and honestly, applications will be subject to investigation and the *FCA candidate's* suitability to be approved to undertake an *FCA controlled function* will be called into question. A *person* who provides information to the *FCA* that is false or misleading may commit a criminal offence, and could face prosecution under section 398 of the *Act* regardless of the status of their application.

10A.13.13

FCA

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If there is a delay in processing the application within the standard response time, the *FCA* will tell the *firm* making the application as soon as this becomes apparent.

10A.13.14

FCA

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Before making a decision to grant the application or give a *warning notice*, the *FCA* may ask the *firm* for more information about the *FCA candidate*. If it does this, the three-month period in which the *FCA* must determine a completed application:

- (1) will stop on the day the *FCA* requests the information; and
- (2) will start running again on the day on which the *FCA* finally receives all the requested information.

10A.13.15

FCA

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The *FCA* may grant an application only if it is satisfied that the *FCA candidate* is a fit and proper *person* to perform the *FCA controlled function* stated in the application form. Responsibility lies with the *firm* making the application to satisfy the *FCA* that the *FCA candidate* is fit and proper to perform the *FCA controlled function* applied for.

10A.13.16 G
FCA

For further guidance on criteria for assessing whether a *FCA candidate* is fit and proper, see *FIT*.

Decisions on applications

10A.13.17 G
FCA

Whenever it grants an application, the *FCA* will confirm this in writing to all *interested parties*.

10A.13.18 G
FCA

If the *FCA* proposes to refuse an application in relation to one or more *FCA controlled functions*, it must follow the procedures for issuing *warning* and *decision notices* to all *interested parties*. The requirements relating to warning and decision notices are in ■ DEPP 2.

Withdrawing an application for approval

10A.13.19 R
FCA

A firm applying to withdraw an application for approval must notify the *FCA*, using Form B, in the form set out in ■ SUP 10A Annex 5R.

10A.13.20 G
FCA

Under section 61(5) of the *Act* (Determination of applications), the *firm* may withdraw an application only if it also has the consent of the *candidate* and the *person* by whom the *candidate* is or would have been employed, if this is not the *firm* making the application.

10A.14 Changes to an FCA-approved person's details

Moving within a firm

10A.14.1

FCA

G

An *FCA-approved person's* job may change from time to time as a result, for instance, of a change in personal job responsibilities or a *firm's regulated activities*. Where the changes will involve the *person* performing one or more *FCA controlled functions* different from those for which approval has already been granted, then an application must be made to the *FCA* for approval for the *person* to perform those *FCA controlled functions*. The *firm* must take reasonable care to ensure that an individual does not begin performing an *FCA controlled function* until the *FCA* has granted *FCA-approved person* status to that individual in respect of that *FCA controlled function*. Similarly, a *firm* must get the *FCA's* approval if a *person* is to start performing an *FCA controlled function* in relation to that *firm* when he already has the *PRA's* approval to perform a *PRA controlled function* in relation to that *firm*.

10A.14.2

FCA

G

If an *FCA-approved person* or a *PRA-approved person* is ceasing to perform *FCA controlled functions* or *PRA controlled function*, as well as applying for approval in respect of *FCA controlled functions*, ■ SUP 10A.14.4 D generally applies. Further details can be found in ■ SUP 10A Annex 2.

10A.14.3

FCA

G

If a *person* is to perform an *FCA controlled function* for a *firm* for which he already performs a *PRA controlled function* or *FCA controlled function* as an *approved person* but he is not at the same time ceasing to perform an *FCA controlled function* or *PRA controlled function*, a *firm* should use Form A. It is not mandatory to complete all parts of the form. See the notes relevant to each form for full details.

10A.14.4

FCA

D

- (1) A *firm* must use Form E where an *approved person* is both ceasing to perform one or more *controlled functions* and needs to be approved in relation to one or more *FCA controlled functions* within the same *firm* or *group*.
- (2) A *firm* must not use Form E if the *approved person* has never before been approved to perform a *significant-influence function* for any *firm* or has not been subject to a *current approved person approval* from the *FCA* or *PRA* to perform a *significant-influence function* in relation to any *firm* for more than six months.
- (3) A *firm* must not use Form E if a notification has been made or should be made under ■ SUP 10A.14.17 R (Changes in fitness to be notified under Form D) or ■ SUP 10B.12.18 (the equivalent *PRA rule*) in relation to any *controlled functions* that that *person* is ceasing to perform (as referred

to in (1)) or any *controlled function* that he is continuing to perform in relation to that *firm* or a *firm* in the same *group*.

10A.14.5 G
FCA

■ SUP 10A.16.1 D explains how applications should be submitted.

Moving between firms

10A.14.6 G
FCA

If it is proposed that an *FCA-approved person* will no longer be performing an *FCA controlled function* under an *arrangement* entered into by one *firm* or one of its contractors, but will be performing the same or a different FCA controlled function under an *arrangement* entered into by a new *firm* or one of its contractors (whether or not the new *firm* is in the same *group* as the old *firm*), the new *firm* will be required to make a fresh application for the performance of the *FCA controlled function* by that *person*.

10A.14.7 G
FCA

In certain circumstances, when the *FCA* already has the information it would usually require, a shortened version of the relevant Form A may be completed. See the notes relevant to each form for full details.

Ceasing to perform an FCA controlled function

10A.14.8 R
FCA

A *firm* must submit to the *FCA* a completed Form C, in the form set out in ■ SUP 10A Annex 6R, no later than seven business days after an *FCA-approved person* ceases to perform an *FCA controlled function*. This does not apply if the *firm* has already notified the *FCA* of the proposal to do that using Form E in accordance with this chapter or has notified the *PRA* of the proposal to do that using the *PRA's* Form E in accordance with ■ SUP 10B of the *PRA's* Handbook.

10A.14.9 G
FCA

■ SUP 10A.16.2 R explains how notifications should be submitted.

10A.14.10 R
FCA

- (1) A *firm* must notify the *FCA* as soon as practicable after it becomes aware, or has information which reasonably suggests, that it will submit a qualified Form C in respect of an *FCA-approved person*.
- (2) Form C is qualified if the information it contains:
 - (a) relates to the fact that the *firm* has dismissed, or suspended, the *FCA-approved person* from its employment; or
 - (b) relates to the resignation by the *FCA-approved person* while under investigation by the *firm*, the *FCA* or any other *regulatory body*; or
 - (c) otherwise reasonably suggests that it may affect the *FCA's* assessment of the *FCA-approved person's* fitness and propriety.

10A.14.11 G
FCA

Notification under ■ SUP 10A.14.10 R may be made by telephone, email or fax and should be made, where possible, within one *business day* of the *firm* becoming aware

of the information. If the *firm* does not submit Form C, it should inform the *FCA* in due course of the reason. This could be done using Form D, if appropriate.

10A.14.12 **G** **FCA** A *firm* is responsible for notifying the *FCA* if any *FCA-approved person* has ceased to perform an *FCA controlled function* under an arrangement entered into by its *appointed representative* or former *appointed representative*

10A.14.13 **G** **FCA** A *firm* can submit Form C or Form E to the *FCA* in advance of the cessation date. When a *person* ceases the arrangement under which he performs an *FCA controlled function*, he will automatically cease to be an *FCA-approved person* in relation to that *FCA controlled function*. A *person* can only be an *FCA-approved person* in relation to a specific *FCA controlled function*. Therefore, a *person* is not an *FCA-approved person* during any period between ceasing to perform one *FCA controlled function* (when he is performing no other *FCA controlled function*) and being approved in respect of another *FCA controlled function*.

10A.14.14 **G** **FCA** Sending forms promptly will help to ensure that any fresh application can be processed within the standard response times.

Changes to an approved person's personal details

10A.14.15 **R** **FCA** If an *FCA-approved person's* title, name or national insurance number changes, the *firm* for which the *person* performs an *FCA controlled function* must notify the *FCA* on Form D, in the form set out in ■ SUP 10A Annex 7R, of that change within seven *business days* of the *firm* becoming aware of the matter.

10A.14.16 **G** **FCA** The duty to notify in ■ SUP 10A.14.15 R does not apply to changes to an *FCA-approved person's* private address.

10A.14.17 **R** **FCA** If a *firm* becomes aware of information which would reasonably be material to the assessment of an *FCA-approved person's*, or a *FCA candidate's*, fitness and propriety (see *FIT*), it must inform the *FCA* on Form D, or (if it is more practical to do so and with the prior agreement of the *FCA*) by e-mail or fax, as soon as practicable.

10A.14.18 **G** **FCA** ■ SUP 10A.16.2 R applies to the submission of Form D.

10A.14.19 **G** **FCA** Failing to disclose relevant information to the *FCA* may be a criminal offence under section 398 of the *Act*.

10A.14.20 **R** **FCA** The duty to notify in ■ SUP 10A.14.17 R extends to any circumstances that would normally be declared when giving the information required for section 5 of Form A or matters considered in ■ FIT 2.

10A.14.21 **G** **FCA** (1) If, in relation to a *firm* which has completed the relevant Form A (■ SUP 10A Annex 4D), any of the details relating to arrangements and *FCA*

controlled functions are to change, the *firm* must notify the *FCA* on Form D (■ SUP 10A Annex 7R).

- (2) The notification under (1) must be made as soon as reasonably practicable after the *firm* becomes aware of the proposed change.
- (3) This also applies in relation to an *FCA controlled function* for which an application was made using Form E.
- (4) This *rule* also applies to a *firm* in respect of an *approved person*, to whom the grandfathering arrangements relating to the coming into force of the *Act* applied as if the *firm* had completed the relevant Form A for that *person*.

10A.14.22 G
FCA

■ SUP 10A.16.2 R also applies to the submission of Form D under ■ SUP 10A.14.21 G.

10A.14.23 G
FCA

An example of where a *firm* should use Form D is when an individual who is appointed by one *appointed representative* becomes employed by another *appointed representative* but continues to perform the *customer function* for the *firm*. The *firm* should notify the *FCA* by completing Section 1.07 of Form D.

Ongoing alerts for retail adviser complaints

10A.14.24 R
FCA

- (1) A *firm* must notify the *FCA*, in the form set out in SUP 10 Annex 9R, where:
 - (a) in any twelve-month period, it has upheld three *complaints* about matters relating to the *retail investment activities* carried out by any one *retail investment adviser*; or
 - (b) it has upheld a *complaint* about matters relating to the *retail investment activities* carried out by a *retail investment adviser*, where the redress paid exceeds £50,000.
- (2) (a) Notifications made under (1)(a) must be made by the end of the period of 20 *business days*, beginning on the day in which the *firm* has upheld the third complaint.
- (b) Notifications made under (1)(b) must be made by the end of the period of 20 *business days*, beginning on the day in which the *firm* has upheld the complaint.

10A.14.25 G
FCA

For the purpose of ■ SUP 10A.14.24 R:

- (1) when calculating the number of *complaints* in ■ SUP 10A.14.24 R (1)(a), the *firm* should exclude complaints previously notified to the *FCA* under this *rule*;
- (2) redress, under ■ SUP 10A.14.24 R (1)(b), should be interpreted to include an amount paid, or cost borne, by the *firm*, where a cash value can be readily identified, and should include:

- (a) amounts paid for distress and inconvenience;
- (b) a free transfer out to another provider which transfer would normally be paid for;
- (c) goodwill payments and goodwill gestures;
- (d) interest on delayed settlements;
- (e) waiver of an excess on an insurance policy; and
- (f) payments to put the consumer back into the position the consumer should have been in had the act or omission not occurred; and

- (3) if a *firm* reports on the amount of redress paid under ■ SUP 10A.14.24 R (1)(b), the redress should not include repayments or refunds of premiums which had been taken in error (for example where a *firm* had been taking, by direct debit, twice the actual premium amount due under a policy); the refund of the overcharge would not count as redress.

[Note: See ■ DISP 1.10.2A R for the duty to notify *complaints* under the *complaints reporting rules*]

10A.14.26

R

FCA

Notifications under ■ SUP 10A.14.24 R must be made electronically using a method of notification prescribed by the *FCA*.

10A.15 References and accurate information

References

10A.15.1

R

FCA

(1) If a *firm* (A):

- (a) is considering appointing a *person* to perform any *FCA controlled function*;
- (b) requests another *firm* (B), as a current or former employer of that *person*, for a reference or other information in connection with that appointment; and
- (c) indicates to B the purpose of the request;

B must, as soon as reasonably practicable, give to A all relevant information of which it is aware.

(2) When giving the information to A under (1), B must have regard to the purpose of the request and, in particular, to:

- (a) any outstanding liabilities of that *person* from commission payments;
- (b) any relevant outstanding or upheld complaint from an *eligible complainant* against that *person*;
- (c) section 5 of the relevant Form A in ■ SUP 10A Annex 4 (Application to perform controlled functions under approved persons regime);
- (d) ■ FIT 2 (Main assessment criteria); and
- (e) if ■ SUP 16.8.1 G (1) (Persistency reports from insurers) applies to B, the persistency of any *life policies* sold by that *person*.

10A.15.2

G

FCA

The requirement in ■ SUP 10A.15.1R (1) for *firm* (B) to give to *firm* (A) all relevant information of which it is aware concerning a *person* *firm* A is considering appointing to perform any of the *FCA controlled functions*, also applies where *firm* A has outsourced the collection of that information to another (unregulated) third party, where *firm* B has been made aware that the unregulated third party is acting on behalf of *firm* A.

10A.15.3

FCA

G

A *firm* supplying a reference in accordance with ■ SUP 10A.15.1 R owes a duty to its former *employee* and the recipient *firm* to exercise due skill and care in the preparation of the reference. The reference should be accurate and based on documented fact. The *firm* may give frank and honest views, but only after taking reasonable care both as to factual content, and as to the opinions expressed, and verifying the information upon which they are based.

The need for complete and accurate information

10A.15.4

FCA

G

The obligations to supply information to:

- (1) the *FCA* under either ■ SUP 10A.14.8 R or ■ SUP 10A.14.10 R;
- (2) another *firm* under ■ SUP 10A.15.1 R;

apply notwithstanding any agreement (for example a 'COT 3' Agreement settled by the Advisory, Conciliation and Arbitration Service (ACAS)) or any other arrangements entered into by a *firm* and an *employee* upon termination of the *employee's* employment. A *firm* should not enter into any such arrangements or agreements that could conflict with its obligations under this section.

10A.15.5

FCA

G

Failing to disclose relevant information to the *FCA* may be a criminal offence under section 398 of the *Act*.

10A.16 How to apply for approval and give notifications

10A.16.1 D FCA

- (1) This direction applies to an application under Form A or Form E.
- (2) Subject to (2A), an application by a *firm* other than a *credit union* must be made by submitting the Form online at fca.org.uk using the form specified on the FCA's and PRA's ONAsystem.
- (2A) An application by a *firm* whose application for *permission* or whose *Part 4A permission* covers only *credit-related regulated activities* must be made using the form in ■ SUP 10A Annex 4 or ■ SUP 10A Annex 8 and must be submitted in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (3) An application by a credit union must be made using the form in ■ SUP 10A Annex 4D or ■ SUP 10A Annex 8D and must be submitted in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (4) Where a *firm* is obliged to submit an application online under (2), if the information technology systems used by the FCA fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a *firm* must use the form in ■ SUP 10A Annex 4D or ■ SUP 10A Annex 8D and submit it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

10A.16.2 R FCA

- (1) This *rule* applies to a notification under Form C or Form D.
- (2) A notification must be made in accordance with ■ SUP 10A.16.1 D, except that the annexes to ■ SUP 10A in which the forms are to be found are ■ SUP 10A Annex 6R or ■ SUP 10A Annex 7, rather than the Annexes mentioned in ■ SUP 10A.16.1 D.

10A.16.3 G FCA

If the information technology systems used by the FCA fail and online submission is unavailable for 24 hours or more, the FCA and PRA will endeavour to publish a notice on their websites confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 10A.16.1D (4) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.

10A.16.4

G



FCA

Where ■ SUP 10A.16.1D (4) or the equivalent situation under ■ SUP 10A.16.2 R applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.


10A



10A.17 Further questions

10A.17.1  A list of frequently asked questions and answers is at  SUP 10A Annex 1.

 FCA

10A.17.2  If the *firm* or its advisers have further questions, they should contact the *FCA's* Contact Centre (see  SUP 10A.12.6 G).

 FCA

Chapter 11

Controllers and close links



11.1 Application

Application to firms

11.1.1

FCA PRA

R

This chapter applies to every *firm* except:

- (1) an *ICVC*;
- (2) an *incoming EEA firm*;
- (3) an *incoming Treaty firm*;
- (4) [deleted]
- (5) a *sole trader*;
- (6) a *UCITS qualifier*;

as set out in the table in ■ SUP 11.1.2 R.

11.1.2

FCA PRA

R

Table Applicable sections (see ■ SUP 11.1.1 R)

	Category of firm	Applicable sections
(1)	A <i>UK domestic firm</i> other than a <i>building society</i> , a <i>non-directive friendly society</i> , a <i>non-directive firm</i> or (in the case of an <i>FCA-authorized person</i>) a <i>firm</i> with only a <i>limited permission</i>	All except SUP 11.3, SUP 11.4.2A R and SUP 11.4.4 R
(1A)	A <i>building society</i>	(a) In the case of an exempt change in <i>control</i> (see Note), SUP 11.1, SUP 11.2 and SUP 11.9 (b) In any other case, all except SUP 11.3 and SUP 11.4.4 R

	Category of firm	Applicable sections
(2)	<i>A non-directive friendly society</i>	SUP 11.1, SUP 11.2, and SUP 11.9
(2A)	<i>A non-directive firm</i>	all except SUP 11.3, SUP 11.4.2 R, and SUP 11.4.4 R
(2B)	<i>(In the case of an FCA-authorised person) a firm with only a limited permission</i>	All except SUP 11.3, SUP 11.4.2 R , and SUP 11.4.4 R
(3)	<i>An overseas firm</i>	All except SUP 11.3, SUP 11.4.2 R, SUP 11.4.2A R, , SUP 11.4.9 G, SUP 11.5.8 G to SUP 11.5.10 G, SUP 11.6.2 R, SUP 11.6.3 R, , SUP 11.7
Note	In row (1A), a change in control is exempt if the controller or proposed controller is exempt from any obligation to notify the appropriate regulator under Part XII of the Act (Control Over Authorised Persons) because of The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774). (See SUP 11.3.2A G).	

11.1.3

PRA

G

This chapter may apply to *directive friendly societies* in the circumstances described in ■ SUP 16.4.2 G (1) to (3).

Application to controllers

11.1.4

FCA PRA

D

■ SUP 11.1, ■ SUP 11.2.1 G, ■ SUP 11.3 and ■ SUP 11.7 apply to a *controller* or a proposed *controller* of a *UK domestic firm* not listed in ■ SUP 11.1.1 R (1) to ■ SUP 11.1.1 R (6).

11.1.5

PRA

G

This chapter may apply to *controllers* and *proposed controllers* of *directive friendly societies* in the circumstances described in SUP 16.4.2G (1) to (3).

11.2 Purpose

- 11.2.1** FCA PRA G Part XII of the *Act* (Control Over Authorised Persons) places an obligation on the *controllers* and proposed *controllers* of those *UK domestic firms* not listed in ■ SUP 11.1.1 R (1) to ■ SUP 11.1.1 R (6) to notify the *appropriate regulator* of changes in *control* , including acquiring, increasing or reducing *control* or ceasing to have *control* over a *firm*. Furthermore, those *persons* are required to obtain the *appropriate regulator's* approval before becoming a *controller* or increasing their *control* over a *firm* . ■ SUP 11.3 is intended to assist those *persons* in complying with their obligations under Part XII of the *Act* .
- 11.2.2** FCA PRA G The *rules* in ■ SUP 11.4 to ■ SUP 11.6 are aimed at ensuring that the *appropriate regulator* receives the information that it needs to fulfil its responsibility to monitor and, in some cases, give prior approval to *firms' controllers*.
- 11.2.2A** G [deleted]
- 11.2.3** FCA PRA G As the approval of the *appropriate regulator* is not required under the *Act* for a new *controller* of an *overseas firm*, the *notification rules* on such *firms* are less prescriptive than they are for *UK domestic firms*. Nevertheless, the *appropriate regulator* still needs to monitor such an *overseas firm's* continuing satisfaction of the *threshold conditions*, which normally includes consideration of a *firm's* connection with any *person*, including its *controllers* and *parent undertakings* (see the *threshold conditions* set out in paragraphs 3B, 4F and 5F of Schedule 6 to the *Act*). The *appropriate regulator* therefore needs to be notified of *controllers* and *parent undertakings* of *overseas firms*.
- 11.2.4** FCA PRA G As part of the *appropriate regulator's* function of monitoring a *firm's* continuing satisfaction of the *threshold conditions*, the *appropriate regulator* needs to consider the impact of any significant change in the circumstances of one or more of its *controllers*, for example, in their financial standing and, in respect of corporate *controllers*, in their *governing bodies*. Consequently, the *appropriate regulator* needs to know if there are any such changes. ■ SUP 11.8 therefore requires a *firm* to tell the *appropriate regulator* if it becomes aware of particular matters relating to a *controller*.
- 11.2.5** FCA PRA G Similarly, the *appropriate regulator* needs to monitor a *firm's* continuing satisfaction of the *threshold conditions* set out in paragraphs 3B, 4F and 5F of Schedule 6 to the *Act* (as applicable) (in relation to *threshold conditions* for which the *FCA* is responsible, see ■ COND 2.3), which requires that a *firm's close links* are not likely to prevent the *appropriate regulator's* effective supervision of that *firm*. Accordingly the *appropriate*

regulator needs to be notified of any changes in a *firm's close links*. This requirement is contained in ■ SUP 11.9.

11.2.6

FCA PRA

G

Every *firm*, other than a *firm* listed in ■ SUP 11.1.1 R (1) to ■ SUP 11.1.1 R (6) or a *firm* excluded from the operation of ■ SUP 16.4 or ■ SUP 16.5 by ■ SUP 16.1.3 R, is required to submit an annual report on its *controllers* and *close links* as set out in ■ SUP 16.4 and ■ SUP 16.5.

11.2.7

FCA PRA

G

The requirements in ■ SUP 11 implement certain provisions relating to changes in *control* and *close links* required under the *Single Market Directives*.

11.2.8

FCA PRA

G

An event described in ■ SUP 11.4.2R, ■ SUP 11.4.2A R and ■ SUP 11.4.4R is referred to in this chapter as a "change in *control*".



11.3 Requirements on controllers or proposed controllers under the Act

11.3.1
FCA PRA

G

The notification requirements are set out in sections 178, 179, 191D and 191E of the *Act* and holdings which may be disregarded are set out in section 184 of the *Act*. A summary of the notification requirements described in this section is given in

■ SUP 11 Annex 1.

11.3.1A
FCA PRA

G

For the purposes of Part XII (Control over authorised persons) of the *Act*, and in particular, calculations relating to the holding of shares and/or voting power, the definitions of "shares" and "voting power" are set out in section 191G of the *Act*.

11.3.1B
FCA PRA

G

■ SUP 11 Annex 6G provides *guidance* on when one *person's* holding of *shares* or *voting power* must be aggregated with that of another *person* for the purpose of determining whether an acquisition or increase of control will take place as contemplated by section 181 or 182 of the *Act* such that notice must be given to the *appropriate regulator* in accordance with section 178 of the *Act* before making the acquisition or increase. This will be:

- (1) where those *persons* are acting in concert, as contemplated by section 178(2) (Obligation to notify appropriate regulator : acquisitions of control) of the *Act*; or
- (2) in the case of voting power only, if any of the circumstances described in section 422(5) (Controller) of the *Act* apply.

Requirement to notify a proposed change in control

11.3.2
FCA PRA

G

Sections 178(1) and 191D(1) of the *Act* require a *person* (whether or not he is an *authorised person*) to notify the *appropriate regulator* in writing if he decides to acquire, increase or reduce *control* or to cease to have *control* over a *UK domestic firm* . Failure to notify is an offence under section 191 F of the *Act* (Offences under this Part).

11.3.2A
FCA PRA

G

The Treasury have made the following exemptions from the obligations under section 178 of the *Act*:

- (1) *controllers* and potential *controllers* of *non-directive friendly societies* are exempt from the obligation to notify a change in *control* (The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774));

- (2) *controllers* and potential *controllers* of *building societies* are exempt from the obligation to notify a change in *control* unless the change involves the acquisition of a holding of a specified percentage of a *building society's* capital or the increase or reduction by a specified percentage of a holding of a *building society's* capital (The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774 .)). The "capital" of a *building society* for these purposes consists of:
 - (a) any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which have been issued by the society (in practice, likely to be permanent interest bearing shares (PIBS)); and
 - (b) the general reserves of that *building society*;

- (3) potential *controllers* of *non-directive firms* (other than, in the case of an *FCA-authorized person, firms with only a limited permission*) ("A") are exempt from the obligation to notify a change in *control* unless the change results in the potential *controller* holding:
 - (a) 20% or more of the *shares* in A or in a *parent undertaking* of A ("P");
 - (b) 20% or more of the *voting power* in A or P; or
 - (c) *shares* or *voting power* in A or P as a result of which the *controller* is able to exercise significant influence over the management of A;

or where the change in *control* over A would lead to the *controller* ceasing to fall into any of the cases (a), (b) or (c) above (The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774)).

- (4) (in the case of a change in *control* over an *FCA-authorized person*) potential *controllers* of *firms with only a limited permission* ("A") are exempt from the obligation to notify a change in *control*, unless the change would result in the potential *controller* holding:
 - (a) 33% or more of the *shares* in A or in a *parent undertaking* of A ("P"); or
 - (b) 33% or more of the *voting power* in A or P; or
 - (c) *shares* or *voting power* in A or P as a result of which the *controller* is able to exercise significant influence over the management of A;

or where the change in *control* over A would lead to the *controller* ceasing to fall into any of the cases (a), (b) or (c) above (The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774)).

11.3.3 [G] [deleted]

Approval required before acquiring or increasing control

11.3.4 [G] If a *person* decides to acquire *control* or increase *control* over a *UK domestic firm* in a way described in ■ SUP 11.4.2 R or acquire *control* in a way described in ■ SUP 11.4.2A R (1) , he must obtain the *appropriate regulator's* approval before doing so. Making an acquisition before the *appropriate regulator* has approved of it is an offence under section 191F of the *Act* (Offences under this Part).

11.3.5 [G] The *appropriate regulator's* approval is not required before a *controller* reduces *control* or ceases to have *control* over a *UK domestic firm*.

Pre-notification and approval for fund managers

11.3.5A
FCA PRA

G

The *appropriate regulator* recognises that *firms* acting as *investment managers* may have difficulties in complying with the prior notification requirements in sections 178 and 191D of the *Act* as a result of acquiring or disposing of listed *shares* in the course of that fund management activity. To ameliorate these difficulties, the *appropriate regulator* may accept pre-notification of proposed changes in *control*, made in accordance with ■ SUP D, and may grant approval of such changes for a period lasting up to a year.

11.3.5B
FCA PRA

D

The *appropriate regulator* may treat as notice given in accordance with sections 178 and 191D of the *Act* a written notification from a *firm* which contains the following statements:

- (1) that the *firm* proposes to acquire and/or dispose of *control*, on one or more occasions, of any *UK domestic firm* whose *shares* or those of its ultimate *parent undertaking* are, at the time of the acquisition or disposal of *control*, *listed*, or which are traded or admitted to trading on a *MTF* or a market operated by a *ROIE*;
- (2) that any such acquisitions and/or disposals of *control* will occur only in the course of the *firm's* business as an *investment manager*;
- (3) that the level of *control* the *firm* so acquires in the pre-approval period will at all times remain less than 20% ; and
- (4) that the *firm* will not exercise any influence over the *UK domestic firm* in which the shares are held, other than by exercising its voting rights as a shareholder or by exercising influence intended to promote generally accepted principles of good corporate governance.

11.3.5C
FCA PRA

G

Where the *appropriate regulator* approves changes in *control* proposed in a notice given under ■ SUP 11.3.5B D:

- (1) the *controller* remains subject to the requirement to notify the *appropriate regulator* when a change in *control* actually occurs; and
- (2) the notification of change in *control* should be made no later than five *business days* after the end of each *month* and set out all changes in the *controller's* control position for each *UK domestic firm* for the *month* in question.

At that stage, the *appropriate regulator* may seek from the *controller* further information.

11.3.6

G

[deleted]

11.3.6A

G

[deleted]

11.3.6B

G

[deleted]

11.3.6C G [deleted]

Forms of notifications when acquiring or increasing control

11.3.7 D A *section 178 notice* given to the *appropriate regulator* by a *person* who is acquiring *control* or increasing his *control* over a *UK domestic firm*, in a way described in ■ SUP 11.4.2 R (1) to (4), or acquiring *control* in a way described in ■ SUP 11.4.2A R, must contain the information and be accompanied by such documents as are required by the controllers form approved by the *appropriate regulator* for the relevant application.

11.3.7A G The *controllers forms* approved by the *appropriate regulator* may be found at the *appropriate regulator's* website <http://www.fca.org.uk/firms/being-regulated/change-in-control/section-178>

11.3.8 D [deleted]

11.3.9 D [deleted]

11.3.10 D

- (1) A *person* who has submitted a *section 178 notice* under ■ SUP 11.3.7 D must notify the *appropriate regulator* immediately if he becomes aware, or has information that reasonably suggests, that he has or may have provided the *appropriate regulator* with information which was or may have been false, misleading, incomplete or inaccurate, or has or may have changed, in a material particular. The notification must include:
 - (a) details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;
 - (b) an explanation why such information was or may have been provided; and
 - (c) the correct information.
- (2) If the information in (1) (c) cannot be submitted with the *section 178 notice* (because it is not immediately available), it must instead be submitted as soon as possible afterwards.
- (3) The requirement in (1) ceases if the change in *control* occurs or will not take place.

11.3.11 G The *appropriate regulator* will inform a *section 178 notice* giver as soon as reasonably practicable if it considers the *section 178 notice* to be incomplete.

11.3.12 G The *appropriate regulator* has power, under section 179(3) of the *Act* (Requirements for section 178 notices), to vary or waive these requirements in relation to a *section 178 notice* in particular cases if it considers it appropriate to do so.

11.3.13 G Where a *controller* or proposed *controller* which is an *authorised person* is required to submit less information under ■ SUP 11.3.7 D than other *persons* , the *appropriate regulator* may ask for confirmation of details already held by it or any additional information required under ■ SUP 11.5.1R.

11.3.14
FCA PRA

G

Pursuant to section 188 of the *Act* (Assessment: consultation with EC competent authorities), the *appropriate regulator* is obliged to consult any appropriate *Home State regulator* before making a determination under section 185 of the *Act* (Assessment: general).

Notification when reducing control

11.3.15

G

[deleted]

11.3.15A
FCA PRA

D

A notice given to the *appropriate regulator* by a *person* who is reducing or ceasing to have *control* over a *UK domestic firm*, as set out in ■ SUP 11.4.2R or ■ SUP 11.4.2A R must:

- (1) be in writing; and
- (2) provide details of the extent of *control* (if any) which the *controller* will have following the change in *control*.

11.3.16

G

[deleted]

Joint notifications

11.3.17
FCA PRA

G

Notifications to the *appropriate regulator* by proposed *controllers* and *controllers* under Part XII of the *Act* may be made on a joint basis outlined in ■ SUP 11.5.8 G to ■ SUP 11.5.10 G.



11.4 Requirements on firms

11.4.1 G A summary of the notification requirements in this section is given in ■ SUP 11 Annex 1.
FCA PRA

Requirement to notify a change in control

11.4.2 R A *UK domestic firm*, other than a *non-directive firm*, must notify the *appropriate regulator* of any of the following events concerning the *firm*:
FCA PRA

- (1) a *person* acquiring *control* ;
- (2) an existing *controller* increasing *control*;
- (3) an existing *controller* reducing *control*;
- (4) an existing *controller* ceasing to have *control*.

11.4.2A R A *non-directive firm* (including, in the case of an *FCA-authorized person*, a *firm* with only a *limited permission*) must notify the *appropriate regulator* of any of the following events concerning the *firm*:
FCA PRA

- (1) a *person* becoming *controller* of the *firm*; or
- (2) an existing *controller* ceasing to be *controller* of the *firm*.

11.4.3 G [deleted]

11.4.4 R An *overseas firm* must notify the *appropriate regulator* if a *person* becomes a *controller* of the *firm*, increases or reduces *control* over the *firm* or ceases to have *control* over the *firm*
FCA PRA

11.4.5 G [deleted]

11.4.6 G If a *firm* is required to obtain approval from the *Society of Lloyd's* for any changes in its *controllers*, it should apply for this approval as well as notifying the *PRA*.
PRA

11.4.7

FCA PRA

R

Content and timing of the notification

The notification by a *firm* under ■ SUP 11.4.2 R , ■ SUP 11.4.2A R or ■ SUP 11.4.4 R must:

- (1) be in writing;
- (2) contain the information set out in:
 - (a) in the case of acquiring or increasing *control*, ■ SUP 11.5.1 R (subject to ■ SUP 11.5); or
 - (b) in the case of reducing *control*, ■ SUP 11.5.7 R; and
- (3) be made:
 - (a) as soon as the *firm* becomes aware that a *person* , whether alone or acting in concert, has decided to acquire *control* or to increase or reduce *control*; or
 - (b) if the change in *control* takes place without the knowledge of the *firm*, within 14 days of the *firm* becoming aware of the change in *control* concerned.

11.4.8

FCA PRA

G

Principle 11 requires *firms* to be open and cooperative with the *appropriate regulator*. A *firm* should discuss with the *appropriate regulator* , at the earliest opportunity, any prospective changes of which it is aware, in a *controller's* or proposed *controller's* shareholdings or *voting power* (if the change is material). These discussions may take place before the formal notification requirement in ■ SUP 11.4.2 R or ■ SUP 11.4.4 R arises. (See also ■ SUP 11.3.2 G). As a minimum, the *appropriate regulator* considers that such discussions should take place before a *person*:

- (1) enters into any formal agreement in respect of the purchase of shares or a proposed acquisition or merger which would result in a change in *control* (whether or not the agreement is conditional upon any matter, including the *appropriate regulator's* approval); or
- (2) purchases any *share options*, *warrants* or other financial instruments, the exercise of which would result in the *person* acquiring *control* or any other change in *control*.

11.4.9

FCA PRA

G

The obligations in ■ SUP 11.4.2 R and ■ SUP 11.4.2A R apply whether or not the *controller* himself has given or intends to give a notification, in accordance with his obligations under the *Act*.

Identity of controllers

11.4.10

FCA PRA

R

A *firm* must take reasonable steps to keep itself informed about the identity of its *controllers*.

11.4.11

G

FCA PRA

The steps that the *appropriate regulator* expects a *firm* to take to comply with

■ SUP 11.4.10 R include, if applicable:

- (1) monitoring its register of shareholders (or equivalent);
- (2) monitoring notifications to the *firm* in accordance with Part 22 of the Companies Act 2006 ;
- (3) monitoring public announcements made under the relevant disclosure provisions of the *Takeover Code* or other rules made by the *Takeover Panel*;
- (4) monitoring the entitlement of delegates, or *persons* with voting rights in respect of group insurance contracts, to exercise or control *voting power* at general meetings.

11.5 Notifications by firms

11.5.1

FCA PRA

R

Table Information to be submitted by the *firm* (see ■ SUP 11.4.7 R (2)(a))

- (1) The name of the *firm*;
- (2) the name of the *controller* or proposed *controller* and, if it is a *body corporate* and is not an *authorised person*, the names of its *directors* and its *controllers*;
- (3) a description of the proposed event including the shareholding and *voting power* of the *person* concerned, both before and after the change in control; and
- (4) any other information of which the *appropriate regulator* would reasonably expect notice.

11.5.2

FCA PRA

R

The notification from a *firm* under ■ SUP 11.4.7 R (2)(a) need only contain as much of the information set out in ■ SUP 11.5.1 R as the *firm* is able to provide, having made reasonable enquiries from *persons* and other sources as appropriate.

11.5.3

G

[deleted]

11.5.4

FCA PRA

G

Firms are reminded that a change in *control* may give rise to a change in the *group companies* to which the *appropriate regulator's* consolidated financial supervision requirements apply. Also, the *firm* may for the first time become subject to the *appropriate regulator's* requirements on consolidated financial supervision (or equivalent requirements imposed by another *EEA State*). This may apply, for example, if the *controller* is itself an authorised *undertaking*. The *appropriate regulator* may therefore request such a *firm*, *controller* or proposed *controller* to provide evidence that, following the change in *control*, the *firm* will meet the requirements of these *rules*, if appropriate.

11.5.4A

FCA PRA

G

Firms are also reminded that a change in *control* may give rise to a notification as a *financial conglomerate* or a change in the supplementary supervision of a *financial conglomerate* (see ■ GENPRU 3.1 (Cross sector groups) and ■ GENPRU 3.2 (Third country groups)).

11.5.5

G

[deleted]

11.5.6 **G** [deleted]

Form of notification when a person reduces control

11.5.7 **R** A notification of a proposed reduction in *control* must:

FCA **PRA**

- (1) give the name of the *controller*; and
- (2) provide details of the extent of *control* (if any) which the *controller* will have following the change in *control*.

Joint notifications

11.5.8 **G** A *firm* and its *controller* or proposed *controller* may discharge an obligation to notify the *appropriate regulator* by submitting a single joint *section 178 notice* containing the information required from the *firm* and the *controller* or proposed *controller*. In this case, the *section 178 notice* may be used on behalf of both the *firm* and the *controller* or proposed *controller*.

FCA **PRA**

11.5.9 **G** If a *person* is proposing a change in *control* over more than one *firm* within a *group*, then the *controller* or proposed *controller* may submit a single *section 178 notice* to the *PRA* in respect of all those *firms* which are *PRA-authorised persons* and a single *section 178 notice* to the *FCA* in respect of all those *firms* which are not *PRA-authorised persons*. The *section 178 notice* should contain all the required information as if separate notifications had been made, but information and documentation need not be duplicated within the set of information sent to each regulator.

FCA **PRA**

11.5.10 **G** When an event occurs (for example, a *group* restructuring or a merger) as a result of which:

FCA **PRA**

- (1) more than one *firm* in a *group* would undergo a change in *control*; or
- (2) a single *firm* would experience more than one change in *control*;

then, to avoid duplication of documentation, all the *firms* and their *controllers* or proposed *controllers* may discharge their respective obligations to notify the *appropriate regulator* by submitting a single *section 178 notice* to the *PRA* containing one set of information in relation to all the *firms* which are *PRA-authorised persons* and a single *section 178 notice* to the *FCA* containing one set of information in relation to all the *firms* which are not *PRA-authorised persons*.



11.6 Subsequent notification requirements by firms

Changes in the information provided to the appropriate regulator.....

11.6.1 G
FCA PRA

Firms are reminded that ■ SUP 15.6.4 R requires them to notify the *appropriate regulator* if information notified under ■ SUP 11.4.2 R, ■ SUP 11.4.2A R or ■ SUP 11.4.4 R was false, misleading, inaccurate, incomplete, or changes, in a material particular. This would include a *firm* becoming aware of information that it would have been required to provide under ■ SUP 11.5.1 R if it had been aware of it.

11.6.2 R
FCA PRA

After submitting a *section 178 notice* under ■ SUP 11.4.2 R or ■ SUP 11.4.2A R and until the change in *control* occurs (or is no longer to take place), ■ SUP 15.6.4 R and ■ SUP 15.6.5 R apply to a *UK domestic firm* in relation to any information its *controller* or proposed *controller* provided to the *appropriate regulator* under ■ SUP 11.5.1 R or ■ SUP 11.3.7 D.

11.6.3 R
FCA PRA

During the period in ■ SUP 11.6.2 R, a *UK domestic firm* must take reasonable steps to keep itself informed about the circumstances of the *controller* or the proposed *controller* to which the notification related.

Notification that the change in control has taken place.....

11.6.4 R
FCA PRA

A *firm* must notify the *appropriate regulator*:

- (1) when a change in *control* which was previously notified under ■ SUP 11.4.2 R, ■ SUP 11.4.2A R or ■ SUP 11.4.4 R has taken place; or
- (2) if the *firm* has grounds for reasonably believing that the event will not now take place.

11.6.5 R
FCA PRA

The notification under ■ SUP 11.6.4 R must be given within 14 *days* of the change in *control* or of having the grounds (as applicable).

11.6.6 G

[deleted]



**11.7 Acquisition or increase of control:
assessment process and criteria**

11.7.1 G The assessment process and the assessment criteria are set out in sections 185 to 191 of the *Act*.
FCA PRA

11.7.2 G Section 191A deals with the procedure the *appropriate regulator* must follow where the *appropriate regulator* reasonably believes that:
FCA PRA

- (1) there has been a failure to give notice under section 178(1) of the *Act* in circumstances where notice was required;
- (2) there has been a breach of a condition imposed under section 187 of the *Act*; or
- (3) there are grounds for objecting to control on the basis of the matters in section 186 of the *Act*.

11.7.3 G The *appropriate regulator* may serve *restriction notices* in certain circumstances in accordance with section 191B of the *Act* .
FCA PRA

11.7.4 G The *appropriate regulator* may apply to the court for an order for the sale of *shares* in accordance with section 191C of the *Act* .
FCA PRA

11.7.5 G [deleted]

11.7.6 G [deleted]

11.7.7 G [deleted]

11.7.8 G [deleted]

11.7.9 G . [deleted]

11.7.10 G [deleted]

11.7.11	G	[deleted]
11.7.12	G	[deleted]
11.7.13	G	Before making a determination under section 185 orgiving a <i>warning notice</i> under section 191A , the <i>appropriate regulator</i> must comply with the requirements as to consultation with EC competent authorities set out in section 188 of the <i>Act</i> and with the other regulator set out in sections 187A, 187B and 191A of the <i>Act</i> , as applicable.
	FCA PRA	
11.7.14	G	[deleted]
11.7.15	G	[deleted]
11.7.16	G	[deleted]
11.7.17	G	[deleted]
11.7.18	G	[deleted]

11.8 Changes in the circumstances of existing controllers

11.8.1

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately it becomes aware of any of the following matters in respect of one or more of its *controllers*:

- (1) if a *controller*, or any entity subject to his *control*, is or has been the subject of any legal action or investigation which might put into question the integrity of the *controller*;
- (2) if there is a significant deterioration in the financial position of a *controller*;
- (3) if a corporate *controller* undergoes a substantial change or series of changes in its *governing body*;
- (4) if a *controller*, who is authorised in another *EEA State* as a *MiFID investment firm*, *CRD credit institution* or *UCITS management company* or under the *Insurance Directives* or the *Insurance Mediation Directive*, ceases to be so authorised (registered in the case of an *IMD insurance intermediary*).

11.8.2

FCA

G

In assessing whether a matter should be notified to the *appropriate regulator* under ■ SUP 11.8.1 R (1), ■ SUP 11.8.1 R (2) or ■ SUP 11.8.1 R (3), a *firm* should have regard to the *guidance* on satisfying the *threshold conditions* set out in paragraphs 2E and 3D of Schedule 6 to the *Act* contained in ■ COND 2.5.

11.8.3

FCA PRA

G

In respect of ■ SUP 11.8.1 R (3), the *appropriate regulator* considers that, in particular, the removal or replacement of a majority of the members of a *governing body* (in a single event or a series of connected events) is a substantial change and should be notified.

11.8.4

FCA PRA

G

If a matter has already been notified to the *appropriate regulator* (for example, as part of the *firm's* application for a *Part 4A permission*), the *firm* need only inform the *appropriate regulator* of any significant developments.

11.8.5

FCA PRA

G

The level of a *firm's* awareness of its *controller's* circumstances will depend on its relationship with that *controller*. The *appropriate regulator* does not expect *firms* to implement systems or procedures so as to be certain of any changes in its *controllers'* circumstances. However, the *appropriate regulator* does expect *firms* to notify it of such matters if the *firm* becomes aware of them, and it expects *firms* to make enquiries of its

controllers if it becomes aware that one of the events in ■ SUP 11.8.1 R may occur or has occurred.

11.8.6

FCA PRA

G

The *appropriate regulator* may ask the *firm* for additional information following a notification under ■ SUP 11.8.1 R in order to satisfy itself that the *controller* continues to be suitable (see ■ SUP 2: Information gathering by the appropriate regulator on its own initiative).



11.9 Changes in close links

Requirement to notify changes in close links

11.9.1

R

- (1) [deleted]
- (2) [deleted]

11.9.1A

FCA

R

- (1) A *firm* must notify the *FCA* that it has become or ceased to be *closely linked* with any *person* . and ensure the following:
 - (a) where a *firm* has elected to report changes in *close links* on a *monthly* basis under ■ SUP 11.9.5A R, the notification must be made in line with ■ SUP 11.9.3BA R; and
 - (b) in any other case, the notification must be made by completing the Close Links Notification Form (see ■ SUP 11.9.3B G) and must include the information in ■ SUP 11.9.3D G.
- (2) If a *group* includes more than one *firm*, a single close links notification may be made by completing the Close Links Notification Form or the Close Links Monthly Report (as applicable) and so satisfy the notification requirement for all *firms* in the *group*. Nevertheless, the requirement to notify, and the responsibility for notifying, remains with each *firm* in the *group*.

11.9.1B

PRA

R

- (1) A *firm* must notify the *PRA* that it has become or ceased to be *closely linked* with any *person* and ensure the following:
 - (a) where a *firm* has elected to report changes in *close links* on a *monthly* basis under ■ SUP 11.9.5B R, the notification must be made in line with ■ SUP 11.9.3CA R; and
 - (b) in any other case, the notification must be made by completing the Close Links Notification Form (see ■ SUP 11.9.3C G) and must include the information in ■ SUP 11.9.3D G.
- (2) If a *group* includes more than one *firm*, a single close links notification may be made by completing the Close Links Notification Form or the Close Links Monthly Report (as

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applicable). and so satisfy the notification requirement for all *firms* in the *group*. Nevertheless, the requirement to notify, and the responsibility for notifying, remains with each *firm* in the *group*.

11.9.2 G
FCA

Guidance on what constitutes a *close link* is provided in ■ COND 2.3.

11.9.2A G
FCA PRA

A *firm* may elect not to include the following *close links* in the notification submitted under ■ SUP 11.9.1A R, ■ SUP 11.9.1B R, ■ SUP 11.9.5A R, ■ SUP 11.9.5B R or ■ SUP 16.5:

- (1) *shares* held in its capacity as custodian provided it can only exercise any voting rights attached to such *shares* under instructions given in writing or by *electronic means*;
- (2) *shares* held in its capacity as collateral taker under a collateral transaction which involves the outright transfer of *securities* provided it does not declare any intention of exercising (and does not exercise) the voting rights attaching to such *shares*.

11.9.3 G

[deleted]

11.9.3-A G
FCA

The *FCA* may ask the *firm* for additional information following a notification under ■ SUP 11.9.1A R in order to satisfy itself that the *firm* continues to satisfy the *threshold conditions* (see ■ SUP 2: Information gathering by the *FCA* and *PRA* on their own initiative).

11.9.3-B G
PRA

The *PRA* may ask the *firm* for additional information following a notification under ■ SUP 11.9.1B R in order to satisfy itself that the *firm* continues to satisfy the *threshold conditions* (see ■ SUP 2: Information gathering by the *FCA* and *PRA* on their own initiative).

Form of notification and method of submission

11.9.3A G

[deleted]

11.9.3B G
FCA

The Close Links Notification Form approved by the *FCA* for notifications under ■ SUP 11.9.1A R, ■ SUP 11.9.5A R may be found at the *FCA* website. The Close Links Notification Form approved by the *FCA* for notifications under ■ SUP 11.9.1AR (1)(b) may be found at the *FCA* website.

11.9.3BA R
FCA

The notification under ■ SUP 11.9.1AR (1)(a) must be made electronically by completing the Close Links Monthly Report and submitting it through the relevant platform provided by the *FCA*.

11.9.3BB R
FCA

The Close Links Monthly Report must contain the information specified in ■ SUP 16 Annex 35AR.

11.9.3C PRA G The Close Links Notification Form approved by the *PRA* for notifications under may be found at the *PRA* website.

11.9.3CA PRA R The notification under ■ SUP 11.9.1B R (1)(a) must be made electronically by completing the Close Links Monthly Report and submitting it through the relevant platform provided by the *PRA*.

11.9.3CB PRA R The Close Links Monthly Report must contain the information specified in ■ SUP 16 Annex 35A.

11.9.3D FCA PRA G

- (1) The notification in ■ SUP 11.9.1AR (1)(b) and ■ SUP 11.9.1B R (1)(b) should contain a list of all *persons* with whom the *firm* is aware that it has *close links*, at the time the notification is made, and, for each such person, state:
 - (a) its name;
 - (b) the nature of the *close links*;
 - (c) if the *close links* are with a *body corporate*, its country of incorporation, address and registered number; and
 - (d) if the *close links* are with an individual, their date and place of birth.
- (2) The *firm* must also submit a *group* organisation chart.

Timing of notification requirement

11.9.4 R [deleted]

11.9.4A FCA R The *firm* must make a notification to the *FCA* under ■ SUP 11.9.1A R:

- (1) as soon as reasonably practicable and no later than one *month* after it becomes aware that it has become or ceased to be closely linked with any *person*; or
- (2) where a *firm* has elected to report on a *monthly* basis, within fifteen *business days* of the end of each *month* by completing the Close Links Monthly Report for that *month* and must submit the *group* organisation chart on a quarterly basis unless there have been no changes since the submission of the previous organisation chart to the *FCA*, in which case the *group* organisation chart is not required.

11.9.4B PRA R The *firm* must make a notification to the *PRA* under ■ SUP 11.9.1B R:

- (1) as soon as reasonably practicable and no later than one *month* after it becomes aware that it has become or ceased to be closely linked with any *person*; or
- (2) where a *firm* has elected to report on a *monthly* basis, within fifteen *business days* of the end of each *month* by completing the Close Links Monthly Report for that *month* and must submit the *group*

organisation chart on a quarterly basis unless there have been no changes since the submission of the previous organisation chart to the *PRA*, in which case the *group* organisation chart is not required.

Electing to notify changes in close links monthly.....

11.9.5 **R**

- (1) [deleted]
- (2) [deleted]

11.9.5A **R**
FCA

- (1) A *firm* elects to report changes in *close links* on a *monthly* basis by sending a written notice of election to the *firm's* usual supervisory contact at the *FCA*.
- (2) An election to report changes in *close links* on a *monthly* basis will stand until such time as the *firm* gives its usual supervisory contact at the *FCA* at least one *month's* written notice of its intention to cease reporting changes in *close links* on a *monthly* basis.

11.9.5B **R**
PRA

- (1) A *firm* elects to report changes in *close links* on a *monthly* basis by sending a written notice of election to the *firm's* usual supervisory contacts at both the *PRA* and *FCA*.
- (2) An election to report changes in *close links* on a *monthly* basis will stand until such time as the *firm* gives its usual supervisory contacts at both the *PRA* and *FCA* at least one *month's* written notice of its intention to cease reporting changes in *close links* on a *monthly* basis.

11.9.6 **G**

[deleted]

11.9.6A **G**
FCA

The *FCA* considers that *monthly* reporting of changes in *close links* will ordinarily only be appropriate for *firms* forming part of large *groups*.

11.9.6B **G**
PRA

The *PRA* considers that *monthly* reporting of changes in *close links* will ordinarily only be appropriate for *firms* forming part of large *groups*.

Summary of notification requirements

FCA **PRA**

SUP 11 Annex 1G

Chapter 12

Appointed representatives



12.1 Application and purpose

Application

12.1.1

FCA

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(1) This chapter applies to a *firm* which is considering appointing, has decided to appoint or has appointed an *appointed representative*.

(1A) This chapter applies to a *UK MiFID investment firm* which is considering appointing, has decided to appoint or has appointed an *EEA tied agent*.

(2) This chapter does not apply to a *UCITS qualifier*.

(3) This chapter does not apply in relation to a *tied agent* acting on behalf of an *EEA MiFID investment firm* unless that *tied agent* is established in the *UK*.

Purpose

12.1.2

FCA

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This chapter gives *guidance* to a *firm*, which is considering appointing an *appointed representative*, on how the provisions of section 39 of the *Act* (Exemption of appointed representatives) work. For example, it gives *guidance* on the conditions that must be satisfied for a *person* to be appointed as an *appointed representative*. It also gives *guidance* to a *firm* on the implications, for the *firm* itself, of appointing an *appointed representative*.

12.1.3

FCA

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The chapter also sets out the *FCA's rules*, and *guidance* on these *rules*, that apply to a *firm* before it appoints, when it appoints and when it has appointed an *appointed representative*. The main purpose of these *rules* is to place responsibility on a *firm* for seeking to ensure that:

(1) its *appointed representatives* are fit and proper to deal with *clients* in its name; and

(2) *clients* dealing with its *appointed representatives* are afforded the same level of protection as if they had dealt with the *firm* itself.

12.1.4

FCA

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The *FCA* has produced a leaflet entitled "Becoming an appointed representative" which provides a comprehensive summary of some of the main features of the appointed representative regime. You may download a copy of this leaflet from our website at

<http://www.fca.org.uk/your-fca/documents/factsheet-becoming-an-appointed-representative>

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12.1.5

FCA

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This chapter also sets out *guidance* about section 39A of the *Act*, which is relevant to a *UK MiFID investment firm* that is considering appointing an *FCA registered tied agent*. It also sets out the *FCA's rules*, and *guidance* on those *rules*, in relation to the appointment of an *EEA tied agent* by a *UK MiFID investment firm*.

12.2 Introduction

What is an appointed representative?

12.2.1

FCA

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- (1) Under section 19 of the *Act* (The general prohibition), no *person* may carry on a *regulated activity* in the *United Kingdom*, or purport to do so, unless he is an *authorised person*, or he is an *exempt person* in relation to that activity.
- (2) A *person* will be an *exempt person* if he satisfies the conditions in section 39(1) of the *Act*, *guidance* on which is given in ■ SUP 12.2.2 G. A *person* who is exempt as a result of satisfying these conditions is referred to in the *Act* as an *appointed representative*.
- (3) If an *appointed representative* is also a *tied agent* he must also satisfy the condition in section 39(1A) of the *Act* in order to be an *exempt person*. See ■ SUP 12.4.12 G for *guidance* on that condition and ■ SUP 12.2.16 G for more general *guidance* about *tied agents*.

12.2.2

FCA

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- (1) A *person* (other than a *firm* with only a *limited permission*) must satisfy the conditions in section 39(1) of the *Act* to become an *appointed representative*. These are that:
 - (a) the *person* must not be an *authorised person*, that is, he must not have *permission* under the *Act* to carry on any *regulated activity* in his own right (section 39(1) of the *Act*);
 - (b) the *person* must have entered into a contract with an *authorised person*, referred to in the *Act* as the '*principal*', which:
 - (i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations* (section 39(1)(a)(i) of the *Act*) (see ■ SUP 12.2.7 G); and
 - (ii) complies with any requirements that may be prescribed in the *Appointed Representatives Regulations* (section 39(1)(a)(ii) of the *Act*) (see ■ SUP 12.5.2 G (1)); and
 - (c) the *principal* must have accepted responsibility, in writing, for the authorised activities of the *person* in carrying on the whole, or part, of the business specified in the contract.
- (2) The *appointed representative* is an *exempt person* in relation to any *regulated activity* comprised in the carrying on of the business for which his *principal* has accepted responsibility.

Appointed representatives with limited permission to carry on certain credit activities

12.2.2A

FCA

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- (1) Under sections 20(1) and (1A) of the *Act* (Authorised persons acting without permission), if an *authorised person* carries on a *regulated activity* in the *United Kingdom*, or purports to do so, otherwise than in accordance with his *permission*, he is to be taken to have contravened a requirement imposed by the *FCA* (in the case of a *FCA-authorised person*) or the *FCA* and the *PRA* (in the case of a *PRA-authorised person*).
- (2) In addition, under section 23(1A) of the *Act* (Contravention of the general prohibition or section 20(1) or (1A)), an *authorised person* is guilty of an offence if he carries on a credit-related regulated activity in the *United Kingdom*, or purports to do so, otherwise than in accordance with his *permission*. For these purposes, *entering into a regulated credit agreement as lender, exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* and *debt collecting* are credit-related regulated activities, except in so far as the activity relates to an agreement under which the obligation of the *borrower* to repay is secured on land (see the Financial Services and Markets Act 2000 (Consumer Credit) (Designated Activities) Order 2014).
- (3) Section 39(1D) of the *Act* provides, however, that sections 20(1) and (1A) and 23(1A) of the *Act* do not apply:
 - (a) to an *authorised person* with only a *limited permission*;
 - (b) in relation to the carrying on by him of a *regulated activity* which is not one to which his *limited permission* relates;

if the conditions in section 39(1C) of the *Act* are met. *Guidance* on these conditions is given at ■ SUP 12.2.2B G. A *firm* carrying on a *regulated activity* in circumstances where, as a result of section 39(1D) of the *Act*, sections 20(1) and (1A) and 23(1A) of the *Act* do not apply is also referred to as an *appointed representative*.

12.2.2B

FCA

G

- (1) A *firm* must satisfy the conditions in section 39(1C) of the *Act* to become an *appointed representative*. These are that:
 - (a) the *firm* must have only a *limited permission* (section 39(1C)(a) of the *Act*);
 - (b) the *firm* must have entered into a contract with another *authorised person*, referred to in the *Act* as the '*principal*', which:
 - (i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations* (section 39(1C)(b)(i) of the *Act*) (see ■ SUP 12.2.7 G); and
 - (ii) complies with any requirements that may be prescribed in the *Appointed Representatives Regulations* (section 39(1C)(b)(ii) of the *Act*); and
 - (c) the *principal* must have accepted responsibility, in writing, for the authorised activities of the *firm* in carrying on the whole, or part, of the business specified in the contract.
- (2) The *appointed representative* is not subject to sections 20(1) or (1A) or 23(1A) of the *Act* in relation to the carrying on of the *regulated activity* which is

comprised in the business for which his *principal* has accepted responsibility and for which he does not have *limited permission*.

Who can be an appointed representative?

12.2.3

FCA

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As long as the conditions in section 39 of the *Act* are satisfied, any *person*, other than an *authorised person* (unless he has only a *limited permission*), may become an *appointed representative*, including a *body corporate*, a *partnership* or an individual in business on his own account. However, an *appointed representative* cannot be an *authorised person* under the *Act* unless he has only a *limited permission*. A *person* cannot be exempt for some *regulated activities* and *authorised* for others. An *appointed representative* with a *limited permission* is not an *exempt person*, but he may carry on the *regulated activity* comprised in the business for which his principal has accepted responsibility without being taken to have contravened a requirement imposed on him by the *FCA* or *PRA* or committing an offence, even though the activity is not covered by his *limited permission*.

Can an appointed representative have more than one principal?

12.2.4

FCA

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The *Act* and the *Appointed Representative Regulations* do not prevent an *appointed representative* from acting for more than one *principal*. However, ■ SUP 12.5.6A R (Prohibition of multiple principals for certain activities) prevents this for particular kinds of business.

12.2.5

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[deleted]

What is a "network"?

12.2.6

FCA

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A *firm* is referred to as a '*network*' if it appoints five or more *appointed representatives* (not counting *introducer appointed representatives*) or if it appoints fewer than five *appointed representatives* (again, not counting *introducer appointed representatives*) which have, between them, twenty-six or more *representatives*. However, a *network* does not include:

- (a) a *product provider*;
- (b) a *firm* which markets the *packaged products* of a *product provider* in the same *group* as the *firm* and which does so other than by selecting products from the whole market;
- (c) an *insurer* in relation to a *non-investment insurance contract*; or
- (d) a *home finance provider*.

Business for which an appointed representative is exempt

12.2.7

FCA

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- (1) The *Appointed Representatives Regulations* are made by the Treasury under section 39(1), (1C) and (1E) of the *Act*. These regulations describe, among other things, the business for which an *appointed representative* may be exempt or to which sections 20(1) and (1A) and 23(1A) of the *Act* may not apply, which is business which comprises any of:
 - (a) *dealing in investments as agent* (article 21 of the *Regulated Activities Order*) where the transaction relates to a *pure protection contract* (but

- only where the contract is not a *long-term care insurance contract*) or *general insurance contract*;
- (aa) *bidding in emissions auctions* (article 24A of the *Regulated Activities Order*) where that activity does not consist either of *dealing on own account* or the *execution of orders on behalf of clients*;
 - (b) arranging (bringing about) deals in investments (article 25(1) of the *Regulated Activities Order*) (that is in summary, deals in a *designated investment, funeral plan contract, pure protection contract, general insurance contract* or right to or interest in a funeral plan);
 - (c) *making arrangements with a view to transactions in investments* (article 25(2) of the *Regulated Activities Order*) (that is in summary, transactions in a *designated investment, funeral plan contract, pure protection contract, general insurance contract* or right to or interest in a funeral plan);
 - (d) *arranging* (bringing about) a *home finance transaction* (articles 25A(1), 25B(1) and 25C(1) of the *Regulated Activities Order*);
 - (e) *making arrangements with a view to a home finance transaction* (articles 25A(2), 25B(2) and 25C(2) of the *Regulated Activities Order*);
 - (ea) *credit broking* (article 36A of the *Regulated Activities Order*);
 - (eb) *operating an electronic system in relation to lending* (article 36H of the *Regulated Activities Order*);
 - (f) *assisting in the administration and performance of a contract of insurance* (article 39A of the *Regulated Activities Order*);
 - (fa) *debt adjusting* (article 39D of the *Regulated Activities Order*);
 - (fb) *debt counselling* (article 39E of the *Regulated Activities Order*);
 - (fc) *debt collecting* (article 39F of the *Regulated Activities Order*);
 - (fd) *debt administration* (article 39G of the *Regulated Activities Order*);
 - (g) *arranging safeguarding and administration of assets* (part of article 40 of the *Regulated Activities Order*);
 - (h) giving *basic advice* on a *stakeholder product* (article 52B of the *Regulated Activities Order*);
 - (i) advising on *investments* (article 53 of the *Regulated Activities Order*) (that is in summary, on any *designated investment, funeral plan contract, pure protection contract, general insurance contract* or *right to or interest in a funeral plan*);
 - (j) *advising on a home finance transaction* (articles 53A, 53B and 53C of the *Regulated Activities Order*);
 - (ja) *entering into a regulated credit agreement as lender or exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B of the *Regulated Activities Order*) when carried on in relation to a *credit agreement* under which the *credit* is provided free of interest and without any other charges;
 - (jb) *entering into a regulated consumer hire agreement as owner or exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N of the *Regulated Activities Order*);

- (k) *agreeing to carry on a regulated activity* (article 64 of the *Regulated Activities Order*) where the *regulated activity* is one of those in (a) to (h) or (ja) or (jb); and
 - (l) *providing credit information services* (article 89A of the *Regulated Activities Order*).
- (2) If the *appointed representative* is a *tied agent* of an *EEA firm*, the business for which the *appointed representative* may be exempt includes the following additional activities:
- (a) placing *financial instruments*;
 - (b) providing advice to *clients* or potential *clients* in relation to the placing of *financial instruments*.
- (3) [deleted]

What is an introducer appointed representative?

12.2.8

FCA

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- (1) An *introducer appointed representative* is an *appointed representative* appointed by a *firm* whose scope of appointment must, under ■ SUP 12.5.7 R, be limited to:
- (a) effecting introductions to the *firm* or other members of the *firm's group*; and
 - (b) distributing *non-real time financial promotions* which relate to products or services available from or through the *firm* or other members of the *firm's group*.
- (2) The permitted scope of appointment of an *introducer appointed representative* does not include in particular:
- (a) dealing in investments as agent; or
 - (b) *arranging (bringing about) deals in investments* or arranging (bringing about) regulated mortgage contracts; or
 - (c) *assisting in the administration and performance of a contract of insurance*; or
 - (d) *advising on investments*, giving *basic advice* on a *stakeholder product* *advising on a home finance transaction* or other activity that might reasonably lead a *customer* to believe that he had received *basic advice* or *advice on investments* or on *home finance transactions* or that the *introducer appointed representative* is permitted to give *basic advice* or give *personal recommendations* on investments or on *home finance transactions*.
- (3) An *introducer appointed representative* may have more than one *principal*, but will need a contract with each *principal*.
- (4) The *approved persons* regime does not apply to an *introducer appointed representative* (see ■ SUP 10A.1.15 R).

12.2.9 FCA G To become an *introducer appointed representative*, a *person* must meet the conditions in the *Act* to become an *appointed representative* (see ■ SUP 12.2.2 G).

12.2.10 FCA G All *rules* in ■ SUP 12 apply in relation to *introducer appointed representatives* except for:

- (1) ■ SUP 12.4.2 R, ■ SUP 12.4.5B R and ■ SUP 12.4.5C, on the appointment of *appointed representatives*, which are replaced by ■ SUP 12.4.6 R;
- (2) ■ SUP 12.5.6A R on required contract terms, which is replaced by ■ SUP 12.5.7 R; and
- (3) ■ SUP 12.9.1 R (4) (Record keeping).

12.2.11 FCA G If an *introducer appointed representative* is an individual in business on his own, then he will also be an *introducer* (see ■ SUP 12.2.13 G). This has certain implications in *COBS*.

Introducers and representatives: what do these terms mean and what is the relationship with an appointed representative?

12.2.12 FCA G A *firm* or its *appointed representative* may appoint or employ individuals to act as *introducers* or *representatives* in respect of *designated investment business*.

12.2.13 FCA G

- (1) An *introducer* is an individual appointed by a *firm* or by an *appointed representative* of such a *firm* to carry out, in the course of *designated investment business*, either or both of the following activities:
 - (a) effecting introductions;
 - (b) distributing *non-real time financial promotions*.
- (2) An *introducer* is not an *exempt person* under section 39 of the *Act* (unless he is also an *introducer appointed representative*) and hence cannot benefit from the exemption to carry on *regulated activities* in his own right. As a result, an *introducer* that is not an *introducer appointed representative* works in the name of his *firm* or the *firm's appointed representative* but he does not fall within the scope of the *approved persons* regime as he does not, as such, perform a *controlled function*.

12.2.14 FCA G

- (1) A *representative* is an individual who is appointed by a *firm* or an *appointed representative*, to carry on any of the activities in (1)(a) to (c):
 - (a) *advising on investments*;
 - (b) *arranging (bringing about) deals in investments*;
 - (c) *dealing in investments as agent*.

- (2) If a *firm* appoints an *appointed representative* who is an individual in (1), that *appointed representative* will also be a *representative*. The individual may need to be approved to perform the *customer function*, (see ■ SUP 12.6.8 G and ■ SUP 12.6.9 G). In these circumstances, in addition to complying with the

requirements of ■ SUP 12 and other regulatory requirements, the *firm* should ensure that the *rules for representatives* in ■ COBS 6 (Information about the firm, its services and remuneration) are complied with.

12.2.15 G [deleted]

What is a tied agent?

12.2.16

FCA

G

- (1) A *tied agent* is a *person* who acts for and under the responsibility of a *MiFID investment firm* (or a *third country investment firm*) in respect of *MiFID business* (or the *equivalent business of the third country investment firm*). Most *tied agents* appointed by firms are also *appointed representatives*.
- (2) Unless otherwise provided, this chapter applies to a firm that appoints a *tied agent* that is an *appointed representative* in the same way as it applies to the appointment of any other *appointed representative*.
- (3) This chapter sets out the provisions which apply to *tied agents*:
 - (a) established in the *UK*; or
 - (b) established in another *EEA State* and appointed by a *UK MiFID investment firm*.
- (4) A *tied agent* appointed by a *firm* to carry on *investment services and activities* or *ancillary services* on its behalf may not provide *cross border services* or establish a *branch* in another *EEA State* in its own right. This is because *tied agents* do not have passporting rights. The *tied agent* of a *MiFID investment firm* may, however, provide *cross border services* or establish a *branch* in another *EEA State* by availing itself of the appointing firm's passport. *MiFID investment firms* may also appoint *tied agents* established in different *EEA States*.
- (5) A *tied agent* will not be an *appointed representative* if it does not and is not likely to conduct any business as a *tied agent* in the *UK*. If such a *tied agent* is appointed by a *UK MiFID investment firm* it will be an *EEA tied agent*. *EEA tied agents* are either *FCA registered tied agent* or *EEA registered tied agents*.
- (6) This chapter only applies to a *firm* that appoints a *tied agent* that is not an *appointed representative* where it expressly refers to *tied agents*.
- (7) Under *MiFID*, an *EEA State* may prohibit the appointment of *tied agents* by *MiFID investment firms* for which it is the *Home State*. If a *UK MiFID investment firm* appoints a *tied agent* established in such an *EEA State*, the *tied agent* must be registered with the *FCA*. Such an *EEA tied agent* is referred to in the *Handbook* as an *FCA registered tied agent*.
- (8) If a *UK MiFID investment firm* appoints a *tied agent* established in an *EEA State* that allows *MiFID investment firms* for which it is the *Home State* to appoint *tied agents*, the *tied agent* must be registered with the *competent authority* of the *EEA State* in which it is established. Such an *EEA tied agent* is referred to in the *Handbook* as an *EEA registered tied agent*.



12.3 What responsibility does a firm have for its appointed representatives or EEA tied agent ?

Responsibility for appointed representatives

- 12.3.1
FCA
G
In determining whether a *firm* has complied with any provision in or under the *Act* such as any *Principle* or other *rule*, anything that an *appointed representative* has done or omitted to do as respects the business for which the *firm* has accepted responsibility will be treated as having been done or omitted to be done by the *firm* (section 39(4) of the *Act*).
- 12.3.2
FCA
G
The *firm* is responsible, to the same extent as if it had expressly permitted it, for anything the *appointed representative* does or omits to do, in carrying on the business for which the *firm* has accepted responsibility (section 39(3) of the *Act*).
- 12.3.3
FCA
G
In determining whether the *firm* has committed any *offence*, however, the knowledge or intentions of an *appointed representative* are not attributable to the *firm*, unless in all the circumstances it is reasonable for them to be attributed to it (section 39(6) of the *Act*).
- 12.3.4
FCA
G
■ SYSC 6.1.1 R requires a *MiFID investment firm* and a *credit firm* to ensure the compliance of its *appointed representative* with obligations under the *regulatory system*. The concept of a *relevant person* in SYSC includes an officer or employee of a *tied agent*.

Responsibility for EEA tied agents

- 12.3.5
FCA
R
A *UK MiFID investment firm* must not appoint an *EEA registered tied agent* or allow such an agent to continue to act for it unless it accepts or has accepted responsibility in writing for the agent's activities in acting as its *EEA registered tied agent*.

[Note: paragraph 1 of article 23(2) of *MiFID*]

- 12.3.6
FCA
G
The effect of section 39A(6)(b) of the *Act* is to prohibit a *UK MiFID investment firm* from appointing an *FCA registered tied agent* unless it has accepted responsibility in writing for the agent's activities in acting as a *tied agent*.



12.4 What must a firm do when it appoints an appointed representative or an EEA tied agent?

The permission that the firm needs

12.4.1 **R** [deleted]

12.4.1A **G** The effect of sections 20 (Authorised persons acting without permission) and 39(4) (Exemption of appointed representatives) of the *Act* is that the *regulated activities* covered by an *appointed representative's* appointment need to:

FCA

- (1) fall within the scope of the *principal's permission*; or
- (2) be excluded from being *regulated activities* when carried on by the *principal*, for example because they fall within article 28 of the *Regulated Activities Order* (Arranging transactions to which the arranger is a party).

Appointment of an appointed representative (other than an introducer appointed representative)

12.4.2 **R** Before a *firm* appoints a *person* as an *appointed representative* (other than an *introducer appointed representative*) and on a continuing basis, it must establish on reasonable grounds that:

FCA

- (1) the appointment does not prevent the *firm* from satisfying and continuing to satisfy the *threshold conditions*;
- (2) the *person*:
 - (a) is solvent;
 - (b) is otherwise suitable to act for the *firm* in that capacity; and
 - (c) has no *close links* which would be likely to prevent the effective supervision of the *person* by the *firm*;
- (3) the *firm* has adequate:
 - (a) controls over the *person's regulated activities* for which the *firm* has responsibility (see ■ SYSC 3.1 or ■ SYSC 4.1); and
 - (b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which

the *person* is required to comply under its contract with the *firm* (see ■ SUP 12.5.3 G (2)); and

- (4) the *firm* is ready and organised to comply with the other applicable requirements contained or referred to in this chapter.

12.4.2A

FCA

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A *firm* must ensure that a *tied agent* that is an *appointed representative* is of sufficiently good repute and that it possesses appropriate general, commercial and professional knowledge so as to be able to communicate accurately all relevant information regarding the proposed service to the *client* or potential *client*. This does not limit a *firm's* obligations under ■ SUP 12.4.2 R.

[Note: paragraphs 3 and 4 of article 23(3) of *MiFID*]

12.4.3

FCA

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In assessing, under ■ SUP 12.4.2 R (2) (a) and (b), whether an *appointed representative* or prospective *appointed representative* is solvent and otherwise suitable, a *firm* should determine, among other matters, whether the *person* is likely to be adversely influenced by its financial position in the conduct of the business for which the *firm* is responsible. This might arise, for example, if the *person* has cashflow problems and is not able to service its debts. Guidance for *firms* on assessing the financial position of an *appointed representative* or prospective *appointed representative* is given in ■ SUP 12 Annex 1.

12.4.4

FCA

G

In assessing, under ■ SUP 12.4.2 R (2)(b), whether an *appointed representative* or prospective *appointed representative* is otherwise suitable to act for the *firm* in that capacity, a *firm* should consider:

- (1) whether the *person* is fit and proper; *guidance* on the information that *firms* should take reasonable steps to obtain and verify is given in ■ SUP 12 Annex 2; and
- (2) the fitness and propriety (including good character and competence) and financial standing of the *controllers, directors, partners, proprietors and managers* of the *person; firms* seeking *guidance* on the information which they should take reasonable steps to obtain and verify should refer to *FIT* and the questions in the relevant Form A (Application to perform controlled functions under the approved person regime) in ■ SUP 10A Annex 4 or ■ SUP 10B Annex 4

12.4.5

FCA

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In determining, under ■ SUP 12.4.2 R (2)(c), whether an *appointed representative* or prospective *appointed representative* has any *close links* which would be likely to prevent the *firm's* effective supervision, a *firm* should consider the *guidance to threshold condition 2C or 3B* as applicable in ■ COND 2.3.

Appointment representative who may be appointed by other principals

12.4.5A

FCA

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If a *firm* proposes to appoint an *appointed representative*, but not to prohibit its appointment by any other *principals* (see ■ SUP 12.5.2 G (3)), the *firm* should, in particular:

- (1) require, in the contract, that the *appointed representative* notifies the *firm* about other *principals* (see ■ SUP 12.5.5 R (3)) and

- (2) unless the *appointed representative* is an *introducer appointed representative*:
 - (a) take reasonable steps to check whether the *appointed representative* is already appointed by one or more other *principals* and, if it is, contact those other *principals*; such steps should include asking the *appointed representative* and checking the *Financial Services Register* ;
 - (b) if there are any other *principals*, agree arrangements with the other *principals* (see ■ SUP 12.4.5B R) ; and
 - (c) establish effective systems and controls for ensuring that the *appointed representative* complies with all contractual restrictions imposed, including those relating to multiple *principals* under the *Appointed Representatives Regulations* and under ■ SUP 12.5.6A R (see ■ SUP 12.6.11A R).

Multiple principals

12.4.5B
FCA

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- (1) A *firm* must not appoint a *person* as its *appointed representative* until it has entered into a written agreement (a "multiple principal agreement") with every other *principal* the *person* may have; but this does not apply to the appointment of an *introducer appointed representative* nor does it require an agreement with another *principal* which has appointed a *person* as an *introducer appointed representative*.
- (2) A *firm* must not unreasonably decline to enter into a multiple principal agreement with any *principal* of his *appointed representative* unless the *firm* is relying on a prohibition on the *appointed representative* from representing any other *firms* (or is seeking to impose such a prohibition) as permitted by article 3 of the *Appointed Representative Regulations*.
- (3) A multiple principal agreement must contain all the provisions which are necessary or desirable to:
 - (a) set out the relationship between the *principals* of that *appointed representative*; and
 - (b) protect the interests of *clients*;
 including the matters set out in ■ SUP 12.4.5C.

12.4.5C
FCA

R

Table Multiple principal agreement

Matter	Explanation
1. Scope of appointment	The scope of appointment given by each <i>principal</i> to the appointed representative.
2. Complaints handling	The identity of the <i>principal</i> which will be the point of contact for a complaint from a <i>client</i> (referred to as the "lead-principal" in SUP 12.4.5D G to SUP 12.4.5E G).

Matter	Explanation
	<p>An agreement that each <i>principal</i> will co-operate with each other <i>principal</i> in resolving a complaint from a <i>client</i> in relation to the appointed representative's conduct.</p>
	<p>The arrangements for complaints handling, including arrangements for resolving disputes between the <i>principals</i> in relation to their liability to a <i>client</i> in respect of a complaint and arrangements for dealing with referrals to the <i>Financial Ombudsman Service</i>.</p>
<p>3. <i>Financial promotions</i></p>	<p>The arrangements for <i>approving financial promotion</i>.</p>
<p>4. Control and monitoring</p>	<p>The arrangements for the control and monitoring of the activities of the appointed representative (see in particular SUP 12.6.6 R (Regulated activities and investment services outside the scope of appointment) and SUP 12.6.7 G (Senior management responsibility for appointed representatives)).</p>
<p>5. <i>Approved person status</i></p>	<p>The arrangements for making applications for <i>approved person status</i> (see SUP 10A and SUP 10B (Approved persons)).</p>
<p>6. Training and competence</p>	<p>The arrangements for training and competence (see <i>TC</i>).</p>
<p>7. Co-operation</p>	<p>The arrangements for co-operation over any other issues which may arise from the multiple appointments, including issues which may damage the interests of <i>clients</i> dealing with the appointed representative and administrative issues.</p>
	<p>An agreement by each <i>principal</i> to take reasonable steps to ensure that it does not cause the appointed representative or any of its other <i>principals</i> to be in breach of their obligations to each other or under the <i>regulatory system</i>.</p>
<p>8. Sharing information</p>	<p>The arrangements for sharing information on matters relevant to the matters covered under the multiple principal agreement and each <i>principal's</i> obligations under SUP 12.6 (Continuing obligations of firms with appointed representatives).</p> <p>An agreement that each <i>principal</i> will notify each other <i>principal</i> of any information which is materially relevant to the multiple principal agreement.</p>

12.4.5D
FCA

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One effect of the multiple principal agreement is to introduce a 'lead-principal' concept in relation to complaints handling for the benefit of the *client*. For example, where the *client* has been given advice by an *appointed representative* who has two *principals*, and

the advice could have led to a transaction being arranged with either *principal*, the *client* will know that he may pursue his complaint with (but not necessarily against) one of the *principals*. Whether he later decides to refer his complaint to the *Financial Ombudsman Service*, and if so, against which *principal*, will depend on the circumstances.

12.4.5E
FCA

G

- (1) Under the relevant provisions in *COBS*, *ICOBS* and *MCOB*, the *customer* will receive details of how to complain to the *appointed representative* and, when a product is purchased, details of the complaints procedure for the *product provider, insurer or home finance provider*.
- (2) Under ■ DISP 1.2.1 R, a *firm* must among other things, supply summary details of its internal process for dealing promptly and fairly with *complaints* to the *customer* when it receives a *complaint*. In complying with ■ DISP 1.2.1 R, a *firm* should ensure that the "lead-principal" is clearly identified in the procedures.
- (3) The complaints procedure should also explain that the *customer* has a choice of whether to contact the *appointed representative*, the "lead-principal" or the *product provider, insurer or home finance provider* and that the "lead-principal" will be the appropriate point of contact where the *customer* does not wish to complain about a specific product or is unsure who to contact.
- (4) In other words, where the *customer*, has a doubt who to complain to the "lead-principal" is to be the point of contact for all complaints arising out of the activities of the *appointed representative*.

12.4.5F
FCA

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When considering the provisions for complaints handling (see ■ SUP 12.4.5C(2)) *firms* should consider the use of a mediation clause. If a complaint is made by a *client, principals* which are unable to resolve a dispute about liability to the *client* should consider all quick and effective ways of resolving the dispute, including referring the matter to the *Financial Ombudsman Service* and mediation.

12.4.5G
FCA

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It is for the *principals* to consider in each case whether it would be appropriate to show the multiple principal agreement to their *appointed representative*, or in some circumstances make their *appointed representative* a party to it.

Appointment of an introducer appointed representative

12.4.6
FCA

R

Before a *firm* appoints a *person* as an *introducer appointed representative*, and on a continuing basis, it must take reasonable care to ensure that:

- (1) the *person* is suitable to act for the *firm* in that capacity (having regard, in particular, to other *persons* connected with the *person* who will be, or who are, directly responsible for its activities); and
- (2) the *firm* is ready and organised to comply with the other applicable requirements contained or referred to in this chapter.

12.4.7
FCA **G** In assessing, under ■ SUP 12.4.6 R (1), whether an *introducer appointed representative* or prospective *introducer appointed representative* is otherwise suitable to act for the *firm* in that capacity, the *firm* should determine whether the *introducer appointed representative* and those *persons* who will be, or who are, directly responsible for its activities are of sufficiently good reputation and otherwise fit and proper for that appointment. The *firm* should, as a minimum, verify the identity of a prospective *introducer appointed representative* and relevant *persons* but need not carry out the more extensive due diligence required for the appointment of an *appointed representative* under ■ SUP 12.4.2 R.

12.4.8
FCA **G** If a *firm* has doubts that a prospective *introducer appointed representative* or other *person* is of sufficiently good reputation and otherwise fit and proper, the *FCA* will expect it to resolve those doubts before appointing the prospective *introducer appointed representative*. For example, if a *firm* is aware that a *person's* previous appointment as an *introducer appointed representative* or *representative* was terminated, it should take reasonable steps to find out the reasons for the termination and the extent to which those reasons reflect on the *person* concerned.

Appointed representative carrying on insurance mediation

12.4.8A
FCA **R** Before a *firm* appoints a *person* as an appointed representative to carry on *insurance mediation activity*, it must in relation to *insurance mediation activity* ensure that the *person* will comply on appointment, and will continue to comply with, the provisions of ■ MIPRU 2.3.1 R and ■ MIPRU 2.3.3 R (Knowledge and ability, and good repute) as if the appointed representative were a *firm*.

12.4.8B
FCA **G** In assessing, under ■ SUP 12.4.8A R, whether an appointed representative, or prospective appointed representative, has established the knowledge and ability requirements for *persons* within its management structure and for those directly involved in its *insurance mediation activity*, a *firm* should refer to *TC*.

- 12.4.9**
FCA **G**
- (1) An appointed representative must not commence an *insurance mediation activity* until he is included on the *Financial Services Register* as carrying on such activities (see ■ SUP 12.5.2 G (3)).
 - (2) If an appointed representative's scope of appointment is to include an *insurance mediation activity*, the principal must notify the *FCA* of the appointment before the appointed representative commences that activity (see ■ SUP 12.7.1 R (1)).
 - (3) As an exception, pre-notification is not required if the appointed representative is already included on the *Financial Services Register* as carrying on *insurance mediation activities* in another capacity (for example, as the appointed representative of another *principal*).

- 12.4.10**
FCA **G**
- (1) The *FCA* has the power to decide not to include on the *Financial Services Register* (or to remove from the *Financial Services Register*) an appointed representative whose scope of appointment includes an *insurance mediation activity*, if it appears to the *FCA* that he is not a fit and proper *person* to carry on those activities (article 95 of the *Regulated Activities Order*).
 - (2) If the *FCA* proposes to use the power in (1), it must give the appointed representative a *warning notice*. If the *FCA* decides to proceed with its proposal,

it must give the appointed representative a *decision notice*. The procedures followed by the *FCA* in relation to the giving of *warning notices* and *decision notices* are set out in ■ DEPP 2.

- (3) An appointed representative may apply to the *FCA* for a determination of the kind referred to in (1) to be revoked. If the *FCA* proposes to refuse the application, it must give the appointed representative a *warning notice*, and if the *FCA* decides to proceed with the refusal, it must give the appointed representative a *decision notice*.

Appointment of an FCA registered tied agent

12.4.11
FCA

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If a *UK MiFID investment firm* appoints an *FCA registered tied agent*, ■ SUP 12.4.2 R and ■ SUP 12.4.2A R apply to that firm as though the *FCA registered tied agent* were an *appointed representative*.

[Note: paragraphs 3 and 4 of article 23(3) of *MiFID*]

Tied agents

12.4.12
FCA

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- (1) A *tied agent* that is an *appointed representative* may not start to act as a *tied agent* until it is included on the applicable register (section 39(1A) of the *Act*). If the *tied agent* is established in the *UK*, the register maintained by the *FCA* is the applicable register for these purposes. If the *tied agent* is established in another *EEA State*, it should consult section 39(1B) of the *Act* to determine the applicable register.
- (2) A *UK MiFID investment firm* that appoints an *FCA registered tied agent* who is not registered with the *FCA* will, subject to certain conditions, be taken to have contravened a requirement imposed on it by or under the *Act* (see section 39A(6)(c) and (d) of the *Act*).
- (3) A *UK MiFID investment firm* that appoints an *EEA registered tied agent* will be required to register that agent with the *competent authority* of the *EEA State* in which it is established. This requirement will be imposed by the rules of that *EEA State*.
- (4) If the *tied agent* is not established in the *UK* and is appointed by an *EEA MiFID investment firm*, it cannot commence acting as a *tied agent* until it is included on the public register of *tied agents* in the *EEA State* in which it is established (or in certain cases, of the *Home State* of the *firm*).
- (5) If an *appointed representative's* scope of appointment is to include acting as a *tied agent*, the principal must notify the *FCA* of the appointment before the *appointed representative* starts acting as such (see ■ SUP 12.7.7 R (1A)).
- (6) A *tied agent* can only act as such for one *MiFID investment firm* or *third country investment firm* (see ■ SUP 12.5.6A R (1A)).



12.5 Contracts: required terms

Required contract terms for all appointed representatives

12.5.1

FCA

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The *Appointed Representative Regulations* include, among other things, the prescribed requirements applying to contracts between *firms* and *appointed representatives* for the purposes of section 39(1)(a)(ii) of the *Act*.

12.5.2

FCA

G

- (1) Regulations 3(1) and (2) of the *Appointed Representatives Regulations* make it a requirement that the contract between the *firm* and the *appointed representative* (unless it prohibits the *appointed representative* from representing other counterparties) contains a provision enabling the *firm* to:
 - (a) impose such a prohibition; or
 - (b) impose restrictions as to the other counterparties which the *appointed representative* may represent, or as to the types of *investment* in relation to which the *appointed representative* may represent other counterparties.

- (1A) The requirement described in paragraph (1) does not apply if the *firm* is an *EEA MiFID investment firm*.

- (2) Under the *Appointed Representative Regulations*, an *appointed representative* is treated as representing other counterparties if, broadly, it:
 - (a) makes arrangements (within article 25 of the *Regulated Activities Order*) for *persons* to enter into investment transactions with other counterparties; or
 - (b) *arranges the safeguarding and administration of assets* by other counterparties; or
 - (c) gives advice (within article 53 of the *Regulated Activities Order* (Advising on investments)) on the merits of entering into investment transactions with other counterparties;
 - (d) *assists in the administration and performance of a contract of insurance* (article 39A of the *Regulated Activities Order*);

where an "investment transaction" means a transaction to *buy, sell*, subscribe for or underwrite a *security* or a *relevant investment* (that is, a *designated investment, funeral plan contract, pure protection contract, general insurance contract* or right to or interest in a funeral plan; or

- (e) *arranges:*

- (i) for *persons* to enter (or with a view to *persons* entering) as customers into *home finance transactions* (or as plan providers in the case of a *home reversion plan*) with other counterparties;
 - (ii) for a *person* to vary a *home finance transaction* entered into by a *person* as customer (or as plan provider in the case of a *home reversion plan*) on or after 31 October 2004 (in the case of a *regulated mortgage contract*) or 6 April 2007 (in all other cases) with other counterparties;
- (f) gives advice (within articles 53A, 53B or 53C of the *Regulated Activities Order*) on the merits of:
- (i) *persons* entering as customers into *home finance transactions* (or as plan provider in the case of a *home reversion plan*) with other counterparties;
 - (ii) *persons* varying *home finance transactions* entered into by them as customer (or as plan provider in the case of a *home reversion plan*) on or after 31 October 2004 (in the case of a *regulated mortgage contract*) or 6 April 2007 (in all other cases) with other counterparties ;
- (g) giving *basic advice* on a *stakeholder product* ;
- (h) effects introductions (within article 36A (Credit broking) of the *Regulated Activities Order*) of *individuals* to other counterparties;
- (i) facilitates *persons* becoming the *lender* and *borrower* under an article 36H agreement (within the meaning of the *Regulated Activities Order*) on behalf of other counterparties;
- (j) carries on any of the other activities specified in article 36H(3) of the *Regulated Activities Order* on behalf of other counterparties in the course of, or in connection with, facilitation mentioned in (i) by the *appointed representative* or its principal;
- (k) takes steps (within article 39D (Debt adjusting) of the *Regulated Activities Order*) on behalf of other counterparties;
- (l) gives advice to a *borrower* (within article 39E (Debt-counselling) of the *Regulated Activities Order*) on behalf of other counterparties;
- (m) takes steps (within article 39F (Debt-collecting) of the *Regulated Activities Order*) to procure the payment of debts on behalf of other counterparties;
- (n) performs duties (within article 39G (Debt administration) of the *Regulated Activities Order*) under, or exercises or enforces rights under, an agreement on behalf of other counterparties;
- (o) enters into *regulated credit agreement* or exercises or has the right to exercise the *lender's* rights and duties under such agreements (within article 60B (Regulated credit agreements) of the *Regulated Activities Order*) on behalf of other counterparties;
- (p) enters into *regulated consumer hire agreements* or exercises, or has the right to exercise, the *owner's* rights and duties under such agreements (within article 60N (Regulated consumer hire agreements) of the *Regulated Activities Order*) on behalf of other counterparties;
- (q) takes steps on behalf of, or gives advice to, an *individual* in relation to the taking of any steps (in circumstances constituting the carrying on

of *providing credit information services*) on behalf of other counterparties.

- (3) If the scope of appointment covers, in relation to a *contract of insurance, dealing in investments as agent, arranging, assisting in the administration and performance of a contract of insurance* or *advising on investments*, regulation 3(4) of the *Appointed Representatives Regulations* makes it a requirement that the contract between the *firm* and the appointed representative contains a provision providing that the appointed representative is not permitted or required to carry on such business unless he is included in the *Financial Services Register* as carrying on *insurance mediation activities*.

12.5.2A

FCA

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If a *UK MiFID investment firm* or a *third country investment firm* appoints an *appointed representative* that is a *tied agent*, regulation 3(6) of the *Appointed Representative Regulations* requires the contract between the *firm* and the *appointed representative* to contain a provision that the representative is only permitted to provide the services and carry on the activities referred to in Article 4(1)(25) of *MiFID* while he is entered on the Register.

12.5.3

FCA

G

A *firm* should satisfy itself that the terms of the contract with its *appointed representative* (including an *introducer appointed representative*):

- (1) are designed to enable the *firm* to comply properly with any *limitations* or *requirements* on its own *permission*;
- (2) require the *appointed representative* to cooperate with the *FCA* as described in ■ SUP 2.3.4 G (Information gathering by the *FCA* on its own initiative: cooperation by firms) and give access to its premises, as described in ■ SUP 2.3.5 R (2); and
- (3) require the *appointed representative* to give the *firm's* auditors the same rights as are provided by section 341 of the *Act*, as described in ■ SUP 3.6.6 G. If the scope of appointment covers, in relation to a contract of insurance, dealing in investments as agent, arranging, assisting in the administration and performance of a contract of insurance or advising on investments, regulation 3(4) of the *Appointed Representatives Regulations* makes it a requirement that the contract between the *firm* and the appointed representative contains a provision providing that the appointed representative is not permitted or required to carry on such business unless he is included in the *FCA Register* as carrying on insurance mediation activities.

12.5.4

FCA

G

A *firm* should have the ability to terminate the contract with its *appointed representative* in the circumstances in ■ SUP 12.6.1 R (2). However, such a termination provision should not be automatic (see ■ SUP 12.8.3 R (1)).

12.5.5

FCA

R

A *firm* must ensure that its written contract with each of its *appointed representatives*:

- (1) complies with the requirements prescribed in regulation 3 of the *Appointed Representatives Regulations* (see ■ SUP 12.5.2 G);

- (2) requires the *appointed representative* to comply, and to ensure that any *persons* who provide services to the *appointed representative* under a contract of services or a contract for service comply, with the relevant requirements in or under the *Act* (including the *rules*) that apply to the activities which it carries on as *appointed representative* of the *firm*; and
- (3) (unless the written contract prohibits appointments by other *principals*) requires the *appointed representative* to notify the *firm*:
 - (a) that it is seeking appointment as an *appointed representative* of another *person*, who the *person* is and the business for which the other *person* will accept responsibility;
 - (b) (as soon as possible) of any change in the business notified under (a); and
 - (c) (as soon as possible) of the termination of any such appointment.

12.5.6

FCA

G

- (1) If the *appointed representative* is appointed to give *advice on investments* to *retail clients* concerning *packaged products*, the *firm* should also satisfy itself that the contract requires compliance with the *rules* in ■ COBS 6 (Information about the firm, its services and remuneration).
- (2) The contractual requirements in ■ SUP 12.5.5 R should extend to:
 - (a) the activities of the *appointed representative*, if the appointed representative is an individual; and
 - (b) the activities of the *employees* of, *representatives* and *introducers* appointed by, the *appointed representative*.

Prohibition of multiple principals for certain activities

12.5.6A

FCA

R

- (1) A *firm* must ensure that, if appointing an *appointed representative* (other than an *introducer appointed representative*), to carry on any of the following regulated activities, its written contract prohibits the *appointed representative* from carrying on any of the specified activities as an *appointed representative* for another *firm*:
 - (a) any *designated investment business* for *retail clients*: the prohibition must cover all *designated investment business* for *retail clients*;
 - (b) any *regulated mortgage activities* (other than in relation to *lifetime mortgages*): the prohibition must cover all regulated mortgage activities (other than *lifetime mortgages*);

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- (c) any *regulated mortgage activities* in relation to *lifetime mortgages*: the prohibition must cover all *lifetime mortgages* ;
- (d) any *reversion activities*: the prohibition must cover all *reversion activities*;
- (e) any *home purchase activities*: the prohibition must cover all *home purchase activities*.

(1A) If the *appointed representative* is a *tied agent*, the prohibition must prevent the *appointed representative* acting as a *tied agent* for any other *MiFID investment firm* or *third country investment firm*.

(2) As an exception to (1), if the *firm* is a *long-term insurer* or an *operator* of a *UCITS scheme*, it may permit an *appointed representative* to carry on *designated investment business* as the *appointed representative* of one or more other *firms* provided that:

- (a) each of those other *firms* is a *long-term insurer* or an *operator* of a *UCITS scheme*;
- (b) the first *firm* and each of those other *firms* is a member of the same group; "group" means for this purpose a group of *bodies corporate* all having the same *holding company* including the *holding company*; and
- (c) the scope of each appointment does not overlap, as to both activities and *investments*.

[Note: articles 4(1)(25) and 23(1) of *MiFID*]

12.5.6B

FCA

G

(1) The effect of ■ SUP 12.5.6A R (1)(a) is that, in relation to *designated investment business* with *retail clients*, *appointed representatives* are restricted to one *principal*.

(1A) The effect of ■ SUP 12.5.6A R (1A) is that *tied agents* are restricted to one *principal* when acting as such. A *tied agent* who has a *MiFID investment firm* or a *third country investment firm* as a *principal* may have other *principals* who are not *MiFID investment firms* or *third country investment firms*.

(2) The effect of the *rule* prohibiting multiple *principals* for certain activities is that, in relation to *home finance activities* , *appointed representatives* are restricted to having four *principals*: one for *regulated mortgage contracts* other than *lifetime mortgages*, one for *lifetime mortgages*, one for *home reversion plans* and one for *home purchase plans*..

12

PAGE
23

12.5.6C

FCA

G

As ■ SUP 12.5.6A R does not apply to *non-investment insurance contracts*, there are no restrictions on the number of *principals* an *appointed representative* may have in relation to those contracts.

12.5.7

FCA

R

Required contract terms for an introducer appointed representative

A *firm* must ensure that its written contract with each of its *introducer appointed representatives* limits the scope of the appointment to:

- (1) effecting introductions to the *firm* or other members of the *firm's group*; and
- (2) distributing *non-real time financial promotions* which relate to products or services available from or through the *firm* or other members of the *firm's group*.

12.5.8

FCA

R

Required contract terms for EEA tied agents

If a *UK MiFID investment firm* appoints an *EEA tied agent*,
■ SUP 12.5.6A R (1A) applies to that *firm* as though the *EEA tied agent* were an *appointed representative*.

[Note: articles 4(1)(25) and 23(1) of *MiFID*]

12.5.9

FCA

G

Required contract terms for FCA registered tied agents

Under section 39A(6)(a) of the *Act* a *UK MiFID investment firm* must ensure that the contract it uses to appoint an *FCA registered tied agent* complies with the requirements that would apply under the *Appointed Representative Regulations* if it were appointing an *appointed representative*.



12.6 Continuing obligations of firms with appointed representatives or EEA tied agents

Suitability etc. of appointed representatives

12.6.1

FCA

R

If at any time a *firm* has reasonable grounds to believe that the conditions in ■ SUP 12.4.2 R , ■ SUP 12.4.6 R or ■ SUP 12.4.8A R (as applicable) are not satisfied, or are likely not to be satisfied, in relation to any of its *appointed representatives*, the *firm* must:

- (1) take immediate steps to rectify the matter; or
- (2) terminate its contract with the *appointed representative*.

12.6.1A

FCA

R

A *firm* that is a principal of a *tied agent* that is an *appointed representative* must monitor the activities of that *tied agent* so as to ensure the *firm* complies with obligations imposed under *MiFID* (or equivalent obligations relating to the *equivalent business of a third country investment firm*) when acting through that *tied agent*.

[Note: paragraph 3 of Article 23(2) of *MiFID*]

12.6.2

FCA

G

The *FCA* would normally expect a *firm* to carry out a check on its *appointed representative's* financial position every year (more often, if necessary) and to review critically the information obtained. An appropriately experienced *person* (for example, a financial accountant) should carry out these checks.

12.6.3

FCA

G

Consideration should be given, among other things, to the impact on the *appointed representative's* financial position of any debts owed to, or by, the *appointed representative*. Indicators that an *appointed representative* is experiencing financial problems may include failure to adhere to repayment schedules for any debts, failure to meet any other financial commitments or requests for advances of *commission*.

12.6.4

FCA

G

A *firm* should look into any concerns that may arise at any time about an *appointed representative's* financial standing and take the necessary action. The necessary action may include, for example, increased monitoring or, if appropriate, suspension or termination of the appointment.

Appointed representatives not to hold client money

12.6.5

FCA

R

- (1) A *firm* must not permit an *appointed representative* to hold *client money* unless the *firm* is an *insurance intermediary* acting in accordance with ■ CASS 5.5.18 R to ■ CASS 5.5.23 R (which include provision for periodic segregation and reconciliation).
- (2) The *firm* must take reasonable steps to ensure that if *client money* is received by the *appointed representative*, it is paid into a *client bank account* of the *firm*, or forwarded to the *firm*, in accordance with :
 - (a) ■ CASS 4.3.15 R to ■ CASS 4.3.17 R; or
 - (b) ■ CASS 5.5.18 R to ■ CASS 5.5.21 R unless acting in accordance with ■ CASS 5.5.23 R (Periodic segregation and reconciliation) ; or
 - (c) the *MiFID client money segregation requirements*.

12.6.5A

FCA

G

When complying with the *MiFID client money segregation requirements*, *firms'* attention is drawn to the *guidance* in ■ CASS 7.4.24 G to ■ CASS 7.4.27 G.

Regulated activities and investment services outside the scope of appointment

12.6.6

FCA

R

A *firm* must take reasonable steps to ensure that each of its *appointed representatives*:

- (1) does not carry on *regulated activities* in breach of the *general prohibition* in section 19 of the *Act* or (if the *appointed representative* is a *firm* with a *limited permission*) in breach of section 20(1) or (1A) of the *Act*; and
- (2) carries on the *regulated activities* for which the *firm* has accepted responsibility in a way which is, and is held out as being, clearly distinct from any of the *appointed representative's* other business:
 - (a) which is performed as an *appointed representative* of another *firm* or in accordance with a *limited permission* ; or
 - (b) which:
 - (i) is, or is held out as being, primarily for the purposes of investment or obtaining credit, or obtaining insurance cover; and
 - (ii) is not a *regulated activity*.

12.6.7

FCA

G

Senior management responsibility for appointed representatives

The senior management of a *firm* should be aware that the activities of *appointed representatives* are an integral part of the business that they manage. The responsibility for the control and monitoring of the activities of *appointed representatives* rests with the senior management of the *firm*.

12.6.8

FCA

G

Obligations of firms under the approved persons regime

- (1) Some of the *controlled functions*, as set out in ■ SUP 10A.4.1 R , apply to an *appointed representative* of a *firm*, other than an *introducer appointed representative*, just as they apply to a *firm* (see ■ SUP 10A.1.15 R). These are the *governing functions* and the *customer function* . In the case of an *appointed representative* that also has a *limited permission*, an *FCA required function* may apply to it. As explained in ■ SUP 10A.1.16 R and ■ SUP 10A.3.2 G respectively:
 - (a) the effect of ■ SUP 10A.1.15 R is that the *directors* (or their equivalent) and *senior managers* (or their equivalent) of an *appointed representative*, other than an *introducer appointed representative*, must also be approved under section 59 of the *Act* for the performance of certain *controlled functions*;
 - (b) although the *customer function* applies to an appointed representative, the descriptions of the functions themselves do not extend to *home finance mediation activity*, *insurance mediation activity* or *credit-related regulated activity*;
 - (ba) if an *appointed representative* also has a *limited permission*:
 - (i) the *apportionment and oversight function* applies to it in relation to the carrying on of the *regulated activity* for which it has *limited permission*, unless it is a *not-for-profit debt advice body*;
 - (ii) if it is a *not-for-profit debt advice body* and a *CASS large debt management firm*, the *CASS operational oversight function* applies in relation to the carrying on of *debt management activity*; and
 - (c) sections 59(1) and 59(2) of the *Act* (Approval for particular arrangements) provide that approval is necessary in respect of a *controlled function* which is performed under an *arrangement* entered into by a *firm*, or its contractors (typically an *appointed representative*), in relation to a *regulated activity*.
- (2) The *approved persons* regime applies differently to an appointed representative whose scope of appointment includes *insurance mediation activity* in relation to *non-investment insurance contracts* or *credit-related regulated activity* but no other *regulated activity* and whose principal purpose is to carry on activities other than *regulated activities*. These appointed representatives need only one *person* performing one of the *governing functions*. This means that only one *director* (or equivalent) of these appointed representatives must be approved under section 59 of the *Act* for the performance of the *director function*, the *chief executive function*, the *partner function* or the *director of unincorporated association function*, whichever is the most appropriate (see ■ SUP 10A.1.16 R).

12.6.9

FCA

G

Firms should be aware that, under the *approved persons* regime, the *firm* is responsible for submitting applications to the *FCA* for the approval as an *approved person* of:

- (1) any individual who performs a *controlled function* and who is an *appointed representative*; and

- (2) any *person* who performs a *controlled function* under an *arrangement* entered into by any of the *firm's appointed representatives*.

Applications for approval should be submitted as early as possible since a *person* may not perform a *controlled function* if he has not been approved by the *FCA* (see ■ SUP 10A.13.1 G).

Obligations of firms under the training and competence rules

12.6.10
FCA

G

The *rules* and *guidance* relating to training and competence in ■ SYSC 3 and ■ SYSC 5 and in *TC* for a *firm* carrying on retail business extend to any *employee* of the *firm* in respect of whom the relevant *rules* apply. For these purposes, an *employee* of a *firm* includes:

- (1) an individual who is an *appointed representative* of a *firm*; and
- (2) an individual who is employed or appointed by an *appointed representative* of a *firm* (whether under a contract of service or for services) in connection with the business of the *appointed representative* for which the *firm* has accepted responsibility.

12.6.11
FCA

G

A *firm* should take reasonable care to ensure that:

- (1) it has satisfied ■ SYSC 3 or ■ SYSC 4 to ■ 9 and *TC* in respect of the relevant staff of the *appointed representative*; and
- (2) its *appointed representative* has adequate arrangements in respect of training and competence, which meet the requirements in *SYSC* and *TC*.

Compliance by an appointed representative with the contract

12.6.11A
FCA

R

A *firm* must take reasonable steps to establish and maintain effective systems and controls for ensuring that each of its *appointed representatives* complies with those terms of its contract which are imposed under the requirements contained or referred to in ■ SUP 12.5 (Contracts: required times).

12.6.12

R

[Deleted]

Continuing obligations of firms with tied agents

12.6.13
FCA

R

A *firm* must ensure that its *tied agent* discloses the capacity in which he is acting and the *firm* he is representing when contacting a *client* or potential *client* or before dealing with a *client* or potential *client*.

[Note: paragraph 1 of article 23(2) of *MiFID*]

12.6.14
FCA

R

A *firm* must take adequate measures in order to avoid any negative impact of the activities of its *tied agent* not covered by the scope of *MiFID* (or relating to the *equivalent business of a third country investment firm*) could have on the activities carried out by the *tied agent* on behalf of the *firm*.

[Note: paragraph 1 of article 23(4) of *MiFID*]

Continuing obligations of firms with EEA tied agents

12.6.15

FCA

R

If a *UK MiFID investment firm* appoints an *EEA tied agent*, ■ SUP 12.6.1 R, ■ SUP 12.6.1A R, ■ SUP 12.6.5 R and ■ SUP 12.6.11A R apply to that *firm* as though the *EEA tied agent* were an *appointed representative*.

12.7 Notification requirements

Notification of appointment of an appointed representative

12.7.1

FCA

R

- (1) This *rule* applies to a *firm* which intends to appoint:
 - (a) an *appointed representative* to carry on *insurance mediation activities*; or
 - (b) a *tied agent* .
- (2) This *rule* also applies to a *firm* which has appointed an *appointed representative*.
- (3) A *firm* in (1) must complete and submit the form in ■ SUP 12 Annex 3 R before the appointment.
- (4) A *firm* in (2) must complete and submit the form in ■ SUP 12 Annex 3 R within ten *business days* after the commencement of activities.

12.7.1A

FCA

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- (1) A *firm* other than:
 - (a) a *credit union*; or
 - (b) a *firm* which intends to appoint, or has appointed, an *appointed representative* to carry on only *credit-related regulated activity*;
 must submit the form in ■ SUP 12 Annex 3 R online at <http://www.fca.org.uk> using the *FCA's ONA* system.
- (2) A *credit union* or a *firm* which intends to appoint, or has appointed, an *appointed representative* to carry on only *credit-related regulated activity* must submit the form in ■ SUP 12 Annex 3 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (3) Where a *firm* is obliged to submit an application online under (1), if the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must

submit the form in ■ SUP 12 Annex 3 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

[Note: See ■ SUP 12.7.10 G to ■ SUP 12.7.11 G regarding notification in the event of online failure.]

12.7.2

FCA

G

A firm's notice under ■ SUP 12.7.1 R should give details of the *appointed representative* and the *regulated activities* which the *firm* is, or intends to, carry on through the *appointed representative*, including:

- (1) the name of the *firm's* new *appointed representative* (if the *appointed representative* is a *body corporate*, this is its registered name);
- (2) any trading name under which the *firm's* new *appointed representative* carries on a *regulated activity* in that capacity;
- (3) a description of the *regulated activities* which the *appointed representative* is permitted or required to carry on and for which the *firm* has accepted responsibility;
- (4) any restrictions imposed on the *regulated activities* for which the *firm* has accepted responsibility ; and
- (5) where the appointed representative is not an individual, the name of the individuals who are responsible for the management of the business carried on by the appointed representative so far as it relates to *insurance mediation activity*.

12.7.3

FCA

G

A firm need not notify the FCA of any restrictions imposed on the *regulated activities* for which the *firm* has accepted responsibility (under ■ SUP 12.7.2 G (4)) if the *firm* accepts responsibility for the unrestricted scope of the *regulated activities*.

12.7.3A

FCA

G

Where a notification is linked to an application for approval under section 59 of the Act (Approval for particular arrangements), see ■ SUP 10A.13.7 G.

12.7.4

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- (1) [deleted]
- (2) [deleted]

12.7.5

FCA

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To contact the Individuals, Mutuals and Policy Department:

- (1) telephone on 020 7066 0019 ; fax on 020 7066 1099; or
- (2) write to: Individuals, Mutuals and Policy Department , The Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS; or
- (3) email iva@fca.org.uk.

12.7.6

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[deleted]

12.7.7

FCA

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Notification of changes in information given to the FCA

(1) If:

- (a) (i) the scope of appointment of an appointed representative is extended to cover *insurance mediation activities* for the first time; and
- (ii) the appointed representative is not included on the *Financial Services Register* as carrying on *insurance mediation activities* in another capacity; or
- (b) the scope of appointment of an appointed representative ceases to include *insurance mediation activity*;

the appointed representative's principal must give written notice to the *FCA* of that change before the appointed representative begins to carry on *insurance mediation activities* under the contract (see ■ SUP 12.4) or as soon as the scope of appointment of the appointed representative ceases to include *insurance mediation activities*.

(1A) If:

- (a) (i) the scope of appointment changes such that the *appointed representative* acts as a *tied agent* for the first time; and
- (ii) the *appointed representative* is not included on the *Financial Services Register*; or
- (b) the *appointed representative* ceases to act as a *tied agent*; the *appointed representative's* principal must give written notice to the *FCA* of that change before the *appointed representative* begins to act as a *tied agent* (see ■ SUP 12.4) or as soon as the *appointed representative* ceases to act as a *tied agent*.

(2) Where there is a change in any of the information provided to the *FCA* under ■ SUP 12.7.1 R or ■ SUP 12.7.7 R (1A), a *firm* must complete and submit to the *FCA* the form in ■ SUP 12 Annex 4 R (Appointed representative notification form) within ten *business days* of that change being made or, if later, as soon as the *firm* becomes aware of the change. The Appointed representative notification form must state that the information has changed.

(3) [deleted]

[Note: See ■ SUP 12.7.8A R regarding the method of submission for the form in ■ SUP 12 Annex 4 R.]

Notification of changes in conditions of appointment

12.7.8

FCA

R

- (1) As soon as a *firm* has reasonable grounds to believe that any of the conditions in ■ SUP 12.4.2 R, ■ SUP 12.4.6 R or ■ SUP 12.4.8A R (as applicable) are not satisfied, or are likely not to be satisfied, in relation to any of its *appointed representatives*, it must complete and submit to the FCA the form in ■ SUP 12 Annex 4 R (Appointed representative notification form), in accordance with the instructions on the form.
- (2) In its notification under ■ SUP 12.7.8 R (1), the *firm* must state either:
 - (a) the steps it proposes to take to rectify the matter; or
 - (b) the date of termination of its contract with the *appointed representative* (see ■ SUP 12.8).
- (3) [deleted]

Method of submission of the form in SUP 12 Annex 4R

12.7.8A

FCA

R

- (1) Subject to (2A), a *firm* other than a *credit union* must submit the form as set out in ■ SUP 12 Annex 4 R online at <http://www.fca.org.uk> using the FCA's ONAsystem.
 - (2) A *credit union* must submit the form in ■ SUP 12 Annex 4 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (2A) If the notification:
- (a) relates to an *appointed representative* whose scope of appointment covers only *credit-related regulated activity*; or
 - (b) is of a change to the scope of appointment of an *appointed representative* to add or remove *credit-related regulated activity*;
- the *firm* must submit the form in ■ SUP 12 Annex 4 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (3) Where a *firm* is obliged to submit an application online under (1), if the FCA's information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit the form in ■ SUP 12 Annex 4 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

[Note: See ■ SUP 12.7.10 G to ■ SUP 12.7.11 G regarding notification in the event of online failure.]

Notifications relating to EEA tied agents

12.7.9

FCA

R

If a *UK MiFID investment firm* appoints an *EEA tied agent* this section applies to that *firm* as though the *EEA tied agent* were an *appointed representative*.

Submission in the event of failure of FCA information technology systems

12.7.10

FCA

G

If the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that *firms*, other than *credit unions*, should use the alternative methods of submission set out in ■ SUP 12.7.1AR (3) and ■ SUP 12.7.8AR (3) (as appropriate), and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G, addressing applications for the attention of the Individuals and Mutuels Team.

12.7.11

FCA

G

Where ■ SUP 12.7.1AR (3) or ■ SUP 12.7.8AR (3) apply to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

12.8 Termination of a relationship with an appointed representative or EEA tied agent

Notification of termination or prohibited amendment of the contract

12.8.1

FCA

R

If either the *firm* or the *appointed representative* notifies the other that it proposes to terminate the contract of appointment or to amend it so that it no longer meets the requirements contained or referred to in ■ SUP 12.5 (Contracts: required terms), the *firm* must:

- (1) complete and submit to the *FCA* the form in ■ SUP 12 Annex 5 R (Appointed representative termination form) in accordance with the instructions on the form and no more than ten *business days* after the date of the decision to terminate or so amend the contract or, if later, as soon as it becomes aware that the contract is to be or has been terminated or amended.
- (2) [deleted]
- (3) [deleted]
- (4) [deleted]

12.8.1A

FCA

R

- (1) Subject to (2A), a *firm* other than a *credit union* must submit any notification under ■ SUP 12.8.1 R (1) in the form set out in ■ SUP 12 Annex 5 R, online at www.fca.org.uk using the *FCA's ONA* system.
- (2) A *credit union* must submit any notification under ■ SUP 12.8.1 R (1) in the form set out in ■ SUP 12 Annex 5 R and in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (2A) A *firm* must submit any notification under ■ SUP 12.8.1 R (1) that relates to an *appointed representative* whose scope of appointment covers only *credit-related regulated activity* in the form set out in ■ SUP 12 Annex 5 R and in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- (3) Where a *firm* is obliged to submit a notification online under (1), if the *FCA's* information technology systems fail and online

submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit any notification in the form set out in ■ SUP 12 Annex 5 R and in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

12.8.1B
FCA

G

If the *FCA*'s information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 12.8.1AR(3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.

12.8.1C
FCA

G

Where ■ SUP 12.8.1AR (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

12.8.2
FCA

G

In assessing whether to terminate a relationship with an *appointed representative*, a *firm* should be aware that the *notification rules* in ■ SUP 15 require notification to be made immediately to the *FCA* if certain events occur. Examples include a matter having a serious regulatory impact or involving an *offence* or a breach of any requirement imposed by the *Act* or by regulations or orders made under the *Act* by the Treasury.

Steps to be taken on termination or prohibited amendment of the contract

12.8.3
FCA

R

If a contract with an *appointed representative* is terminated, or if it is amended in a way which gives rise to a requirement to notify under ■ SUP 12.8.1 R, a *firm* must take all reasonable steps to ensure that:

- (1) if the termination is by the *firm*, the *appointed representative* is notified in writing before, or if not possible, immediately on, the termination of the contract and informed that it will no longer be an *exempt person* for the purpose of the *Act* because of the contract with the *firm*;
- (2) outstanding *regulated activities* and obligations to *customers* are properly completed and fulfilled either by itself or another of its *appointed representatives*;
- (3) where appropriate, *clients* are informed of any relevant changes; and
- (4) all the other *principals* of the *appointed representative* of which the *firm* is aware are notified.

Notification of approved persons on termination

12.8.4
FCA

G

The *firm* is responsible for notifying the *FCA* of any *approved person* who no longer performs a *controlled function* under an *arrangement* entered into by a *firm* or its *appointed representative* (see ■ SUP 10.3).

Removal of an appointed representative from the Register

12.8.5

FCA

G

The FCA has the power to remove from the *Financial Services Register* an appointed representative, whose scope of appointment covers *insurance mediation activities* (see ■ SUP 12.4.9 G and ■ SUP 12.4.10 G).

Termination of a UK MiFID investment firm's relationship with an EEA tied agent

12.8.6

FCA

R

If a *UK MiFID investment firm* has appointed an *EEA tied agent* this section applies to that *firm* as though the *EEA tied agent* were an *appointed representative*.

12.9 Record keeping

12.9.1

FCA

R

A *firm* must make the following records on each of its *appointed representatives*:

- (1) the *appointed representative's* name;
- (2) a copy of the original contract with the *appointed representative* and any subsequent amendments to it (including details of any restrictions placed on the activities which the *appointed representative* may carry on);
- (3) the date and reason for terminating or amending its contract with the *appointed representative*, whenever such termination or amendment gives rise to a requirement to notify under
 - SUP 12.8.1 R; and
- (4) any arrangements agreed with other *principals* under
 - SUP 12.4.5B R (Multiple principals).

12.9.2

FCA

R

A *firm* must retain these records for at least three years from the date of termination or the amendment of the contract with the *appointed representative* other than in respect of *tied agents* when the records must be retained for a period of five years.

12.9.3

FCA

G

The *firm* should also satisfy itself that:

- (1) the *appointed representative* is making and retaining records in accordance with the relevant record keeping *rules* in the *Handbook*, if these records are not maintained by the *firm*;
- (2) the *appointed representative* (other than an *introducer appointed representative*) is making and retaining records sufficient to disclose with reasonable accuracy the financial position of the *business* it carries on in its capacity as the *firm's appointed representative*; and
- (3) the *firm* has full access to the *appointed representative's* records under (1) and (2) and any other records relevant to the *regulated activities* that the *appointed representative* carries on in that capacity.

12.9.4

FCA

G

Firms are reminded that they should make and retain records in relation to any *person* who falls within the scope of the *rules* in *TC* or who performs a *controlled function* under an *arrangement* entered into by a *firm* or by an *appointed representative*. See ■ SUP 10 and *TC* for the applicable record keeping *rules*.

Record keeping in relation to EEA tied agents

12.9.5

FCA

R

If a *UK MiFID investment firm* appoints an *EEA tied agent* this section applies to that firm as though the *EEA tied agent* were an appointed representative.

Appointed representative appointment form

FCA

This annex consists of only one or more forms. Forms can be completed online now by visiting: <http://www.fca.org.uk/firms/about-authorisation>

The forms are also to be found through the following address: -

Appointed representative appointment form - SUP 12 Annex 3

Appointed representative notification form

FCA

This annex consists of only one or more forms. Forms can be completed online now by visiting:
<http://www.fca.org.uk/firms/about-authorisation>

The forms are also to be found through the following address:

Appointed representative notification form - SUP 12 Annex 4



13.5 Notices of intention

Specified contents: notice of intention to establish a branch

13.5.1
FCA PRA

R

A UK firm, other than a UK pure reinsurer, or a CRD credit institution wishing to establish a branch in a particular EEA State for the first time under an EEA right other than under the auction regulation must submit a notice of intention in the form set out in ■ SUP 13 Annex 1 R.

(1) [deleted]

(2) [deleted]

13.5.1A
PRA

R

A UK pure reinsurer establishing a branch in a particular EEA state for the first time under the Reinsurance Directive must submit a notice in the form set out in ■ SUP 13 Annex 1 R. Whenever possible, this notification must be made as soon as the information specified in that form is known by the firm.

13.5.1AA
FCA

R

A UK firm establishing a branch in a particular EEA state for the first time under the auction regulation must submit a notice of intention in the form set out in ■ SUP 13 Annex 7R prior to its establishment of that branch or whenever possible thereafter.

13.5.1B
PRA

G

■ SUP 13.5.1 R does not apply to UK pure reinsurers or a UK firm exercising an EEA right under the auction regulation as they have automatic passport rights on the basis of their Home State authorisation under the Reinsurance Directive or the auction regulation. However, the information required by ■ SUP 13.5.1A R and ■ SUP 13.5.1AA R assists the FSA's supervision of a branch in another EEA state.

Specified contents: notice of intention to provide cross border services

13.5.2
FCA PRA

R

A UK firm wishing to provide cross border services into a particular EEA State for the first time under an EEA right other than under the auction regulation must submit a notice in the form set out in:

(1) ■ SUP 13 Annex 2 R if the UK firm is passporting under MiFID; or

(1A) ■ SUP 13 Annex 3 R if the UK firm is passporting under the Insurance Directives; or

13.5.2-A
FCA

R

- (2) ■ SUP 13 Annex 4 R if the *UK firm* is passporting under the *CRD*; or
 - (3) ■ SUP 13 Annex 5 R if the *UK firm* is passporting under the *Insurance Mediation Directive*
 - (4) ■ SUP 13 Annex 6 R, if the *UK firm* is a *management company* passporting under the *UCITS Directive*.
 - (5) ■ SUP 13 Annex 8AR, if the *UK firm* is providing *cross-border services* under *AIFMD* to manage an *AIF* in another *EEA State*.
 - (6) ■ SUP 13 Annex 8BR, if the *UK firm* is providing *cross-border services* under *AIFMD* to market an *AIF* in another *EEA State*.
- (1) A *UK firm* wishing to provide a service into a particular *EEA State* for the first time under the *auction regulation* must inform the *appropriate UK regulator* of the information in (2) by email to emissionstrading@fca.org.uk prior to its provision of that service or whenever possible thereafter.
- (2) The information required by (1) is:
- (a) name of the *firm* and the *firm* reference number;
 - (b) *EEA state* in which the service is or will be provided; and
 - (c) the proposed commencement date of the service or the date on which the service commenced.

13.5.2A
FCA

G

■ SUP 13.5.2 R does not apply to *UK pure reinsurers* or a *UK firm* exercising an *EEA right* under the *auction regulation* as they have automatic passport rights on the basis of their *Home State authorisation* under the *Reinsurance Directive* or the *auction regulation*. However, the information required by ■ SUP 13.5.2-A R assists the *FSA's* supervision of a *UK firm's* provision of a service in another *EEA state* under the *auction regulation*.

Method of submission of notices

13.5.3
FCA PRA

R

- (1) A *UK firm*, other than a *credit union*, must submit any notice under ■ SUP 13.5.1 R (1), ■ SUP 13.5.1A R or ■ SUP 13.5.2 R online at www.fca.org.uk using the *ONASystem*.
 - (a) [deleted]
 - (b) [deleted]
- (2) [deleted]
 - (a) [deleted]
 - (b) [deleted]

- (c) [deleted]
- (d) [deleted]
- (e) [deleted]
- (f) [deleted]

(3) Where a *firm* is obliged to submit a notice in accordance with (1), if the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit that notice in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

(4) [deleted]

13.5.3A

PRA

G

A *credit union* must submit any notice under ■ SUP 13.5.1 R (1), ■ SUP 13.5.1A R or ■ SUP 13.5.2 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

13.5.4

FCA PRA

G

- (1) If the information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate UK regulator* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.
- (2) Where ■ SUP 13.5.3 R (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

13.5.4A

G

[deleted]

Unregulated activities

13.5.5

FCA PRA

G

A *notice of intention* (other than one to establish a branch or provide services in another *EEA state* under the *auction regulation*) may include activities within the scope of the relevant *Single Market Directive* which are not *regulated activities* (paragraphs 19(3) and 20(2) of Part III of Schedule 3 to the *Act*), although in the case of a *MiFID investment firm* a notice of intention may only include *ancillary services* which are to be carried on with one or more *investment services and activities* (paragraphs 19(5B) and 20(2A) of Part III of Schedule 3 to the *Act*). Regulation 19 of the *EEA Passport Rights Regulations* states that where a *UK firm* is able to carry on such an *unregulated activity* in the *EEA State* in question without contravening any law of the *United Kingdom* (or any part of the *United Kingdom*) the *UK firm* is treated, for the purposes of the exercise of its *EEA right*, as being *authorised* to carry on that activity.

Translations

13.5.6

PRA

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- (1) A *UK firm* passporting under the *CRD*, the *Insurance Directives* or the *Reinsurance Directive* may have to submit the *requisite details* or relevant details in the language of the *Host State* as well as in English. For a *UK firm* passporting

under the *Insurance Directives* this translated document will not include the relevant UK details. Further information is available from the PRA authorisations team .

- (2) A UK firm may wish to discuss with the PRA authorisations team the appropriate time for providing the translations in (1), given that further information or clarification of the details provided may be required by the PRA.
- (3) A UK firm passporting under the *Insurance Directives* should keep the EEA and UK relevant details separate as, if the application is approved, only the former will be sent to the *Host State regulator*.

Notifications to more than one EEA State

13.5.7

FCA PRA

G

If a UK firm wishes to establish *branches* in, or provide *cross border services* into, more than one EEA State, a single notification may be provided but the relevant information for each EEA State should be clearly identifiable.



13.8 Changes of details: provision of notices to the appropriate UK regulator

13.8.1

R

FCA PRA

(1) Where a *firm* is required to submit a notice of a change to a *branch* referred to in ■ SUP 13.6.5 G (1), ■ SUP 13.6.5B G (1), ■ SUP 13.6.7 G (1), ■ SUP 13.6.8 G , ■ SUP 13.6.9B R ■ SUP 13.6.10 G (1) and ■ SUP 13.6.9C G or a notice of a change to *cross border services* referred to in ■ SUP 13.7.3 G (1) , ■ SUP 13.7.3A G (1), ■ SUP 13.7.5 G (1) ■ SUP 13.7.6 G, ■ SUP 13.7.13B G and ■ SUP 13.7.14 G it must complete and submit that notice in accordance with the procedures set out in ■ SUP 13.5 for notifying the establishing of a *branch* or the provision of *cross border services*.

(a) [deleted]

(b) [deleted]

(2) [deleted]

(a) [deleted]

(b) [deleted]

(c) [deleted]

(d) [deleted]

(e) [deleted]

(f) [deleted]

(3) [deleted]

(4) [deleted]

13.8.1A

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FCA PRA

The effect of ■ SUP 13.8.1 R (1) is that a *firm* should submit any form, notice or application under ■ SUP 13.8.1 R (1) in the following ways:

(1) A UK *firm*, other than a *credit union*, should submit it online at www.fca.org.uk using the ONA system.

(2) If the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are

restored, a *firm* should submit it in the way set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification). ■ GEN 1.3.2 R (Emergency) does not apply in these circumstances.

(3) If the information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate UK regulator* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission should be used.

(4) [deleted]

13.8.1B

PRA

G

A *credit union* should submit any form, notice or application under ■ SUP 13.8.1 R (1) in the way set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

13.8.2

FCA PRA

G

UK firms passporting under the *CRD* or the *Insurance Directives* may be required to submit the change to details notice in the language of the *Host State* as well as in English.



13A.6 Which rules will an incoming EEA firm be subject to?

13A.6.1
FCA PRA

G

- (1) ■ SUP 13A Annex 1 G summarises how the *Handbook* applies to *incoming EEA firms*.
- (2) ■ SUP 13A Annex 2 G summarises the matters that are reserved to a *firm's Home State regulator*.

13A.6.2
FCA PRA

G

An *incoming EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that has received authorisation under article 18 of the *auction regulation* and only provides services in the *United Kingdom*) or *incoming Treaty firm* carrying on business in the *United Kingdom* must comply with the *applicable provisions* (see ■ SUP 13A.4.4 G, ■ SUP 13A.4.6 G, and ■ SUP 13A.5.4 G) and other relevant *UK legislation*. For example where the business includes:

- (1) business covered by the Consumer Credit Act 1974, then an *incoming EEA firm* or *incoming Treaty firm* must comply with the provisions of that Act; or
- (2) effecting or carrying out contracts covering motor vehicle third party liability risks as part of direct *insurance business*, then an *incoming EEA firm* or *incoming Treaty firm* is required to become a member of the Motor Insurers' Bureau.

13A.6.3
FCA PRA

G

In particular, an *EEA firm* (other than an *EEA pure reinsurer*) or *Treaty firm* must comply with the *applicable provisions* in ■ SUP 10 (Approved persons). An *EEA firm* or *Treaty firm* should also refer to ■ SUP 10.1 (Application) which sets out the territorial provisions of the *approved persons* regime.

13A.6.4
FCA PRA

G

Under the *EEA Passport Rights Regulations*, references in section 60 of the *Act* (applications for approval for persons to perform controlled functions) to "the authorised person concerned" include :

- (1) an *EEA MiFID investment firm* whose *Home State regulator* has given a consent notice under paragraph 13 of Schedule 3 to the *Act* (see ■ SUP 13A.4.1G (1) and ■ SUP 13A.4.2 G) or a regulator's notice under paragraph 14 of that Schedule (see ■ SUP 13A.5.3G (1)), and which will be the *authorised person* concerned if the *EEA firm* qualifies for *authorisation* under that Schedule; and
- (2) any other *EEA firm* with respect to which the *appropriate UK regulator* has received a consent notice or regulator's notice under paragraph 13 of Schedule 3 to the *Act* (see ■ SUP 13A.4.1G (1) and ■ SUP 13A.4.2 G) or a regulator's notice under paragraph 14 of that Schedule (see ■ SUP 13A.5.3G (1)), and which will be

the *authorised person* concerned if the *EEA firm* qualifies for *authorisation* under that Schedule.

13A.6.5
FCA PRA

G

■ SUP 13A Annex 1 G does not apply to *incoming ECA providers* acting as such.

Application of the Handbook to Incoming EEA Firms

FCA **PRA**

1. The table below summarises the application of the *Handbook* to an *incoming EEA firm*. Where the table indicates that a particular module of the *Handbook* may apply, its application in relation to any particular activity is dependent on the detailed application provisions in that module. The table does not apply to *incoming ECA providers*. These should refer to COBS 1 Annex 1 Part 3 section 7 for *guidance* on how *COBS* applies to them. The table does not apply to *EEA pure reinsurers* or to an *EEA firm* in relation to its exercise of an *EEA right* under the *auction regulation* to provide services in the *United Kingdom*.

2. In some cases, the application of the *Handbook* depends on whether responsibility for a matter is reserved under an *EU* instrument to the *incoming EEA firm's Home State regulator*. *Guidance* on the reservation of responsibility is contained in SUP 13A Annex 2 G (Matters reserved to a Home State regulator). *Guidance* on the territorial application of *MiFID* is contained in PERG 13.6 and PERG 13.7 and SUP 13A Annex 2 G.

3. For an *incoming EEA firm* which has *permission* for *cross-border services* only, many parts of the *Handbook* apply only if the *firm* carries on *regulated activities* in the *United Kingdom*. Those parts of the *Handbook* will therefore not apply if the *firm* confines its activities to those within the *overseas persons* exclusions in article 72 of the *Regulated Activities Order*, or which would not be regarded as carried on in the *United Kingdom*. Further *guidance* may be found in PERG 2.4 (Link between activities and the *United Kingdom*) and PERG 2.9.15 G to PERG 2.9.17 G (*Overseas persons*).

4. An *EEA firm* that exercises an *EEA right* under the *auction regulation* to establish a branch in the *United Kingdom* to provide *auction regulation bidding* is subject to a limited set of requirements in the *Handbook* that apply to that activity. These are the *rules* listed in paragraph 2.6A of SYSC 1 Annex 1, GEN 4 and SUP (in particular, the *money laundering reporting function* in SUP 10A and requirements to notify the *FCA*). Aside from this note, the table does not apply to those firms.

5. An *EEA firm* that exercises an *EEA right* under *MiFID* to carry on *MiFID business bidding* is subject to the *applicable provisions* relating to its carrying on of *MiFID business*.

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
PRIN	<p>The <i>Principles</i> apply only in so far as responsibility for the matter in question is not reserved by an <i>EU</i> instrument to the <i>firm's Home State regulator</i> (PRIN 3.1.1 R (1)).</p> <p>For an <i>incoming EEA firm</i> which is a <i>CRD credit institution</i> without</p>	<p>The <i>Principles</i> do not apply if the <i>firm</i> has <i>permission</i> only for <i>cross-border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i> (PRIN 3.1.1 R (2)).</p> <p>The <i>Principles</i> have limited application for activities which are not carried on from a <i>UK</i> establishment (see PRIN 3.1.1 R).</p>

SYSC

a *top-up permission*, Principle 4 applies only in relation to the liquidity of a branch established in the *United Kingdom* (PRIN 3.1.1 R (2)).

Otherwise, see column (2).

SYSC 1 and SYSC 1 Annex 1 (Application of SYSC 2 and SYSC 3) contain application provisions only. SYSC 2 and SYSC 3 apply only to an *insurer*, a *managing agent* and the *Society* as set out in SYSC 1 Annex 1.1.1R, which include the following exceptions:

SYSC 2 and SYSC 3 do not apply if the *firm* has *permission* only for *cross-border services* and does not carry on *regulated activities* in the *United Kingdom* (SYSC 1 Annex 1.1.1 R). SYSC 2 and SYSC 3 have limited application for activities which are not carried on from a *UK* establishment (see SYSC 1 Annex 1.1.1 R (2A)).

(1) SYSC 2.1.1 R (1) and SYSC 2.1.2 G do not apply; Otherwise, see column (2).

(2) SYSC 2.1.3 R to SYSC 2.2.3 G apply, but only in relation to allocation of the function in SYSC 2.1.3 R (2) and only in so far as responsibility for the matter in question is not reserved by an *EU* instrument to the *firm's Home State regulator*; and

The *common platform requirements* in SYSC 4 - SYSC 10 apply as set out in SYSC 1 Annex 1.2.2R.

SYSC 11 - SYSC 17 do not apply.

SYSC 18 applies.

(3) SYSC 3 applies, but only in so far as responsibility for the matter in question is not reserved by an *EU* instrument to the *firm's Home State regulator*.

SYSC 19A does not apply.

SYSC 1 Annex 1, Part 1, 1.8 R(Where?) further restricts the territorial application of SYSC 1 to SYSC 3 for an *incoming EEA firm*. Further *guidance* is contained in SYSC 2.1.6 G, Question 12. SYSC 18 applies to the extent that the Public Interest Disclosure Act 1998 applies to the *firm*.

The *common platform requirements* in SYSC 4 - 10 apply as set out in Part 2 of SYSC 1 Annex 1 (Application of the common platform requirement).

SYSC 1 Annex 1 row 2.6F provides that the *common platform requirements* do not apply to an *incoming EEA AIFM branch*, except the *AIFMD Host State requirements* and certain requirements regarding *financial crime*.

SYSC 1 Annex 1.2.7G reminds *EEA MiFID investment firms* that they must comply with the *common platform record-keeping requirements* in relation to a *branch* in the *United Kingdom*.

SYSC 1 Annex 1, Part 2, 2.7AG provides guidance on the application of the *common platform requirements* to the *UK branch* of an *EEA UCITS management company*.

SYSC 9 applies to activities carried on from an establishment in the *United Kingdom*, unless another applicable *rule* which is relevant to the activity has a wider territorial scope, in which case the *common platform record-keeping requirements* apply with that wider scope in relation to the activity described in that *rule* (SYSC 1 Annex 1.2.17R).

SYSC 12 does not apply (SYSC 12.1.3 R).

SYSC 13 does not apply (SYSC 13.1.1 G).

SYSC 14 does not apply (SYSC 14.1.1 R).

SYSC 15 does not apply (SYSC 15.1.1 G).

SYSC 16 does not apply (SYSC 16.1.1 G).

SYSC 17 does not apply (SYSC 17.1.1 G).

SYSC 18 applies.

SYSC 19A and 19B do not apply .

COND

COND does not apply if the *firm* As column (2). does not have, or apply for, a *top-up permission*.

Otherwise, the threshold conditions apply in a limited way

(1) in the case of a *top-up permission* under Part 4A of the *Act* (that

is, a *permission* to carry on *regulated activities* in addition to those permitted through its *authorisation* under Schedule 3 to the *Act* (EEA Passport Rights)); and

(2) the exercise of the *FCA's* powers under sections 55J and 55L of the *Act* in relation to the *top-up permission*. (COND 1.2.4 G)

APER *APER* applies to *approved persons* (*APER 1.1.1 G*). See below under *SUP 10* as to whether *controlled functions* are performed, and approval therefore required. Not relevant because *SUP 10* does not apply.

FIT *FIT* applies to a *firm* wishing to establish a *branch* in the *United Kingdom* or to apply for a *top-up permission* in respect of any application that it makes for the approval of a *person* to perform a *controlled function* (*FIT 1.1*). See under *SUP 10* below as to whether such approval is required. Does not apply.

FIT applies in a limited way in relation to an incoming *MiFID investment firm* (see *FIT 1.2.4A G*).

GEN *GEN* applies (*GEN 1.1*, *GEN 2.1*, *GEN 4.1*, *GEN 5.1* and *GEN 6.1*). However, (a) *GEN 4* does not apply to the extent that the *firm* is subject to equivalent *rules* imposed by its *Home State* (*GEN 4.1.1 R (3)*), and (b) *GEN 6* only applies to business that can be regulated under sections 137A and 137G of the *Act* (The *FCA's* General rules) and (The *PRA's* General rules), respectively. It does not therefore apply if, or to the extent that, responsibility has been reserved to an *incoming firm's Home State regulator* by an *EU instrument*. Only *GEN 4.5* applies in relation to *MiFID or equivalent third country business* (see *GEN 4.1.1 R*). *GEN 4* does not apply if the *firm* has *permission* only for *cross-border services* and does not carry on *regulated activities* in the *United Kingdom* (see *GEN 4.1.1 R*).

Otherwise, as column (2).

FEES Applies to the extent a *firm* is required to pay a fee in regards to carrying out any *regulated activity* in the *UK*, normally this would be the case when the *firm* holds a *top-up permission* As column (2)

<p><i>GENPRU</i></p>	<p>Does not apply.</p>	<p>Does not apply if the <i>firm</i> has <i>permission</i> only for <i>cross border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i>.</p>
<p><i>BIPRU</i></p>	<p><i>EEA firms</i> that are <i>CAD investment firms</i> are subject to the prudential standards of their home state regulator (<i>BIPRU 1.1.7 R</i>). However, <i>BIPRU 12</i> applies to an <i>EEA firm</i> that is an <i>IFPRU investment firm</i> or <i>BIPRU firm</i> as respects the activities of its <i>UK branch</i>, but in relation to <i>liquidity risk</i> only.</p>	<p>Does not apply if the has only for and does not carry on in the .</p>
<p><i>IFPRU</i></p>	<p><i>EEA firms</i> that are <i>investment firms</i> (as defined in the <i>EU CRR</i>) are subject to the <i>EU CRR</i> as implemented by their home state regulator (<i>IFPRU 1.1.5 R</i>).</p>	<p>Does not apply if the <i>firm</i> has <i>permission</i> only for <i>cross border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i>.</p>
<p><i>MIPRU</i></p>	<p><i>MIPRU 1</i> (Application and general provisions) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p><i>MIPRU 2</i> (Responsibility for insurance mediation activity) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p><i>MIPRU 3</i> (Requirement to hold professional indemnity insurance) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p><i>MIPRU 4</i> (Requirement to hold capital resources) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p>See <i>MIPRU 4.1.2 G</i> for more detailed guidance.</p> <p><i>MIPRU 5</i> (Insurance undertakings and mortgage lenders using insurance or mortgage mediation services) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p>	<p>As column (2)</p>
<p><i>INSPRU</i></p>	<p><i>INSPRU</i> does not apply unless the <i>firm</i> is an <i>insurer</i> to which <i>INSPRU 1.5.33R</i> applies.</p>	
<p><i>IPRU(FSOC)</i></p>	<p>Does not apply because an <i>incoming EEA firm</i> cannot be a <i>friendly society</i> (<i>IPRU(FSOC) 1.1</i>).</p>	<p>Does not apply because an <i>incoming EEA firm</i> cannot be a <i>friendly society</i> (<i>IPRU(FSOC) 1.1</i>).</p>

<i>IPRU(INV)</i>	<p><i>IPRU(INV)</i> does not apply unless the <i>firm</i>:</p> <p>(1) has a <i>top-up permission</i>;</p> <p>(2) is an <i>authorised professional firm, investment management firm, members' adviser, personal investment firm, securities and futures firm, service company or underwriting agent</i>; and</p> <p>(3) is not a <i>lead regulated firm</i>, a <i>media firm</i> or a <i>BIPRU investment firm</i>.</p> <p>(<i>IPRU(INV)</i> 1.1.1R and 1.2R)</p>	As column (2).
<i>COBS</i>	<p><i>Guidance</i> on the territorial application of <i>COBS</i> is contained in <i>COBS 1 Annex 1 Part 3</i>.</p>	<p><i>Guidance</i> on the territorial application of <i>COBS</i> is contained in <i>COBS 1 Annex 1 Part 3</i>.</p>
<i>ICOBS</i>	<p><i>ICOBS</i> applies except to the extent necessary to be compatible with European law. <i>Guidance</i> on the territorial application of <i>ICOBS</i> is contained in <i>ICOBS 1 Annex 1 G Part 4</i>.</p>	<p><i>ICOBS 8.4</i> applies except to the extent necessary to be compatible with European law. Other chapters of <i>ICOBS</i> do not apply, except to the extent necessary to be compatible with European law. <i>Guidance</i> on the territorial application of <i>ICOBS</i> is contained in <i>ICOBS 1 Annex 1 G Part 4</i>.</p>
<i>MCOB</i>	<p>Applies where the activity is carried on with or for a <i>customer</i> resident in the <i>United Kingdom</i> or another <i>EEA State</i> at the time that the activity is carried on, but see the territorial scope in <i>MCOB 3.3</i> (Application: where?).</p>	<p>Applies where the activity is carried on with or for a <i>customer</i> resident in the <i>United Kingdom</i> at the time that the activity is carried on but see <i>MCOB 1.3.4 R</i> (Distance contracts entered into from an establishment in another EEA State) and <i>MCOB 3.3</i> (Application: where?).</p>
<i>CASS</i>	<p><i>CASS</i> does not apply with respect to the <i>firm's passported activities</i> unless the <i>firm</i> is an <i>insurer</i> (<i>CASS 1.2.3 R (2)</i>).</p>	As column (2).
<i>MAR</i>	<p>MAR 1 (Code of market conduct)</p> <p>Applies if the <i>firm</i> is seeking <i>guidance</i> as to whether or not <i>behaviour</i> amounts to <i>market abuse</i> (<i>MAR 1.1.1 G</i>).</p> <p>MAR 2 (Price stabilising rules)</p> <p>Applies if the <i>firm</i> undertakes <i>stabilising action</i> and wishes to show that it has acted in conformity with <i>price stabilising rules</i>, or that its <i>behaviour</i> conforms with <i>rules</i> in</p>	<p>MAR 1 (Code of market conduct)</p> <p>As column (2).</p> <p>MAR 2 (Price stabilising rules)</p> <p>Only applies in so far as the <i>firm</i> undertakes <i>stabilising action</i> and wishes to rely on a defence that it has acted in conformity with <i>price stabilising rules</i>, or that its <i>behaviour</i></p>

	accordance with section 118A(5)(a) of the <i>Act</i> (Market abuse) (MAR 2.1 Application).	conforms with <i>rules</i> in accordance with section 118A(5)(a) of the <i>Act</i> (Market abuse) (MAR 2.1 and in particular MAR 2.1.3 R).
	[deleted]	[deleted]
	MAR 4 (Endorsement of the Take-over Code)	MAR 4 (Endorsement of the Take-over Code)
	Applies to <i>firms</i> whose <i>permission</i> includes, or ought to include, any <i>designated investment business</i> , except as set out in MAR 4.4.1 R.	Does not apply (MAR 4.4.1 R (4)(b)).
	MAR 5 (Multilateral Trading Facilities)	MAR 5 (Multilateral Trading Facilities)
	Does not apply (MAR 5.1.1 R).	Does not apply (MAR 5.1.1 R).
	MAR 8 (Benchmarks)	MAR 8 (Benchmarks)
	Applies only to <i>firms</i> whose <i>top-up permission</i> includes <i>providing information in relation to a regulated benchmark</i> .	As column (2)
TC	TC applies, but only in so far as responsibility for any matter it covers is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i> .	TC Appendix 1 sets out the activities to which TC applies. TC Appendix 2 sets out the source-book's territorial scope. TC Appendix 3 sets out the limitations on TC App 2.
SUP	SUP 1A (The FCA's approach to supervision)	SUP 1A (The FCA's approach to supervision)
	Applies, but contains only <i>guidance</i> .	As column (2).
	SUP 2 (Information gathering by the [FCA & PRA] on its own initiative)	SUP 2 (Information gathering by the [FCA & PRA] on its own initiative).
	The application of this chapter is the same as for <i>Principle 11</i> (see under <i>PRIN</i> above).	As column (2)
	SUP 3 (Auditors)	SUP 3 (Auditors)
	Applies to the <i>firm</i> (and its auditor) only if the <i>firm</i> has a <i>top-up permission</i> .	As column (2)
	SUP 4 (Actuaries)	SUP 4 (Actuaries)
	Does not apply.	Does not apply.

SUP 5 (Skilled persons)	SUP 5 (Skilled persons)
Applies only if the <i>firm</i> is required by the <i>FCA</i> or <i>PRA</i> to provide a report under section 166 of the <i>Act</i> (Reports by skilled persons).	As column (2).
SUP 6 (Applications to vary and cancel Part 4A permission)	SUP 6 (Applications to vary and cancel Part 4A permission)
Applies only if the <i>firm</i> has a <i>top-up permission</i>	As column (2).
SUP 7 (Individual requirements)	SUP 7 (Individual requirements)
Applies only if the <i>firm</i> has a <i>top-up permission</i> . It contains only <i>guidance</i> on the exercise of the <i>FCA's</i> powers under sections 55J and 55L of the <i>Act</i> . The <i>FCA</i> has similar, but more limited, powers of intervention under Part 13 of the <i>Act</i> in relation to the <i>permission</i> of the <i>firm</i> under Schedule 3 to the <i>Act</i> (see EG 8).	As column (2).
SUP 8 (Waiver and modification of rules)	SUP 8 (Waiver and modification of rules)
Applies only if the <i>firm</i> wishes to apply for, or consent to, or has been given, a <i>waiver</i> of the <i>appropriate regulator's</i> rules (SUP 8.1.1 R).	As column (2).
SUP 9 (Individual guidance)	SUP 9 (Individual guidance)
Applies only if the <i>firm</i> wishes to obtain individual <i>guidance</i> from the <i>FCA</i> or if the <i>FCA</i> gives the <i>firm</i> individual <i>guidance</i> on its own initiative (SUP 9.1.1 G).	As column (2).
SUP 10A (Approved persons)	SUP 10A (Approved persons)
Applies, but the applicable <i>controlled functions</i> are limited. See SUP 10A.1 (Application) for more detailed <i>guidance</i> .	Does not apply (SUP 10A.1.6 R).
SUP 10B (Approved Persons)	SUP 10B (Approved Persons)
Does not apply	As column (2)
SUP 11 (Controllers and close links)	SUP 11 (Controllers and close links)
Does not apply (SUP 11.1.1 R (2)).	Does not apply (SUP 11.1.1 R (2)).

<p>SUP 12 (Appointed representatives)</p>	<p>SUP 12 (Appointed representatives)</p>
<p>Applies only if the <i>firm</i> has <i>permission</i> to carry on <i>designated investment business, insurance mediation activity or mortgage mediation activity</i> and wishes to appoint, or has appointed, an <i>appointed representative</i> (SUP 12.1.1 R (1)).</p>	<p>As column (2).</p>
<p>SUP 13 (Exercise of passport rights by UK firms)</p>	<p>SUP 13 (Exercise of passport rights by UK firms)</p>
<p>Does not apply.</p>	<p>Does not apply.</p>
<p>SUP 13A (Qualifying for authorisation under the Act)</p>	<p>SUP 13A (Qualifying for authorisation under the Act)</p>
<p>SUP 13A applies to the <i>firm</i> if it:</p>	<p>As column (2).</p>
<p>(1) is considering carrying on activities in the <i>United Kingdom</i> which may fall within the scope of the <i>Act</i> and is seeking <i>guidance</i> on whether it needs a <i>top-up permission</i>; or</p>	
<p>(2) is, or is considering, applying to the <i>appropriate regulator</i> to carry on <i>regulated activities</i> in the <i>United Kingdom</i> under a <i>top-up permission</i>; or</p>	
<p>(3) is, or is considering, establishing a <i>branch</i> or providing <i>cross-border services</i> into the <i>United Kingdom</i> using <i>EEA rights</i>.</p>	
<p>SUP 14 (Incoming EEA Firms: Changing detail and cancelling qualifications for authorisation)</p>	<p>SUP 14 (Incoming EEA Firms: Changing detail and cancelling qualifications for authorisation)</p>
<p>Applies.</p>	<p>Applies.</p>
<p>SUP 15 (Notifications to the FCA or PRA)</p>	<p>SUP 15 (Notifications to the FCA or PRA)</p>
<p>Applies in full if the <i>firm</i> has a <i>top-up permission</i>. Otherwise, the application is modified as set out in SUP 15 Annex 1 R.</p>	<p>Does not apply if the <i>firm</i> has <i>permission</i> only for <i>cross border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i> (SUP 15 Annex 1 R).</p>
	<p>Otherwise, as column (2).</p>

SUP 16 (Reporting requirements) SUP 16 (Reporting requirements)

Parts of this chapter may apply if the *firm* has a *top-up permission* or if the *firm* is: Parts of this chapter may apply if the *firm* has a *top-up permission* or if the *firm* is:

- | | |
|--|---|
| <ul style="list-style-type: none"> (a) a <i>bank</i>; or (c) an <i>OPS firm</i>; or (e) an <i>insurer</i> with <i>permission</i> to effect or carry out <i>life policies</i>; or (f) a <i>firm</i> with <i>permission</i> to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme; or (g) a <i>firm</i> with <i>permission</i> to advise on investments, arrange (bring about) deals in investments, make arrangements with a view to transactions in investments, or arrange safeguarding and administration of assets. | <ul style="list-style-type: none"> (b) an <i>OPS firm</i>; or (d) an <i>insurer</i> with <i>permission</i> to effect or carry out <i>life policies</i>; or (e) a <i>firm</i> with <i>permission</i> to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme; or (f) a <i>firm</i> with <i>permission</i> to advise on investments, arrange (bring about) deals in investments, make arrangements with a view to transactions in investments, or arrange safeguarding and administration of assets. |
|--|---|

(SUP 16.1)

(SUP 16.1)

SUP 17 (Transaction reporting) SUP 17 (Transaction reporting)

<p>Applies to <i>UK</i> branches of <i>incoming EEA firms</i> which are <i>MiFID investment firms</i> in respect of reportable <i>transactions</i> executed in the course of services provided, whether within in the <i>United Kingdom</i> and outside. (SUP 17.1.2 G and SUP 17.1.3A G)</p>	<p>Applies as appropriate to <i>incoming EEA firms</i> which are <i>MiFID investment firms</i> in respect of reportable <i>transactions</i>. (SUP 17.1.1 R and SUP 17.1.4 R).</p>
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SUP 18 (Transfers of business) SUP 18 (Transfers of business)

<p>SUP 18.4 does not apply. SUP 18.1, SUP 18.2 and SUP 18.3 may be relevant if the <i>firm</i> proposes to transfer the whole or part of its business by an <i>insurance business transfer scheme</i> or to accept such a transfer or proposes to accept certain transfers of <i>insurance business</i> taking place outside the <i>United Kingdom</i>.</p>	<p>As column (2).</p>
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SUP App 2 (Insurers: Scheme of operations) SUP App 2 (Insurers: Scheme of operations)

<p>Does not apply (SUP App 2.1.1 R).</p>	<p>Does not apply (SUP App 2.1.1 R).</p>
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<p><i>DEPP</i></p>	<p><i>DEPP</i> applies and contains a description of the <i>FCA's</i> procedures for taking statutory notice decisions, the <i>FCA's</i> policy on the imposition and amount of penalties and the conduct of interviews to which a direction under section 169(7) of the <i>Act</i> has been given or the <i>FCA</i> is considering giving.</p>	<p><i>DEPP</i> applies and contains a description of the <i>FCA's</i> procedures for taking statutory notice decisions, the <i>FCA's</i> policy on the imposition and amount of penalties and the conduct of interviews to which a direction under section 169(7) of the <i>Act</i> has been given or the <i>FCA</i> is considering giving.</p>
<p><i>DISP</i></p>	<p>Generally applies (DISP 1.1.1 G) but in a limited way in relation to <i>MiFID business</i> .</p> <p>For an <i>incoming EEA AIFM branch</i> <i>DISP</i> applies (subject to some limitations, see DISP 1.1.3 R), except for an <i>incoming EEA AIFM branch</i> of a <i>closed-ended corporate AIF</i>, when <i>DISP</i> does not apply.</p>	<p>Generally does not apply (DISP 1.1.1 G).</p> <p>However, for an <i>incoming EEA firm</i> which is a <i>UCITS management company</i> managing a <i>UCITS scheme</i> or an <i>AIFM</i> managing an <i>authorised AIF</i>, <i>DISP</i> applies (subject to some limitations, see DISP 1.1.3 R).</p>
<p><i>COMP</i></p>	<p>Applies, except in relation to the <i>passport activities</i> of a <i>MiFID investment firm</i>, a <i>CRD credit institution</i> (other than an electronic money institution within the meaning of article 1(3)(a) of the <i>E-Money Directive</i> that has the right to benefit from the mutual recognition arrangements under the <i>CRD</i>), an <i>IMD insurance intermediary</i> . a <i>UCITS management company</i> carrying on non-core services under article 6.3 of the <i>UCITS Directive</i> and an <i>incoming AIFM branch</i> carrying on either <i>AIFM management functions</i> for an <i>unauthorised AIF</i> or non-core services under article 6.4 of <i>AIFMD</i> (see the definition of "<i>participant firm</i>"). However, a <i>firm</i> specified above may be able to apply for <i>top-up cover</i> in relation to its <i>passport activities</i> (see COMP 14 (Participation by EEA Firms)).</p>	<p>Does not apply in relation to the <i>passport activities</i> of an <i>MiFID investment firm</i>, a <i>CRD credit institution</i>, an <i>IMD insurance intermediary</i> or a <i>UCITS management company</i> carrying on non-core services under article 6.3 of the <i>UCITS Directive</i> or an <i>incoming EEA AIFM</i> regarding <i>AIFM management functions</i> carried on for an <i>unauthorised AIF</i> or non-core services under article 6.4. Otherwise, <i>COMP</i> may apply, but the coverage of the <i>compensation scheme</i> is limited for non-UK activities (see COMP 5).</p>
<p><i>COLL</i></p>	<p>A. The following provisions of <i>COLL</i> apply to an <i>EEA UCITS management company</i> providing <i>collective portfolio management services</i> for a <i>UCITS scheme</i>:</p> <p>(a) COLL 6.6A.2 R (Duties of AFMs of UCITS schemes and EEA UCITS schemes to act in the best interests of the scheme and its unitholders);</p>	<p>For an <i>EEA UCITS management company</i> providing <i>collective portfolio management services</i> for a <i>UCITS scheme</i>, as column (2)A.(d), (e), (f) and (g) and the other parts of <i>COLL</i> specified.</p> <p>For an <i>incoming EEA AIFM</i>, as column (2) B.</p>

- (b) COLL 6.6A.4 R (Due diligence requirements of AFMs of UCITS schemes and EEA UCITS schemes);
- (c) COLL 6.6A.5 R (Compliance with the regulatory requirements applicable to the conduct of business activities of a UCITS management company);
- (d) COLL 12.3.4 R (Provision of documentation to the FSA: EEA UCITS management companies);
- (e) the *fund application rules* (see COLL 12.3.5 R (COLL fund rules under the management company passport: the fund application rules));
- (f) COLL 12.3.6 R (Requirement to make information available to the public or the FSA);
- (g) COLL 12.3.7 G (EEA UCITS management companies: compliance with FSA rules); and
- (h) COLL 12.3.8 G (EEA UCITS management companies: conduct of business rules).

An *EEA UCITS management company* providing *collective portfolio management* services for a *UCITS scheme* should be aware that it will be expected to comply with the above *rules* in relation to all aspects of the functioning of the relevant *UCITS scheme* where, for example, the *firm*:

- (a) [deleted]
- (b) wishes to apply for an *authorisation order* to establish an *AUT*, *ACS* or *ICVC* as a *UCITS scheme*; or
- (ba) is the *management company* of a *UCITS scheme* that wishes to exercise an *EEA right* to market its *units* in another *EEA State*; or

	(c) is the <i>operator</i> of a <i>recognised scheme</i> .	
	B. Subject to FUND 1.1.2 R, <i>COLL</i> applies to an <i>incoming EEA AIFM</i> as relevant.	
FUND	FUND 3.8 (Prime brokerage firms) applies to an <i>incoming EEA AIFM branch</i> .	Does not apply, except FUND 10 (Operating on a cross border basis) which provides guidance for an <i>EEA AIFM</i> managing an <i>AIF</i> on a services basis or <i>marketing</i> an <i>AIF</i> using the <i>marketing</i> passport under <i>AIFMD</i> .
	FUND 10 (Operating on a cross-border basis), provides guidance for an <i>incoming EEA AIFM branch</i> .	
CREDS	Does not apply.	Does not apply.
PROF	<i>PROF</i> applies only if the <i>firm</i> is an <i>authorised professional firm</i> .	As column (2).
REC	Does not apply.	Does not apply.
CONC	<i>CONC</i> applies except to the extent necessary to be compatible with European law.	As column (2)
[FCA]		
	Provisions on the territorial application of <i>CONC</i> are contained in CONC 1.2.5 R and CONC 1.2.6 R	
LR	<i>LR</i> (Listing Rules)	<i>LR</i> (Listing Rules)
	May apply if the <i>firm</i> is applying for <i>listing</i> in the <i>United Kingdom</i> , is a <i>listed issuer</i> in the <i>United Kingdom</i> , is a <i>sponsor</i> or is applying for approval as a <i>sponsor</i> .	As column (2).
PR	<i>PR</i> (Prospectus Rules)	<i>PR</i> (Prospectus Rules)
	May apply if the <i>firm</i> makes an <i>offer of transferable securities to the public</i> in the <i>United Kingdom</i> or is seeking the <i>admission to trading of transferable securities</i> on a <i>regulated market</i> situated or operating in the <i>United Kingdom</i> .	As column (2).
DTR	<i>DTR</i> (Disclosure Rules and Transparency Rules)	<i>DTR</i> (Disclosure Rules and Transparency Rules)
	May apply if the <i>firm</i> is an <i>issuer</i> , any class of whose <i>financial instruments</i> have been <i>admitted to trading</i> on a <i>regulated market</i> , or are the subject of an application for <i>admission to trading</i> on a <i>regulated market</i> , other than <i>issuers</i> who have not requested or approved admission of their <i>financial instru-</i>	As column (2).

ments to trading on a regulated market.

EG EG describes the FCA's approach to exercising the main enforcement powers given to it by FSMA and by regulation 12 of the *Unfair Terms Regulations*. EG is a Regulatory Guide and as such does not form part of the Handbook. EG (Enforcement Guide) As column (2).

CONRED Applies to a firm which made a personal recommendation in relation to an Arch cru fund, after which a consumer made an investment in the Arch cru fund, and to which the suitability requirements (specified at paragraph 5.1R of the instructions in CONRED 2 Annex 13) applied (CONRED 2.1.1R). Does not apply

Notes to Annex 1

Note 1: The following modules or chapters are relevant to firms in both the *PRA Handbook* and the *FCA Handbook*: PRIN, SYSC, APER, FIT, GEN, FEES, GENPRU, BIPRU, MIPRU, IPRU(INV), SUP 2 to 6, 8, 11, 13 to 16, 18 & Appendix 2 and COMP.

Note 2: The following modules or chapters are relevant in the *FCA Handbook* only: COND, INSPRU, COBS, ICOBS, MCOB, CASS, MAR, TC, SUP 1A, 7, 9, 10A, 12 & 17, DEPP, DISP, COLL, FUND, PROF, LR, PR, DTR and EG.

with *operating a dormant account fund* on a continuous and satisfactory basis;

- (2) any significant failure in the *firm's* systems or controls, including those reported to the *firm* by the *firm's* auditor;
- (3) any action which a *firm* proposes to take which would result in a material change in its capital adequacy or solvency, including, but not limited to:
 - (a) any action which would result in a material change in the *firm's* financial resources or financial resources requirement; or
 - (b) a material change resulting from the payment of a special or unusual dividend or the repayment of *share* capital or a subordinated loan; or
 - (c) for *firms* which are subject to the *rules* on consolidated financial supervision, any proposal under which another *group company* may be considering such an action; or
 - (d) significant trading or non-trading losses (whether recognised or unrecognised).

15.3.9

FCA PRA

G

The period of notice given to the *appropriate regulator* will depend on the event, although the *appropriate regulator* expects a *firm* to discuss relevant matters with it at an early stage, before making any internal or external commitments.

15.3.10

FCA PRA

G

A notification under *Principle 11* may be given orally or in writing (as set out in ■ SUP 15.7.1 R and ■ SUP 15.7.2 G), although the *appropriate regulator* may request written confirmation of a matter. However, it is the responsibility of a *firm* to ensure that matters are properly and clearly communicated to the *appropriate regulator*. A *firm* should provide a written notification if a matter either is complex or may be such as to make it necessary for the *appropriate regulator* to take action. A *firm* should also have regard to *Principle 11* and the *guidance* in ■ SUP 15.7.2 G in respect of providing important information promptly.

Breaches of rules and other requirements in or under the Act or the CCA

15.3.11

FCA PRA

R

- (1) A *firm* must notify the *appropriate regulator* of:
 - (a) a significant breach of a *rule* (which includes a *Principle*) or *Statement of Principle*; or
 - (aa) a significant breach of any requirement imposed by the CCA or by regulations or an order made under the CCA (except if the breach is an *offence*, in which case (c) applies), but any notification under (aa) is required to be made only to the FCA; or
 - (b) a breach of any requirement imposed by the *Act* or by regulations or an order made under the *Act* by the Treasury (except if the breach is an *offence*, in which case (c) applies);
 - (c) the bringing of a prosecution for, or a conviction of, any *offence* under the *Act* or the CCA;

- (d) a breach of a directly applicable provision in the *MiFID Regulation*; or
- (dA) a breach of a directly applicable provision in *the EU CRR* or any directly applicable regulations made under *CRD* or *the EU CRR*; or
- (e) a breach of any requirement in regulation 4C(3) (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007; or
- (ea) a breach of a directly applicable provision in the *auction regulation*; or
- (f) it exceeding (or becoming aware that it will exceed) the limit in ■ BIPRU 10.5.6 R; or
- (g) a breach of the *AIFMD UK regulation*; or
- (h) a breach of any directly applicable EU regulation made under *AIFMD*;

by (or as regards (c) against) the *firm* or any of its *directors, officers, employees, approved persons, or appointed representatives* or, where applicable, *tied agents*.

- (2) A *firm* must make the notification in (1) immediately it becomes aware, or has information which reasonably suggests, that any of the matters in (1) has occurred, may have occurred or may occur in the foreseeable future.

15.3.11A
FCA PRA

G

■ SUP 15.3.11 R (1)(e) relates to the standard requirement in the *permission* of those *firms* which fall outside *MiFID* because of the Treasury's implementation of Article 3 of *MiFID*. *Guidance* on how the Treasury has exercised the Article 3 exemption for the *United Kingdom* is given in Q48 and the following questions and answers in ■ PERG 13.5 (Exemptions from MiFID).

15.3.12
FCA PRA

G

In ■ SUP 15.3.11 R(1)(a) or (1)(aa), significance should be determined having regard to potential financial losses to *customers* or to the *firm*, frequency of the breach, implications for the *firm's* systems and controls and if there were delays in identifying or rectifying the breach.

15.3.13
FCA PRA

G

In assessing whether an event that may occur in the foreseeable future should be notified to the *appropriate regulator*, a *firm* should consider the *guidance* in ■ SUP 15.3.3 G.

15.3.14
FCA PRA

G

A notification under ■ SUP 15.3.11 R should include:

- (1) information about any circumstances relevant to the breach or *offence*;
- (2) identification of the *rule* or requirement or *offence*; and

- (3) information about any steps which a *firm* or other *person* has taken or intends to take to rectify or remedy the breach or prevent any future potential occurrence.

Civil, criminal or disciplinary proceedings against a firm

15.3.15

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately if:

- (1) civil proceedings are brought against the *firm* and the amount of the claim is significant in relation to the *firm's* financial resources or its reputation; or
- (2) any action is brought against the *firm* under section 71 of the *Act* (Actions for damages) or section 150 (Actions for damages); or
- (3) disciplinary measures or sanctions have been imposed on the *firm* by any statutory or regulatory authority, professional organisation or trade body (other than the *appropriate regulator*) or the *firm* becomes aware that one of those bodies has started an investigation into its affairs; or
- (4) the *firm* is prosecuted for, or convicted of, any *offence* involving fraud or dishonesty, or any penalties are imposed on it for tax evasion; or
- (5) it is an *OPS firm*, which is a trustee, and is removed as trustee by a court order.

15.3.16

FCA PRA

G

A notification under ■ SUP 15.3.15 R should include details of the matter and an estimate of the likely financial consequences, if any.

Fraud, errors and other irregularities

15.3.17

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately if one of the following events arises and the event is significant:

- (1) it becomes aware that an *employee* may have committed a fraud against one of its *customers*; or
- (2) it becomes aware that a *person*, whether or not employed by it, may have committed a fraud against it; or
- (3) it considers that any *person*, whether or not employed by it, is acting with intent to commit a fraud against it; or
- (4) it identifies irregularities in its accounting or other records, whether or not there is evidence of fraud; or
- (5) it suspects that one of its *employees* may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the *firm's regulated activities* or *ancillary activities*.

15.3.18
FCA PRA

G

In determining whether a matter is significant, a *firm* should have regard to:

- (1) the size of any monetary loss or potential monetary loss to itself or its *customers* (either in terms of a single incident or group of similar or related incidents);
- (2) the risk of reputational loss to the *firm*; and
- (3) whether the incident or a pattern of incidents reflects weaknesses in the *firm's internal controls*.

15.3.19
FCA PRA

G

The notifications under ■ SUP 15.3.17 R are required as the *appropriate regulator* needs to be aware of the types of fraudulent and irregular activity which are being attempted or undertaken, and to act, if necessary, to prevent effects on *consumers* or other *firms*. A notification under ■ SUP 15.7.3 G should provide all relevant and significant details of the incident or suspected incident of which the *firm* is aware.

15.3.20
FCA PRA

G

In addition, the *firm* may have suffered significant financial losses as a result of the incident, or may suffer reputational loss, and the *appropriate regulator* will wish to consider this and whether the incident suggests weaknesses in the *firm's internal controls*.

Insolvency, bankruptcy and winding up

15.3.21
FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately of any of the following events:

- (1) the calling of a meeting to consider a resolution for winding up the *firm*; or
- (2) an application to dissolve the *firm* or to strike it off the Register of Companies; or
- (3) the presentation of a petition for the winding up of the *firm*; or
- (4) the making of, or any proposals for the making of, a composition or arrangement with any one or more of its creditors; or
- (5) an application for the appointment of an administrator or trustee in bankruptcy to the *firm*; or
- (6) the appointment of a receiver to the *firm* (whether an administrative receiver or a receiver appointed over particular property); or
- (7) an application for an interim order against the *firm* under section 252 of the Insolvency Act 1986 (or, in Northern Ireland, section 227 of the Insolvency (Northern Ireland) Order 1989); or

-
- (2) within 30 calendar days, apply to the *FCA* for a variation of its *permission* to become a *full-scope UK AIFM*.

[Note: article 3(3) second and third paragraphs of *AIFMD*]



15.4 Notified persons

15.4.1 **R**
FCA PRA

- (1) An *overseas firm*, which is not an *incoming firm*, must notify the *appropriate regulator* within 30 *business days* of any *person* taking up or ceasing to hold the following positions:
 - (a) the *firm's* worldwide chief executive (that is, the *person* who, alone or jointly with one or more others, is responsible under the immediate authority of the *directors* for the whole of its business) if the *person* is based outside the *United Kingdom*;
 - (b) the *person* within the *overseas firm* with a purely strategic responsibility for *UK* operations (see ■ SUP 10.7.4 G);
 - (c) for a *bank*: the two or more *persons* who effectively direct its business in accordance with ■ SYSC 4.2.2 R ;
 - (d) for an *insurer*: the *authorised UK representative*.

- (2) The notification in (1) must be submitted in the form set out in Form F (■ SUP 15 Ann 2 R). However, if the *person* is an *approved person*, notification giving details of his name, the *approved person's* individual reference number and the position to which the notification relates, is sufficient.

15.4.2 **G**
FCA PRA

■ SUP 15.4.1 R is not made under the powers conferred on the *appropriate regulator* by Part V of the *Act* (Performance of Regulated Activities). A *person* notified to the *appropriate regulator* under ■ SUP 15.4.1 R is not subject to the *Statements of Principle* or *Code of Practice for Approved Persons*, unless he is also an *approved person*.

15.4.3 **R**
FCA PRA

- (1) A *firm* other than a *credit union* must submit the form in ■ SUP 15 Ann 2 R online _ using the *appropriate regulator's* ONAsystem.

- (2) A *credit union* must submit the form in ■ SUP 15 Ann 2 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

(3) Where a *firm* is obliged to submit an application online under (1), if the *appropriate regulator's* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit the form in ■ SUP 15 Ann 2 R, in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

15.4.3A

FCA PRA

G

(1) If the *appropriate regulator's* information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate regulator* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 15.4.3R(3) and ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification) should be used.

(2) Where ■ SUP 15.4.3R (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

15.4.4

FCA PRA

G

If adverse information is revealed about a *person* notified to the *appropriate regulator* under ■ SUP 15.4.1 R, the *appropriate regulator* may exercise its *own-initiative power* against the *firm* (see ■ SUP 7 (Individual requirements)).



15.5 Core information requirements

Change in name

15.5.1

FCA PRA

R

A *firm* must give the *appropriate regulator* reasonable advance notice of a change in:

- (1) the *firm's* name (which is the registered name if the *firm* is a *body corporate*);
- (2) any business name under which the *firm* carries on a *regulated activity* or *ancillary activity* either from an establishment in the *United Kingdom* or with or for clients in the *United Kingdom*.

15.5.2

FCA PRA

G

A notification under ■ SUP 15.5.1 R should include the details of the proposed new name and the date on which the *firm* intends to implement the change of name.

15.5.3

FCA PRA

G

Firms are reminded that certain name changes (for example, to include 'Limited') may also require a notification under . ■ SUP 5.5.1 R

Change in address

15.5.4

FCA PRA

R

A *firm* must give the *appropriate regulator* reasonable advance notice of a change in any of the following addresses, and give details of the new address and the date of the change:

- (1) the *firm's* principal place of business in the *United Kingdom*;
- (2) in the case of an *overseas firm*, its registered office (or head office) address.

Change in telephone numbers

15.5.5

FCA PRA

R

A *firm* must give the *appropriate regulator* reasonable advance notice of a change in any of the following telephone numbers, and give details of the new telephone number and the date of the change:

- (1) the number of the *firm's* principal place of business in the *United Kingdom*;

(2) in the case of an *overseas firm*, the number of its head office.

15.5.6

FCA PRA

G

■ SUP 15.5.4 R and ■ SUP 15.5.5 R mean that a *firm* should notify the *appropriate regulator* of a change in telephone number even if the address of the office is not changing.

Other regulators

15.5.7

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately if it becomes subject to or ceases to be subject to the supervision of any *overseas regulator* (including a *Home State regulator*).

15.5.8

FCA PRA

G

The *appropriate regulator's* approach to the supervision of a *firm* is influenced by the regulatory regime and any legislative or foreign provisions to which that *firm*, including its branches, is subject.

Submitting notifications to the appropriate regulator

15.5.9

FCA PRA

R

(1) A *firm* other than:

- (a) a *credit union*; or
- (b) an *FCA-authorized person* with *permission* to carry on only *credit-related regulated activity*;

must submit any notice under ■ SUP 15.5.1R, ■ SUP 15.5.4R and ■ SUP 15.5.5 R by submitting the form in ■ SUP 15 Ann 3R online at the *appropriate regulator's* website.

(2) A *credit union* or an *FCA-authorized person* with *permission* to carry on only *credit-related regulated activity* (other than a *firm* with only an *interim permission* to which the modifications to ■ SUP 15 in ■ CONC 12 apply) must submit any notice under ■ SUP 15.5.1R, ■ SUP 15.5.4R, ■ SUP 15.5.5 R and ■ SUP 15.5.7R by submitting the form in ■ SUP 15 Ann 3R in the way set out in ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification).

(3) Where a *firm* is obliged to submit a notice online under (1), if the *appropriate regulator's* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit any notice under ■ SUP 15.5.1R, ■ SUP 15.5.4R and ■ SUP 15.5.5 R in the form in ■ SUP 15 Ann 3R and in the way set out in ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification).

(4) A *firm* must submit any notice required under ■ SUP 15.5.7 R by submitting the form in ■ SUP 15 Ann 4 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

15.5.10

FCA PRA

G

(1) If the *appropriate regulator's* information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate regulator* will endeavour to publish a notice on its website confirming that online submission

is unavailable and that the alternative methods of submission set out in ■ SUP 15.5.9R(3) and ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification) should be used.

- (2) Where ■ SUP 15.5.9 R (2) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.



15.6 Inaccurate, false or misleading information

15.6.1

FCA PRA

R

A *firm* must take reasonable steps to ensure that all information it gives to the *appropriate regulator* in accordance with a *rule* in any part of the *Handbook* (including *Principle 11*) is:

- (1) factually accurate or, in the case of estimates and judgments, fairly and properly based after appropriate enquiries have been made by the *firm*; and
- (2) complete, in that it should include anything of which the *appropriate regulator* would reasonably expect notice.

15.6.2

FCA PRA

G

■ SUP 15.6.1 R applies also in relation to *rules* outside this chapter, and even if they are not *notification rules*. Examples of *rules* and chapters to which ■ SUP 15.6.1 R is relevant, are:

- (1) *Principle 11*, and the guidance on *Principle 11* in ■ SUP 2 (Information gathering by the FCA and PRA on their own initiative);
- (2) ■ SUP 15 (Notifications to the *appropriate regulator*);
- (3) ■ SUP 16 (Reporting requirements);
- (4) ■ SUP 17 (Transaction reporting);
- (5) any *notification rule* (see Schedule 2 which contains a consolidated summary of such *rules*);
- (6) ■ DISP 1.9 (Complaints record rule); and
- (7) ■ DISP 1.10 (Complaints reporting rule).

15.6.3

FCA PRA

G

If a *firm* is unable to obtain the information required in ■ SUP 15.6.1 R(2), then it should inform the *appropriate regulator* that the scope of the information provided is, or may be, limited.

15.6.4

FCA PRA

R

If a *firm* becomes aware, or has information that reasonably suggests that it has or may have provided the *appropriate regulator* with information which was or may have been false, misleading, incomplete or inaccurate,

or has or may have changed in a material particular, it must notify the *appropriate regulator* immediately. Subject to ■ SUP 15.6.5 R, the notification must include:

- (1) details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;
- (2) an explanation why such information was or may have been provided; and
- (3) the correct information.

15.6.5

FCA PRA

R

If the information in ■ SUP 15.6.4 R (3) cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as possible afterwards.

15.6.6

FCA PRA

G

The *appropriate regulator* may request the *firm* to provide revised documentation containing the correct information, if appropriate.

15.6.7

FCA PRA

G

Firms are reminded that section 398 of the *Act* (Misleading the FCA or PRA: residual cases) makes it an *offence* for a *firm* knowingly or recklessly to provide the *appropriate regulator* with information which is false or misleading in a material particular in purported compliance with the *appropriate regulator's rules* or any other requirement imposed by or under the *Act*. An offence by a *body corporate, partnership* or unincorporated association may be attributed to an *officer* or certain other *persons* (section 400 of the *Act* (Offences by bodies corporate etc)).



15.7 Form and method of notification

Form of notification: oral or written

15.7.1

R

FCA PRA

A notification required from a *firm* under any *notification rule* must be given in writing, and in English, and must be submitted on the form specified for that *notification rule*, or if no form is specified, on the form in ■ SUP 15 Ann 4 R (Notification form), and must give the *firm's* Firm Reference Number unless:

- (1) the *notification rule* states otherwise; or
- (2) the notification is provided solely in compliance with *Principle 11* (see ■ SUP 15.3.7 G).

15.7.2

G

FCA PRA

A *firm* should have regard to the urgency and significance of a matter and, if appropriate, should also notify its usual supervisory contact at the *appropriate regulator* by telephone or by other prompt means of communication, before submitting a written notification. Oral notifications should be given directly to the *firm's* usual supervisory contact at the *appropriate regulator*. An oral notification left with another person or left on a voicemail or other automatic messaging service is unlikely to have been given appropriately.

15.7.3

G

FCA PRA

The *appropriate regulator* is entitled to rely on any information it receives from a *firm* and to consider any notification received as being made by a *person* authorised by the *firm* to do so. A *firm* should therefore consider whether it needs to put procedures in place to ensure that only appropriate *employees* make notifications to the *appropriate regulator* on its behalf.

Method of notification

15.7.4

R

FCA PRA

Unless stated in the *notification rule*, or on the relevant form (if specified), a written notification required from a *firm* under any *notification rule* must be:

- (1) given to or addressed for the attention of the *firm's* usual supervisory contact at the *appropriate regulator*; and
- (2) delivered to the *appropriate regulator* by one of the methods in ■ SUP 15.7.5A R or ■ SUP 15.7.5B R as applicable:

15.7.5 **R** Table

[deleted]

15.7.5A **R** Methods of notification

FCA

Method of delivery

1. **Post to the appropriate address in SUP 15.7.6A G**
2. **Leaving the notification at the appropriate address in SUP 15.7.6A G and obtaining a time-stamped receipt**
3. **Electronic mail to an address for the *firm's* usual supervisory contact at the *FCA* and obtaining an electronic confirmation of receipt**
4. **Hand delivery to the *firm's* usual supervisory contact at the *FCA***
5. **Fax to a fax number for the *firm's* usual supervisory contact at the *FCA* and receiving a successful transmission report for all pages of the notification**
6. **Online submission via the *FCA's* website at www.fca.org.uk .**

15.7.5B **R** Methods of notification

PRA

Method of delivery

1. **Post to the appropriate address in SUP 15.7.6B G**
2. **Leaving the notification at the appropriate address in SUP 15.7.6B G and obtaining a time-stamped receipt**
3. **Electronic mail to an address for the *firm's* usual supervisory contact at the *PRA* and obtaining an electronic confirmation of receipt**
4. **Hand delivery to the *firm's* usual supervisory contact at the *PRA***
5. **Fax to a fax number for the *firm's* usual supervisory contact at the *PRA* and receiving a successful transmission report for all pages of the notification**
6. **Online submission via the *PRA's* website at www.bankofengland.co.uk/pr/.**

15.7.6 **G** [deleted]

15.7.6A **G** The current published address of the *FCA* for postal submission or hand delivery of notifications is:

FCA

- (1) if the *firm's* usual supervisory contact at the *FCA* is based in London, or

(2) The Financial Conduct Authority
Quayside House 127
Fountainbridge
Edinburgh EH3 8DJ

if the *firm's* usual supervisory contact at the *FCA* is based in Edinburgh.

15.7.6B PRA G The current published address of the *PRA* for postal submission or hand delivery of notifications is:

15.7.7 FCA PRA G If the *firm* or its *group* is subject to lead supervision arrangements by the *appropriate regulator*, the *firm* or *group* may give or address a notice under ■ SUP 15.7.4 R(1) to the supervisory contact at the *appropriate regulator*, designated as lead supervisor, if the *firm* has chosen to make use of the lead supervisor as a central point of contact (see ■ SUP 1.5).

15.7.8 FCA PRA G If a *firm* is a member of a *group* which includes more than one *firm*, any one *undertaking* in the *group* may notify the *appropriate regulator* on behalf of all *firms* in the *group* to which the notification applies. In this way, that *undertaking* may satisfy the obligation of all relevant *firms* in the *group* to notify the *appropriate regulator*. Nevertheless, the obligation to make the notification remains the responsibility of the individual *firm* itself. See also ■ SUP 15.7.3 G.

15.7.9 FCA PRA G *Firms* wishing to communicate with the *appropriate regulator* by electronic mail or fax should obtain the appropriate address or number from the *appropriate regulator*.

Timely notification

15.7.10 FCA PRA R If a *notification rule* requires notification within a specified period:

- (1) the *firm* must give the notification so as to be received by the *appropriate regulator* no later than the end of that period; and
- (2) if the end of that period falls on a *day* which is not a *business day*, the notification must be given so as to be received by the *appropriate regulator* no later than the first *business day* after the end of that period.

15.7.11 FCA PRA G If a *notification rule* does not require notification within a specified period, the *firm* should act reasonably in deciding when to notify.

Underwriting agents: notification to the Society of Lloyd's

15.7.12 R (1) [deleted]
(2) [deleted]

15.7.13 G [deleted]

15.7.14
FCA PRA

G

The *appropriate regulator* has made arrangements with the *Society of Lloyd's* with respect to the monitoring of *underwriting agents*. *Underwriting agents* should check whether these arrangements provide for any notifications required under this chapter to be sent to the *Society* instead of to the *appropriate regulator*. [For further details see the *appropriate regulator's* website.]

15.7.15
FCA PRA

G

Consequences of breach of form and method rules

If a *firm* fails to comply with the *rules* in this section then the notification is invalid and there may be a breach of the *rule* that required the notification to be given.

15.7.16
FCA PRA

G

Service of Notices Regulations

The Financial Services and Markets Act 2000 (Service of Notices) Regulations 2001 (SI 2001/1420) contain provisions relating to the service of documents on the *appropriate regulator*. They do not apply to notifications required under *notification rules* because of the specific *rules* in this section.



15.8 Notification in respect of particular products and services

Management of occupational pension scheme assets

15.8.1
FCA

R

A *firm* which manages the assets of an *occupational pension scheme* must notify the *FCA* as soon as reasonably practicable if it receives any request or instruction from a trustee which it:

- (1) knows; or
- (2) on substantial grounds:
 - (a) suspects; or
 - (b) has cause reasonably to suspect;

is at material variance with the trustee's duties.

Individual Pension Accounts

15.8.2
FCA

R

If a *firm* begins or ceases to administer *individual pension accounts*, it must notify the *FCA* as soon as reasonably practicable that it has done so.

Insurers' commission clawback

15.8.3
FCA

R

- (1) An *insurer* must notify the *FCA* in respect of any *firm* (the "intermediary") as soon as reasonably practicable if:
 - (a) any amount of *commission* due from the intermediary to the *insurer* in accordance with an indemnity commission clawback arrangement remains outstanding for four *months* after the date when the *insurer* gave notice to the intermediary that the relevant *premium* had not been paid; or
 - (b) any amount of *commission* due from the intermediary to the *insurer* as a result of either the cancellation of an investment agreement or overpayment of *commission* remains outstanding for four *months* after the date on which the *insurer* gave notice to the intermediary that cancellation or overpayment had occurred.

- (2) A notification in (1):

- (a) need not be given unless the total amounts outstanding under (1)(a) and (b) in respect of the intermediary exceed £1,000; and
 - (b) must give the identity of the intermediary and the amount of *commission* which remains outstanding.
- (3) In (1) an "indemnity commission clawback arrangement" is an arrangement under which:
- (a) an insurer pays *commission* to an intermediary before the date on which the *premium* is due under the relevant *investment agreement*; and
 - (b) the *insurer* requires repayment of the *commission*, if the *investment agreement* is terminated by reason of a failure to pay a premium.

Money service business and trust or company service providers

15.8.4
FCA

G

- (1) In accordance with article 31 of the *Money Laundering Regulations*, with effect from 15 December 2007 , a *firm* is required to notify the *FCA*:
 - (a) before it begins or within 28 days of it beginning ; and
 - (b) immediately after it ceases;
 to operate a money service business or a trust or company service provider.
- (2) The notification referred to in (1) should be made in accordance with the requirements in ■ SUP 15.7 (Form and method of notification)

15.8.5
FCA

G

A *firm* which is already operating a money service business or a trust or company service provider as at 15 December 2007 is required by the *Money Laundering Regulations* to notify the *FCA* of that fact and should do so in the manner specified in ■ SUP 15.8.4 G(2) before 15 January 2008 .

Delegation by UK UCITS management companies

15.8.6
FCA

R

If a *UK UCITS management company* intends to delegate to a third party any one or more of its functions for the more efficient conduct of its business, it must first inform the *FCA* in an appropriate manner.

[Note: article 13(1)(a) of the *UCITS Directive*]

15.8.7
FCA

G

A *UK UCITS management company* which delegates any of its functions to a third party must, as well as complying with ■ SUP 15.8.6 R, comply with the requirements in ■ SYSC 8.1.13 R (Additional requirements for a management company) and ■ COLL 6.6.15 A R.

CTF providers

15.8.8

FCA

R

- (1) If a *firm* begins or ceases to hold itself out as acting as a *CTF provider*, it must notify the *FCA* as soon as reasonably practicable that it has done so.
- (2) A *firm* that acts as a *CTF provider* must provide the *FCA*, as soon as reasonably practicable, with details of:
 - (a) any third party administrator that it engages;
 - (b) details of whether it intends to offer *HMRC allocated CTFs* ;
and
 - (c) whether it intends to provide its own *stakeholder CTF* account.

15.8.9

FCA

PRA

R

A *BIPRU firm* must report to the *appropriate regulator* immediately any case in which its counterparty in a *repurchase agreement* or *reverse repurchase agreement* or *securities or commodities lending or borrowing transaction* defaults on its obligations.



15.9 Notifications by members of financial conglomerates

15.9.1

FCA PRA

R

A *firm* that is a *regulated entity* must notify the *appropriate regulator* immediately it becomes aware that any *consolidation group* of which it is a member:

- (1) is a *financial conglomerate*; or
- (2) has ceased to be a *financial conglomerate*.

15.9.2

FCA PRA

R

- (1) A *firm* that is a *regulated entity* must establish whether or not any *consolidation group* of which it is a member:

- (a) is a *financial conglomerate*; or
- (b) has ceased to be a *financial conglomerate*;

if:

- (c) the *firm* believes; or
- (d) a reasonable *firm* that is complying with the requirements of the *regulatory system* would believe;

that it is likely that (a) or (b) is true.

- (2) A *firm* does not need to determine whether (1)(a) is the case if the *consolidation group* is already being regulated as a *financial conglomerate*.

- (3) A *firm* does not need to determine whether (1)(b) is the case if notification has already been given as contemplated by

■ SUP 15.9.4 R.

15.9.3

FCA PRA

G

A *firm* should consider the requirements in ■ SUP 15.9.2 R on a continuing basis, and in particular, when the *group* prepares its financial statements and on the occurrence of an event affecting the consolidated *group*. Such events include, but are not limited to, an acquisition, merger or sale.

15.9.4

FCA PRA

R

A *firm* does not have to give notice to the *appropriate regulator* under ■ SUP 15.9.1 R if it or another member of the *consolidation group* has already given notice of the relevant fact to:

- (1) the *appropriate regulator*; or
- (2) (if another *competent authority* is *co-ordinator* of the *financial conglomerate*) that *competent authority*; or
- (3) (in the case of a *financial conglomerate* that does not yet have a *co-ordinator*) the *competent authority* who would be *co-ordinator* under Article 10(2) of the *Financial Groups Directive* (Competent authority responsible for exercising supplementary supervision (the *co-ordinator*)).

15.9.5

FCA

R

- (1) A *firm* must, at the level of the *EEA financial conglomerate*, regularly provide the *appropriate regulator* with details on the *financial conglomerate's* legal structure and governance and organisational structure, including all *regulated entities*, non-regulated subsidiaries and significant *branches*.
- (2) A *firm* must disclose publicly, at the level of the *EEA financial conglomerate*, on an annual basis, either in full or by way of references to equivalent information, a description of the *financial conglomerate's* legal structure and governance and organisational structure.
- (3) For the purposes of (1) and (2), where a *firm* is a member of an *EEA financial conglomerate* which is part of a wider *UK regulated EEA financial conglomerate*, reporting applies only at the level of the *EEA parent mixed financial holding company* or *ultimate EEA mixed financial holding company*.



15.10 Reporting suspicious transactions (market abuse)

Application: where

15.10.1

FCA

R

This section applies in relation to activities carried on from an establishment maintained by the *firm* or its *appointed representative* in the *United Kingdom*. [Note: Article 7 2004/72/EC]

Notification of suspicious transactions: general

15.10.2

FCA

R

A *firm* which *arranges* or *executes* a transaction with or for a client and which has reasonable grounds to suspect that the transaction might constitute *market abuse* must notify the *FCA* without delay.

[Note: Article 6(9) *Market Abuse Directive*]

Notification of suspicious transactions: investment firms and credit institutions

15.10.3

FCA

R

A *firm*, that is an *investment firm* or a *credit institution*, must decide on a case-by-case basis whether there are reasonable grounds for suspecting that a transaction involves *market abuse*, taking into account the elements constituting *market abuse*. [Note: Articles 1(3) and 7 2004/72/EC]

15.10.4

FCA

G

- (1) Notification of suspicious transactions to the *FCA* requires sufficient indications (which may not be apparent until after the transaction has taken place) that the transaction might constitute *market abuse*. In particular a *firm* will need to be able to explain the basis for its suspicion when notifying the *FCA* (see ■ SUP 15.10). Certain transactions by themselves may seem completely devoid of anything suspicious, but might deliver such indications of possible *market abuse*, when seen in perspective with other transactions, certain behaviour or other information (though *firms* are not expected to breach effective information barriers put in place to prevent and avoid conflicts of interest so as actively to seek to detect suspicious transactions). [Note: Recital 9 2004/72/EC]
- (2) Assistance in identifying the elements constituting *market abuse* may be derived from the *Code of Market Conduct* (■ MAR 1), and some example indications of *market abuse* are set out in ■ SUP 15 Ann 5 G. A fuller set of example indications is published by the Committee of European Securities Regulators (CESR).

15.10.5

FCA

R

Timeframe for notification: investment firms and credit institutions

If an *investment firm* or a *credit institution* becomes aware of a fact or information that gives reasonable ground for suspicion concerning a transaction, it must make its notification under this section without delay. [Note: Article 8 2004/72/EC]

15.10.6

FCA

R

Content of notification: investment firms and credit institutions

- (1) If an *investment firm* or a *credit institution* is obliged to make a notification to the FCA under this section, it must transmit to the FCA the following information:
 - (a) a description of the transaction, including the type of order (such as limit order, market order or other characteristics of the order) and the type of trading market (such as block trade); and
 - (b) the reasons for suspicion that the transaction might constitute *market abuse*.
- (2) In addition the following information must be provided to the FCA as soon as it becomes available:
 - (a) the means for identification of the *persons* on behalf of whom the transaction has been carried out, and of other *persons* involved in the relevant transaction;
 - (b) the capacity in which the *firm* operates (such as for own account or on behalf of third parties); and
 - (c) any other information which may have significance in reviewing the suspicious transaction. [Note: Article 9 2004/72/EC]

15.10.7

FCA

R

Means of notification: investment firms and credit institutions

An *investment firm* or a *credit institution* making a notification to the FCA under this section may do so:

- (1) by mail to:

Market Conduct Team
25 The North Colonnade
Canary Wharf London E14 5HS; or
- (2) by electronic mail to market.abuse@fca.org.uk;
- (3) by facsimile to the Market Conduct Team on 020 7066 4091 ; or
- (4) by telephone to the market abuse helpline 020 7066 4900 . [Note: Article 10 2004/72/EC]

15.10.8

FCA

G

- (1) If a notification is made by telephone, the *FCA* may subsequently request confirmation of the notification in writing. [Note: Article 10 2004/72/EC]
- (2) When making a notification in writing it may be convenient to use the form for suspicious transaction reports provided on the *FCA*'s website. This form follows the common standard approved by *ESMA* (formerly known as *CESR*).

Liability and professional secrecy: investment firms and credit institutions

15.10.9

FCA

R

- (1) An *investment firm* or a *credit institution* which notifies the *FCA* under this section must not inform any other *person*, in particular the *persons* on behalf of whom the transaction has been carried out or parties related to those persons, of this notification, except in accordance with an obligation imposed by or under statute.
- (2) Notwithstanding any other provision of the *Handbook* a notification in good faith under this section to the *FCA* does not constitute a breach of any restriction on disclosure of information imposed by the *Handbook*. [Note: Article 11 2004/72/EC]

Note: Section 131A of the *Act* sets out additional protections from liability for a *person* who makes a notification to the *FCA* under this section (or who passes the relevant information to someone designated by his employer to do so).

Chapter 16

Reporting requirements



16.1 Application

16.1.1 FCA PRA R This chapter applies to every *firm* within a category listed in column (2) of the table in ■ SUP 16.1.3 R and in accordance with column (3) of that table.

16.1.1A FCA D The directions and *guidance* in ■ SUP 16.13 apply to an *authorised payment institution* and a *small payment institution*.

16.1.1B FCA D The directions and *guidance* in ■ SUP 16.15 apply to *electronic money issuers* that are not *credit institutions*.

16.1.1C FCA G The directions and guidance in ■ SUP 16.18 apply for the following types of *AIFM*:

- (1) a *small registered UK AIFM*;
- (2) an *above-threshold non-EEA AIFM marketing in the UK*; and
- (3) a *small non-EEA AIFM marketing in the UK*.

16.1.2 FCA PRA G The only categories of *firm* to which no section of this chapter applies are:

- (1) an *ICVC*;
- (2) an *incoming EEA firm* or *incoming Treaty firm*, unless it is:
 - (a) a *firm* of a type listed in ■ SUP 16.1.3 R as a type of *firm* to which ■ SUP 16.6, ■ SUP 16.9 , ■ SUP 16.12, or ■ SUP 16.14 applies; or
 - (b) an *insurer with permission to effect or carry out life policies*;
 - (c) a *firm with permission to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme*;
- (3) a *UCITS qualifier*.

16.1.3 FCA PRA R **Table Application of different sections of SUP 16(excluding SUP 16.13, SUP 16.15, SUP 16.16 and SUP 16.17)**

(1) Sec- tion(s)	(2) Categories of firm to which section applies		(3) Applicable rules and guidance
SUP 16.1, SUP 16.2 and SUP 16.3	All categories of <i>firm</i> except:		Entire sections
	(a)	an <i>ICVC</i> ;	
	(b)	an <i>incoming EEA firm</i> or <i>incoming Treaty firm</i> , which is not:	
		(i) a <i>firm</i> of a type to which SUP 16.6 or SUP 16.12 applies; or	
		(ii) an <i>insurer</i> with <i>permission to effect</i> or <i>carry outlife policies</i> ; or	
		(iii) a <i>firm</i> with <i>permission to establish, operate or wind up a personal pension scheme</i> or a <i>stakeholder pension scheme</i> ;	
	(c)	a <i>UCITS qualifier</i> .	
SUP 16.4 and SUP 16.5	All categories of <i>firm</i> except:		Entire sections
	(-a)	a <i>credit union</i> ;	
	(a)	an <i>ICVC</i> ;	
	(b)	an <i>incoming EEA firm</i> ;	
	(c)	an <i>incoming Treaty firm</i> ;	
	(d)	a <i>non-directive friendly society</i> ;	
	(e)	[deleted]	
	(f)	a <i>sole trader</i> ;	
	(g)	a <i>service company</i> ;	
	(h)	a <i>UCITS qualifier</i> ;	

(1) Sec- tion(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
	(i) a firm with permission to carry on only retail investment activities;	
	(j) a firm with permission to carry on only insurance mediation activity, home finance mediation activity, or both;	
	(ja) an FCA-authorised person with permission to carry on only credit-related regulated activity;	
	(k) a firm falling within a combination of (i),(j) and (ja).	
SUP 16.6	Bank	SUP 16.6.4 R to SUP 16.6.5 R
	Depository of an ICVC	SUP 16.6.6 R to SUP 16.6.9 G
	OPS firm	SUP 16.6.6 R to SUP 16.6.8 R
	Trustee of an AUT	SUP 16.6.6 R to SUP 16.6.9 G
	Depository of an ACS	SUP 16.6.6 R to SUP 16.6.9 G
SUP 16.8	Insurer with permission to effect or carry out life policies, unless it is a non-directive friendly society	Entire section
	Firm with permission to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme	Entire section
SUP 16.9	Firm with permission to advise on investments; arrange (bring about) deals in investments; make arrangements with a view to transactions in investments; or arrange safeguarding and administration of assets	Entire section
SUP 16.10	All categories of firm except:	Entire section
	(a) an ICVC;	
	(b) a UCITS qualifier;	

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
	(c) a <i>credit union</i> ; and	
	(d) a <i>dormant account fund operator</i> .	
SUP 16.11	A <i>firm</i> , other than a <i>managing agent</i> , which is:	Entire section
	(1) a <i>home finance provider</i> ; or	
	(2) an <i>insurer</i> ; or	
	(3) the operator of a <i>regulated collective investment scheme</i> or an <i>investment trust savings scheme</i> ; or	
	(4) a <i>person</i> who issues or manages the relevant assets of the issuer of a <i>structured capital-at-risk product</i> ; or	
	(5) a <i>firm</i> with permission to enter into a <i>regulated credit agreement as lender</i> in respect of <i>high-cost short-term credit</i> or <i>home credit loan agreements</i> .	
SUP 16.12	A <i>firm</i> undertaking the <i>regulated activities</i> as listed in SUP 16.12.4 R, unless exempted in SUP 16.12.1 G	Sections as relevant to <i>regulated activities</i> as listed in SUP 16.12.4 R
SUP 16.14	A <i>CASS large firm</i> and a <i>CASS medium firm</i>	Entire section
SUP 16.18	A <i>full-scope UK AIFM</i> and a <i>small authorised UK AIFM</i>	SUP 16.8.3 R
Note 1 [deleted]		
Note 2 = The application of SUP 16.13 is set out under SUP 16.13.1 G ; the application of SUP 16.15 is set out under SUP 16.15.1 G; the application of SUP 16.16 is set out SUP 16.16.1 R and SUP 16.16.2 R and the application of SUP 16.17 is set out in SUP 16.17.3 R and SUP 16.17.4 R .		
Note 3 = The application of SUP 16.18 for the types of <i>AIFMs</i> specified in SUP 16.1.1C G is set out in SUP 16.18.2 G.		

(1) This chapter contains requirements to report to the *appropriate regulator* on a regular basis. These requirements include reports relating to a *firm's* financial condition, and to its compliance with other *rules* and requirements which apply to the *firm*. Where the relevant requirements are set out in another section of the *Handbook*, this chapter contains cross references. An example of this is financial reporting for *insurers* and *friendly societies*.

- (2) Where such requirements already apply to a *firm* under legislation other than the *Act*, they are not referred to in this chapter. An example of this is reporting to the *appropriate regulator* by *building societies* under those parts of the Building Societies Act 1986 which have not been repealed.
- (3) Requirements for individual *firms* reflect:
 - (a) the category of *firm*;
 - (b) the nature of business carried on;
 - (c) whether a *firm* has its registered office (or if it does not have a registered office, its head office) in the *United Kingdom*;
 - (d) whether a *firm* is an *incoming EEA firm* or *incoming Treaty firm* ; and
 - (e) the regulated activities the *firm* undertakes.

16.1.5 G [deleted]

16.1.6 G [deleted]

16.1.7 G Where a *PRA-authorized person* is required to notify or provide any information to (a) the *appropriate regulator* by a *PRA Handbook* provision and (b) the *FCA* by the equivalent provision in the *FCA Handbook*, the *PRA-authorized person* is expected to comply with both provisions.

FCA PRA

16.2 Purpose

16.2.1

FCA PRA

G

- (1) In order to discharge its functions under the *Act*, the *appropriate regulator* needs timely and accurate information about *firms*. The provision of this information on a regular basis enables the *appropriate regulator* to build up over time a picture of *firms'* circumstances and behaviour.
- (2) *Principle 11* requires a *firm* to deal with its regulators in an open and cooperative way, and to disclose to the *appropriate regulator* appropriately anything relating to the *firm* of which the *appropriate regulator* would reasonably expect notice. The reporting requirements are part of the *appropriate regulator's* approach to amplifying *Principle 11* by setting out in more detail the information that the *appropriate regulator* requires. They supplement the provisions of ■ SUP 2 (Information gathering by the appropriate regulator on its own initiative) and ■ SUP 15 (Notifications to the FCA or PRA). The reports required under these *rules* help the *appropriate regulator* to monitor *firms'* compliance with *Principles* governing relationships between *firms* and their *customers*, with *Principle 4*, which requires *firms* to maintain adequate financial resources, and with other requirements and standards under the *regulatory system*.

16.3 General provisions on reporting

16.3.1

FCA PRA

G

Application

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* except:

- (1) an *ICVC*;
- (2) an *incoming EEA firm* or *incoming Treaty firm*, which is not:
 - (a) a *firm* of a type listed in ■ SUP 16.1.3 R as a *firm* to which section ■ SUP 16.6 or ■ SUP 16.12 applies;
 - (b) an *insurer* with *permission* to *effect* or *carry out life policies*;
- (3) a *UCITS qualifier*.

16.3.2

FCA PRA

G

Structure of the chapter

This chapter has been split into the following sections, covering:

- (1) annual controllers reports (■ SUP 16.4);
- (2) annual close links reports (■ SUP 16.5);
- (3) compliance reports (■ SUP 16.6);
- (4) [deleted]
- (5) persistency reports (■ SUP 16.8);
- (6) annual appointed representatives reports (■ SUP 16.9);
- (7) Verification of *standing data* (■ SUP 16.10);
- (8) product sales data reporting (■ SUP 16.11);
- (9) integrated regulatory reporting (■ SUP 16.12);
- (10) reporting under the *Payment Services Regulations* (■ SUP 16.13) ;

- (11) client money and asset return (■ SUP 16.14);
- (12) reporting under the *Electronic Money Regulations* (■ SUP 16.15).
- (13) prudent valuation reporting (■ SUP 16.16);
- (14) remuneration reporting (■ SUP 16.17) ; and
- (15) *AIFMD* reporting (■ SUP 16.18).

16.3.3

FCA PRA

G

The annual controllers, annual close links, persistency and annual appointed representatives reports sections are the same for all categories of *firm* to which they apply.

16.3.4

FCA PRA

G

The compliance section is set out by category of *firm*, with detailed requirements set out in tables giving:

- (1) a brief description of each report;
- (2) the frequency with which the report is required; and
- (3) the due date for submission of the report.

16.3.5

FCA PRA

G

Further requirements about the reports, such as form and content, are set out in the sections for each category of *firm*, where this is appropriate. In many cases, however, it is more appropriate to provide this information by means of a separate annex; in these cases the relevant section refers to the annex.

How to submit reports

16.3.6

FCA PRA

R

A periodic report required to be submitted under this chapter, or under any other *rule*, must be submitted in writing in accordance with ■ SUP 16.3.7 R to ■ SUP 16.3.10 G, unless:

- (1) a contrary intention appears; or
- (2) the report is required under the *listing rules*.

16.3.7

FCA PRA

R

A report or *data item* must:

- (1) give the firm reference number (or all the firm reference numbers in those cases where a report is submitted on behalf of a number of *firms*, as set out in ■ SUP 16.3.25 G) ; and
- (2) if submitted in paper form, be submitted with the cover sheet contained in ■ SUP 16 Annex 13 R fully completed .

16.3.8

FCA PRA

R

A written report must be delivered to the *appropriate regulator* by one of the methods listed in ■ SUP 16.3.9 R.

16.3.9

FCA PRA

R

Table Method of submission of reports (see ■ SUP 16.3.8 R)

Method of delivery

1. **Post to the published address of the *FCA* for postal submission of reports**
2. **Leaving the report marked for the attention of "Central Reporting" at the published address of the *FCA* for hand delivery of reports and obtaining a dated receipt**
3. **Electronic mail or fax to the published e-mail address or fax number of the *FCA*'s Central Reporting team**
4. **Online submission via the appropriate systems accessible from the *appropriate regulator's* website**

16.3.10

FCA PRA

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- (1) The current published address of the *FCA* for postal submission of reports is:

Central Reporting
 The Financial Conduct Authority
 PO BOX 35747
 London E14 5WP

- (2) The current published address of the *FCA* for hand delivery of reports is:

- (a) Central Reporting
 The Financial Conduct Authority
 25 The North Colonnade
 Canary Wharf
 London E14 5HS

if the *firm's* usual supervisory contact at the *appropriate regulator* is based in London, or:

- (b) The Financial Conduct Authority
 Quayside House
 127 Fountainbridge
 Edinburgh EH3 8DJ

if the *firm's* usual supervisory contact at the *FCA* is based in Edinburgh.

- (3) The current published email address and fax number for the *FCA*'s Central Reporting team is regulatory.reports@fca.org.uk and 020 7066 3905. The Central Reporting team does not handle general correspondence between *firms* and the *appropriate regulator* . Accordingly, *firms* should not make submissions to the Central Reporting team's email address or fax number other than as directed in ■ SUP 16.3.8 R.

16.3.11

FCA PRA

R

Complete reporting

A *firm* must submit reports required under this chapter to the *appropriate regulator* containing all the information required.

16.3.12

FCA PRA

G

■ SUP 15.6 refers to and contains requirements regarding the steps that *firms* must take to ensure that information provided to the *appropriate regulator* is accurate and complete. Those requirements apply to reports required to be submitted under this chapter.

16.3.13

FCA PRA

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Timely reporting

- (1) A *firm* must submit a report required by this chapter in the frequency, and so as to be received by the *appropriate regulator* no later than the due date, specified for that report.
- (2) If the due date for submission of a report required by this chapter falls on a day which is not a *business day*, the report must be submitted so as to be received by the *appropriate regulator* no later than the first *business day* after the due date.
- (3) If the due date for submission of a report required by this chapter is a set period of time after the quarter end, the quarter ends will be the following dates, unless another *rule* or the reporting form states otherwise:
 - (a) the *firm's accounting reference date*;
 - (b) 3 months after the *firm's accounting reference date*;
 - (c) 6 months after the *firm's accounting reference date*; and
 - (d) 9 months after the *firm's accounting reference date*.
- (4) If the due date for submission of a report required by this chapter is a set period of time after the end of a half-year, a quarter, or a month, the dates will be determined by (a) or (b) below except where otherwise indicated:
 - (a) the *firm's accounting reference date*;
 - (b) monthly, 3 monthly or 6 months after the *firm's accounting reference date*, as the case may be.

16.3.14

FCA PRA

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Failure to submit reports

- (1) If a *firm* does not submit a complete report by the date on which it is due in accordance with the *rules* in, or referred to in, this chapter or the provisions of relevant legislation and any prescribed submission procedures, the *firm* must pay an administrative fee of £250.
- (2) The administrative fee in (1) does not apply in respect of quarterly reports required to be submitted by *credit unions* whose liability

to pay a periodic fee under ■ FEES 4.2.1 R in respect of the A.1 activity group in ■ FEES 4 Annex 1A R and ■ FEES 4 Annex 1B R, for the financial year prior to the due date for submission of the report, was limited to the payment of the minimum fee .

16.3.14A
FCA PRA

G

Failure to submit a report in accordance with the *rules* in , or referred to in, this chapter or the provisions of relevant legislation may also lead to the imposition of a financial penalty and other disciplinary sanctions . A *firm* may be subject to reporting requirements under relevant legislation other than the *Act*, not referred to in this chapter. An example of this is reporting to the *appropriate regulator* by *building societies* under those parts of the Building Societies Act 1986 which have not been repealed (see ■ SUP 16.1.4 G). If it appears to the *appropriate regulator* that, in the exceptional circumstances of a particular case, the payment of any fee would be inequitable, the *appropriate regulator* may reduce or remit all or part of the fee in question which would otherwise be payable (see ■ FEES 2.3).

16.3.15
FCA PRA

G

The *appropriate regulator* may from time to time send reminders to *firms* when reports are overdue. *Firms* should not, however, assume that the *appropriate regulator* has received a report merely because they have not received a reminder.

16.3.16
FCA PRA

G

The *firm* is responsible for ensuring delivery of the required report at the by the due date. If a report is received by the *appropriate regulator* after the due date and the *firm* believes its delivery arrangements were adequate, it may be required to provide proof of those arrangements. Examples of such proof would be:

- (1) "proof of posting" receipts from a UK post office or overseas equivalent which demonstrates that the report was posted early enough to allow delivery by the due date in accordance with the delivery service standards prescribed by the relevant postal authority; or
- (2) recorded postal delivery receipts showing delivery on the required day; or
- (3) records of a courier service provider showing delivery on the required day.

Change of accounting reference date

16.3.17
FCA PRA

R

- (1) A *firm* must notify the *appropriate regulator* if it changes its *accounting reference date*.
- (2) When a *firm* extends its accounting period, it must make the notification in (1) before the previous *accounting reference date*.
- (3) When a *firm* shortens its accounting period, it must make the notification in (1) before the new *accounting reference date*.
- (4) ■ SUP 16.10.4A R to ■ SUP 16.10.4C G (Requirement to check the accuracy of standing data and to report changes to the *appropriate regulator*) apply to any notification made under (1).

16.3.18 G ■ SUP 16.2.1 G emphasises the importance to the *appropriate regulator* of timely and accurate information. The extension of a *firm's* accounting period to more than 15 months may hinder the timely provision of relevant and important information to the *appropriate regulator* . This is because many due dates for reporting to the *appropriate regulator* are linked to *firms' accounting reference dates*. Indeed, for some categories of *firm*, the only reports required by the *appropriate regulator* have due dates for submission which are linked to the *firm's accounting reference date*. If the extension of a *firm's* accounting period appears likely to impair the effectiveness of the *appropriate regulator's* supervisory work, the *appropriate regulator* may take action to ensure that it continues to receive the information it requires on a timely basis. This may include the use of any of the tools of supervision set out in ■ SUP 1.4.5 G.

16.3.19 G If more than one *firm* in a *group* intends to change its *accounting reference date* at the same time, a single notification may be given to the *appropriate regulator* , as described in ■ SUP 15.7.8 G.

Notifications regarding financial information reporting under the EU CRR

16.3.19A R (1) A *firm* must notify the *PRA* if it is required to report financial information in accordance with Article 99 (2) of the *EU CRR*.

(2) A *firm* must notify the *PRA* when it ceases to report financial information in accordance with Article 99 (2) of the *EU CRR*.

16.3.19B R A *firm* must notify the *PRA* if it adjusts its reporting reference dates for financial information under Article 99 of the *EU CRR* from the calendar year to its accounting year-end.

Underwriting agents: submission to the Society of Lloyd's

16.3.20 R (1) [deleted]

(2) [deleted]

16.3.21 G [deleted]

Service of Notices Regulations

16.3.22 G The Financial Services and Markets Act 2000 (Service of Notices) Regulations 2001 (SI 2001/1420) contain provisions relating to the service of documents on the *appropriate regulator* . They do not apply to reports required under SUP 16, because of the specific *rules* in this section.

Confidentiality and sharing of information

16.3.23 G When the *appropriate regulator* receives a report which contains confidential information and whose submission is required under this chapter, it is obliged under Part 23 of the Act (Public Record, Disclosure of Information and Co-operation) to treat that information as confidential. (See ■ SUP 2.2.4 G for the *FCA* and ■ SUP 2.2.4A G for the *PRA*)

16.3.24
FCA PRA

G

■ SUP 2.3.12A G and ■ SUP 2.3.12B G state that the *appropriate regulator* may pass to other regulators information which it has in its possession. Such information includes information contained in reports submitted under this chapter. The *appropriate regulator's* disclosure of information to other regulators is subject to ■ SUP 2.2.4 G or ■ SUP 2.2.4A G (Confidentiality of information).

Reports from groups

16.3.25
FCA PRA

G

If this chapter requires the submission of a report or *data item* covering a *group*, a single report or *data item* may be submitted, and so satisfy the requirements of all *firms* in the *group*. Such a report or *data item* should contain the information required from all of them, meet all relevant due dates and indicate all the *firms* on whose behalf it is submitted; if necessary a separate covering sheet should list the *firms* on whose behalf a report or *data item* is submitted. Nevertheless, the requirement to provide a report or *data item*, and the responsibility for the report or *data item*, remains with each *firm* in the *group*. However, reporting requirements that apply to a *firm*, by reason of the *firm* being a member of a *financial conglomerate*, are imposed on only one member of the *financial conglomerate* (see, for example, ■ SUP 16.12.32 R).

16.3.26
FCA PRA

G

Examples of reports covering a *group* are:

- (1) the compliance reports required from *banks* under ■ SUP 16.6.4 R;
- (2) annual controllers reports required under ■ SUP 16.4.5 R ;
- (3) annual close links reports required under ■ SUP 16.5.4 R
- (4) consolidated financial reports required from *banks* under ■ SUP 16.12.5 R;
- (5) consolidated reporting statements required from *securities and futures firms* under ■ SUP 16.12.11 R ;
- (6) reporting in relation to *defined liquidity groups* under ■ SUP 16.12.



16.4 Annual controllers report

Application

16.4.1

FCA PRA

G

This section applies to every *firm* except those *firms* excluded from its operation by ■ SUP 16.1.1 R and ■ SUP 16.1.3 R.

16.4.2

FCA PRA

G

This section may be of relevance to a *directive friendly society*:

- (1) if it has 10 members or less;
- (2) if it has a delegate voting system and has 10 delegates or less; or
- (3) if it has 20 members or less and effects or carries out group insurance contracts where one person may exercise one vote on behalf of the members of a group and one vote in their private capacity; or

where a member or delegate, whether alone or acting in concert, is entitled to exercise, or control the exercise of, 10% or more of the total voting power.

16.4.2A

FCA PRA

G

This section may be of relevance to *non-directive firms*.

16.4.3

FCA PRA

G

Requirements for notifications of a change in *control* can be found in ■ SUP 11 (Controllers and close links).

Purpose

16.4.4

FCA PRA

G

A *firm* and its *controllers* are required to notify certain changes in *control* (see ■ SUP 11 (Controllers and close links)). The purpose of the *rules* and *guidance* in this section is:

- (1) to ensure that, in addition to such notifications, the *appropriate regulator* receives regular and comprehensive information about the identities of all of the *controllers* of a *firm*, which is relevant to a *firm's* continuing to satisfy the effective supervision *threshold conditions* ;
- (2) to implement certain requirements relating to annual reporting of *controllers* which must be imposed on *firms* under the *Investment Services Directive*, the *Banking Consolidation Directive*, the *Consolidated Life Directive* and the *Third Non-Life Directive*; and

(3) to support the regulatory functions under Part 12 of the *Act* (Notices of acquisitions of control over UK authorised persons) (see SUP 11 (Controllers and close links)).

Reporting requirement

16.4.5
FCA PRA

R

- (1) [deleted]
- (2) [deleted]
- (3) [deleted]
- (4) [deleted]
- (4A) [deleted]
- (4B) [deleted]
- (5) [deleted]
- (6) A *firm* must submit annually by electronic means to the *appropriate regulator* the Controllers Report which contains the information specified in the form in ■ SUP 16 Annex 37A, within four months of the *firm's accounting reference date*.

16.4.6
16.4.7
FCA PRA

G

If a *group* includes more than one *firm*, a single annual controllers report may be submitted, and so satisfy the requirements of all *firms* in the *group*. Such a report should contain the information required from all of them, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their firm reference numbers. Nevertheless, the requirement to provide a report, and the responsibility for the report, remain with each *firm* in the *group*.

16.4.8
16.4.9
FCA PRA

G

[deleted]

G

Firms are reminded of the requirement in ■ SUP 11.4.10 R to take reasonable steps to keep themselves informed about the identity of their *controllers*.

Exceptions: friendly societies and building societies

16.4.10
FCA PRA

R

If a *firm* is a *friendly society* or a *building society*, then it is required to submit a report under ■ SUP 16.4.5 R only if it is aware that it has a *controller*.

16.4.11
FCA PRA

R

In ■ SUP 16.4.5 R and ■ SUP 16.4.10 R, a *building society* may regard a *person* as not being a *controller* if that *person* is exempt from the obligation to notify a change in *control* under The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774) (see ■ SUP 11.3.2A G (2)).

16.4.12

FCA PRA

R

Exception: insurers

An *insurer* need not submit a report under ■ SUP 16.4.5 R to the extent that the information has already been provided to the *appropriate regulator* under IPRU(INS) 9.30R (Additional information on controllers).



16.5 Annual Close Links Reports

Application

16.5.1
FCA PRA

G

This section applies to every *firm* listed in ■ SUP 11.1.1 R (1) to ■ SUP 11.1.1 R (6), except those *firms* excluded from its operation by ■ SUP 16.1.1 R and ■ SUP 16.1.3 R or which have elected to report on a monthly basis in accordance with ■ SUP 11.9.5 R.

Purpose

16.5.2
FCA PRA

G

A *firm* is required to notify the *appropriate regulator* of changes to its *close links* (see ■ SUP 11.9). The effective supervision *threshold conditions* provide that, if a *firm* has *close links* with another *person*, the matters which are relevant in determining whether a *firm* satisfies the condition of being capable of being effectively supervised include:

- (1) the nature of the relationship between the *firm* and that *person*;
- (2) whether those links or that relationship are likely to prevent the *appropriate regulator's* effective supervision of the *firm*; and
- (3) if the *person* is subject to the laws, regulations or administrative provisions of a territory which is not an *EEA State*, whether those foreign provisions, or any deficiency in their enforcement, would prevent the *appropriate regulator's* effective supervision of the *firm*.

16.5.3
FCA PRA

G

The purposes of the *rules* and *guidance* in this section are:

- (1) to ensure that, in addition to such notifications, the *appropriate regulator* receives regular and comprehensive information about the identities of all persons with whom a *firm* has *close links*, which is relevant to a *firm's* continuing to satisfy the effective supervision *threshold conditions* and to the protection of *consumers*; and
- (2) to implement certain requirements relating to the provision of information on *close links* which must be imposed on *firms* under the '*Post-BCCI Directive*'.

Report

16.5.4
FCA PRA

R

- (1) [deleted]
- (2) [deleted]

(3) [deleted]

(4) [deleted]

(5) [deleted]

(6) *A firm* must submit a report to the *appropriate regulator* annually by completing the Close Links Annual Report in ■ SUP 16 Annex 36A which must be sent electronically to the *appropriate regulator* within four months of the firm's *accounting reference date*.

16.5.4A

FCA PRA

R

If a *group* includes more than one *firm*, a single close links notification may be made by completing the Annual Close Links Report and so satisfy the notification requirement for all *firms* in the *group*. Nevertheless, the requirement to notify, and the responsibility for notifying, remains with each *firm* in the *group*.

16.5.5

G

[deleted]

16.5.6

FCA PRA

G

If a *group* includes more than one *firm*, a single annual close links report may be submitted and so satisfy the requirements of all *firms* in the *group*. Such a report should contain the information required from all of them, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their firm reference numbers. Nevertheless, the requirement to provide a report, and the responsibility for the report, remain with each *firm* in the *group*.

16.5.7

G

[deleted]

16.5.8

FCA PRA

R

If a *firm* is an unincorporated *friendly society*, then it is only required to submit a report under ■ SUP 16.5.4 R if it is aware that it has *close links*.



16.6 Compliance reports

Application

16.6.1
FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* within a category listed in the left hand column of the table in ■ SUP 16.6.2 G.

16.6.1A
FCA

D

The directions and *guidance* in SUP 16.13 apply to an *authorised payment institution* and a *small payment institution*.

16.6.2
FCA PRA

G

Table Applicable provisions of this section (see ■ SUP 16.6.1 G)

Category of firm	Applicable provisions
<i>Bank</i>	SUP 16.6.4 R - SUP 16.6.5 R
<i>Trustee of an AUT</i>	SUP 16.6.6 R - SUP 16.6.9 G
<i>Depository of an ICVC</i>	
<i>Depository of an ACS</i>	
<i>OPS firm</i>	SUP 16.6.6 R - SUP 16.6.8 R

Purpose

16.6.3

G

[deleted]

16.6.3A
FCA

G

The *FCA* performs part of its supervision work by reviewing and analysing information about *firms'* records of compliance with the requirements and standards under the *regulatory system*. The type of report the *FCA* requires will vary, depending on the type of business a *firm* undertakes. This information helps the *FCA* to determine whether a *firm* is complying with the requirements applicable to its business, and what procedures it is operating to ensure its compliance.

16.6.3B
PRA

G

The *PRA* performs part of its supervision work by reviewing and analysing information about *firms'* records of compliance with prudential requirements and standards. The type of report the *PRA* requires will vary, depending on the type of business a *firm* undertakes. This information helps the *PRA* to determine whether a *firm* is complying with the requirements applicable to its business, and what procedures it is operating to ensure its compliance.

Banks

16.6.4

FCA PRA

R

A *bank* must submit compliance reports to the *appropriate regulator* in accordance with ■ SUP 16.6.5 R.

16.6.5

FCA PRA

R

Table Compliance reports from a bank (see ■ SUP 16.6.4 R)

Report	Frequency	Due date
List of all <i>overseas regulators</i> for each legal entity in the <i>firm's group</i>	Annually	6 months after the <i>firm's accounting reference date</i>
Organogram showing the <i>authorised entities</i> in the <i>firm's group</i>	Annually	6 months after the <i>firm's accounting reference date</i>

Trustees of authorised unit trust schemes, depositaries of ICVCs and authorised contractual schemes, and OPS firms

16.6.6

FCA

R

A *firm* within a category listed in the left-hand column of ■ SUP 16.6.7 R must submit compliance reports in accordance with ■ SUP 16.6.7 R.

16.6.7

FCA

R

Table Compliance reports from trustees of AUTs, depositaries of ICVCs and ACSs, and OPS firms (see SUP 16.6.6R)

Report	Frequency	Due date
Report from a <i>trustee</i> of an <i>AUT</i> on <i>manager's failures</i> as set out in SUP 16.6.8 R (1)	Quarterly	1 month after quarter end (Note)
Report from a <i>depositary</i> of an <i>ACS</i> on failures by the <i>authorised contractual scheme manager</i> as set out in SUP 16.6.8 R (2A)	Quarterly	1 month after quarter end (Note)
Report from a <i>depositary</i> of an <i>ICVC</i> on failures by the <i>authorised corporate director</i> as set out in SUP 16.6.8 R (2)	Quarterly	1 month after quarter end (Note)
<i>OPS firms</i> only: Annual accounts of each <i>occupational pension scheme</i> in respect of which the <i>firm</i> is acting	Annually	7 months after end of the scheme year
<i>OPS firms</i> only:	Annually	7 months after end of the scheme year

Report	Frequency	Due date
<p>Audited annual accounts of each OPS collective investment scheme in respect of which the <i>firm</i> is acting</p> <p>Note = The quarter ends are 31 March, 30 June, 30 September, 31 December.</p>		

16.6.8
FCA

R

- (1) The report from a *trustee* of an *AUT* to the *FCA* must state, in relation to the *manager* of each *AUT* for which it is a *trustee*, the number of times during the quarter in which facts came to the *firm's* knowledge from which it appeared, or might have appeared, that the *manager* had failed (materially or otherwise) to:
 - (a) give correct instructions to the *trustee* to create or cancel *units* in the *AUT* when the *manager* should have done so, and the error:
 - (i) resulted in the creation of too few *units* or in the cancellation of too many *units*; and
 - (ii) was not corrected in accordance with the *FCA's* *guidance* as set out in ■ COLL 6.2.12 G;
 - (b) price *units* in the *AUT* in accordance with ■ COLL 6.3 where the pricing error was:
 - (i) greater than 0.5% of the price of a *unit*; or
 - (ii) less than 0.5% of the price of a *unit*, and the *trustee* did not consider the *manager's* controls to be adequate;

unless the failure was an isolated incident.
- (2) The report from a *depository* of an *ICVC* to the *FCA* must state, in relation to the *authorised corporate director* of each *ICVC* for which the *firm* is a *depository*, the number of times during the quarter in which facts came to the *firm's* knowledge from which it appeared, or might have appeared, that the *authorised corporate director* had failed (materially or otherwise) to:
 - (a) arrange for the *issue* or cancellation of *shares* in the *ICVC* when the *authorised corporate director* should have done so, and the error:
 - (i) resulted in the creation of too few *shares* or in the cancellation of too many *shares*; and
 - (ii) was not corrected in accordance with the *FCA's* *guidance* as set out in ■ COLL 6.2.12 G;

- (b) price *shares* in the ICVC in accordance with the provisions of ■ COLL 6.3 , where the pricing error was:
 - (i) greater than 0.5% of the price of a *share*; or
 - (ii) less than 0.5% of the price of a *share*, and the *depository* did not consider the *authorised corporate director's* controls to be adequate;

unless the failure was an isolated incident.

(2A) The report from a *depository* of an ACS to the FCA must state, in relation to the *authorised contractual scheme manager* of each ACS for which the *firm* is a *depository*, the number of times during the quarter in which facts came to the *firm's* knowledge from which it appeared, or might have appeared, that the *authorised contractual scheme manager* had failed (materially or otherwise) to:

- (a) arrange for the *issue* or cancellation of *units* in the ACS when the *authorised contractual scheme manager* should have done so, and the error:
 - (i) resulted in the creation of too few *units* or in the cancellation of too many *units*; and
 - (ii) was not corrected in accordance with the FCA's *guidance* as set out in COLL 6.2.12G;
- (b) price *units* in the ACS in accordance with the provisions of COLL 6.3, where the pricing error was:
 - (i) greater than 0.5% of the price of a *unit*; or
 - (ii) less than 0.5% of the price of a *unit*, and the *depository* did not consider the *authorised contractual scheme manager's* controls to be adequate;

unless the failure was an isolated incident.

(3) An *OPS firm* must notify the FCA of any change in the date of commencement of the scheme year of an *OPS* or *OPS collective investment scheme*, in respect of which the *firm* is acting, not less than 15 *business days* before the date on which such a change is to become effective.

16.6.9

G

■ SUP 16 Annex 12 provides *guidance* on the completion of the report from a *trustee* of an AUT on a *manager's* failures as set out in ■ SUP 16.6.8 R(1), and the report from a *depository* of an ICVC or ACS on failures by the *authorised corporate director* or *authorised contractual scheme manager* as set out in ■ SUP 16.6.8 R(2) and ■ SUP 16.6.8 R(2A) . This *guidance* includes suggested formats for the submission of the reports.



16.7 [Deleted]

16.8 Persistency reports from insurers and data reports on stakeholder pensions

Application

16.8.1

FCA

G

The effect of ■ SUP 16.1.1 R is that this section applies to:

- (1) every *insurer* with *permission* to *effect* or *carry out life policies*, unless it is a *non-directive friendly society*; and
- (2) every *firm* with *permission* to establish, operate or wind up a *stakeholder pension scheme*.

Purpose

16.8.2

FCA

G

The purpose of this section is to enable information on the persistency of life policies and data on stakeholder pensions to be prepared and provided to the *FCA* in a standard format. This information is used in the monitoring of *firms* both individually and collectively.

Requirement to submit persistency and data reports

16.8.3

FCA

R

- (1) An *insurer* with *permission* to *effect* or *carry out life policies* must submit to the *FCA* a persistency report in respect of *life policies* by 30 April each year in accordance with this section.
- (2) A *firm* with *permission* to establish, operate or wind up a *stakeholder pension scheme* must submit to the *FCA*:
 - (a) a data report on stakeholder pensions by 30 April each year prepared in accordance with this section; and
 - (b) two extra data reports on stakeholder pensions prepared in accordance with this section as follows:
 - (i) by 31 October 2002, of the number effected in the period to 30 June 2001 and the number of those still in force 12 months after the contract was effected;
 - (ii) by 31 January 2003, of the number effected in the period 1 July 2001 to 30 September 2001 and the number of those still in force 12 months after the contract was effected.

16.8.4

FCA

R

Interpretation of this section

In this section, and Forms 1R(2) to (4) in ■ SUP 16 Annex 6R:

- (1) '12 month report' means the part of a persistency report or data report reporting on *life policies* or stakeholder pensions *effected* in Y-2, '24 month report' means the part of a persistency report or data report reporting on *life policies* or stakeholder pensions *effected* in Y-3, and so on;
- (2) 'CC' means the number of *life policies* or stakeholder pensions which:
 - (a) were effected during the period to which the calculation relates; and
 - (b) are reported on in the persistency report or data report (see ■ SUP 16.8.8 R to ■ SUP 16.8.15 R);
- (3) 'CF' means the number of *life policies* or stakeholder pensions within 'CC' which are treated as in force at the end of Y-1 or, for a report under ■ SUP 16.8.3 R (2) (b), the relevant 12 month period (see ■ SUP 16.8.16 R to ■ SUP 16.8.18 R);
- (4) 'contract anniversary' means the anniversary of the date on which the *life policy* or stakeholder pension was effected falling within Y-1;
- (5) 'data report' means a report in respect of stakeholder pensions complying with ■ SUP 16.8.19 R to ■ SUP 16.8.21 R;
- (6) Forms 1R(1), 1R(2), 1R(3) and 1R(4) mean the forms in ■ SUP 16 Annex 6;
- (7) 'group personal pension policy' means a *life policy* which is not a separate *pension scheme*, effected under a collecting arrangement made for the *employees* of a particular employer to participate in a personal pension arrangement on a group basis;
- (8) [deleted]
- (9) 'mortgage endowment' means an *endowment assurance effected* or believed to be *effected* for the purposes of paying off a loan on land;
- (10) 'new', in relation to a stakeholder pension, has the meaning given in ■ SUP 16.8.11 R (2);

- (11) 'ordinary assurance policy' means a *life policy* which is not an *industrial assurance policy*;
- (12) 'other life assurance' means a *life policy* other than a *pension policy, endowment assurance or whole life assurance*;
- (13) 'other pension policy' means a *pension policy* other than a *personal pension policy*;
- (14) 'persistency rate' means a rate calculated using this formula: $CF \times 100/CC$ (see the example in ■ SUP 16.8.5 G);
- (15) 'persistency report' means a report in respect of life policies complying with ■ SUP 16.8.19 R to ■ SUP 16.8.21 R;
- (16) 'regular premium life policy' means a *life policy* where there is (or could be, or has been) a commitment by the policyholder to make a regular stream of contributions (for example by means of a direct debit mandate);
- (17) 'regular premium stakeholder pension' means a stakeholder pension where there is (or could be, or has been) a commitment by the policyholder to make a regular stream of contributions;
- (18) 'single premium life policy' means a *life policy* that is not a regular premium *life policy*, except that a recurrent single premium *life policy* must be treated as a regular premium *life policy*;
- (19) 'single premium stakeholder pension' means a stakeholder pension which is not a regular premium stakeholder pension, except that a recurrent single premium stakeholder pension must be treated as a regular premium stakeholder pension;
- (20) 'stakeholder pension' means an individual's rights under a *stakeholder pension scheme*;
- (21) 'substitute', in relation to stakeholder pension, has the meaning given in ■ SUP 16.8.11 R (2);
- (22) 'Y' means the year in which the report must be submitted, 'Y-1' means the preceding year, 'Y-2' means the next earlier year and so on;
- (23) 'year' means calendar year, unless ■ SUP 16.8.7 R applies.

Y (year of reporting)	Number of <i>life policies</i> which commenced during 1996	Number of 1996 <i>policies</i> that cease to be in force during Y-1	Deaths and retirements (not included in CC and CF)	CF	CC
1998	1000	143	2	1000 - 143 - 2 = 855	1000 - 2 = 998
1999	1000	25	1	1000 - 143 - 25 - 2 - 1 = 829	1000 - 2 - 1 = 997

Report submitted in 1998 Persistency rate for *life policies* that commenced during Y-2 (that is 1996)

Report submitted in 1999 Persistency rate for *life policies* that commenced during Y-3 (that is 1996)

16.8.6
FCA

G *Firms* are reminded that annuity contracts other than deferred annuity contracts are not within the definition of '*life policy*'.

16.8.7
FCA

R In relation to a persistency report, a *firm* may treat a 12-month period ending between 1 October and 31 March as a 'year' for the purposes of this section and Forms 1R(1) to (3):

- (1) if the *firm's* financial year does not end on 31 December; or
- (2) for *industrial assurance policy* business;

provided that the use of an alternative period is disclosed in the persistency report.

Life policies and stakeholder pension to be reported on in the persistency or data reports

16.8.8
FCA

R A persistency report or data report must report on a *life policy* or stakeholder pension if:

- (1) it is not of a type listed in ■ SUP 16.8.13 R or ■ SUP 16.8.14 R;
- (2) it was effected by:
 - (a) the *firm* submitting the report; or
 - (b) an *unauthorised* member of the *group* of the *firm* submitting the report and in circumstances in which that *firm* was responsible for the promotion of that *life policy* or stakeholder pension; or

(c) another *firm*, but is being carried out by the *firm* submitting the report; and

(3) the *person* who sold it or who was responsible for its promotion was, in so doing, subject to *rules* in COBS .

16.8.9

FCA

G

Life policies and stakeholder pensions falling within ■ SUP 16.8.8 R (2) (c) are those which have been transferred from another *firm*, for example under an insurance business transfer scheme under Part 7 of the *Act* (Control of Business Transfers).

16.8.10

FCA

R

Life policies falling within ■ SUP 16.8.8 R, which were sold subject to the conduct of business rules of a *previous regulator*, need to be reported only if they were required to be reported on by the rules of the *previous regulator* of the *firm* submitting the report.

16.8.11

FCA

R

(1) A *life policy* or stakeholder pension which was issued in substitution for a similar contract may be treated as being effected on the inception date of the previous *life policy* or stakeholder pension, provided that the *firm* is satisfied that no loss to the *policyholder* is attributable to the substitution;

(2) A stakeholder pension which is treated as in (1) is a "substitute" stakeholder pension. A "new" stakeholder pension is any other stakeholder pension.

16.8.12

FCA

G

Examples of loss to the *policyholder* under ■ SUP 16.8.11 R are losses resulting from higher charges and more restrictive benefits and options.

16.8.13

FCA

R

A persistency or data report must not report on any of the following:

(1) a *life policy* or stakeholder pension that was cancelled from inception whether or not this was as a result of service of a notice under the *rules* on cancellation (■ COBS 15) ;

(2) [deleted]

(3) a *life policy* (excluding *income withdrawal*) or stakeholder pension which has terminated as a result of death, critical illness, retirement, maturity or other completion of the contract term;

(4) *income withdrawals* that have ceased as a result of the death of the *policyholder*;

(5) in the case of a persistency report only, a *life policy* which is a stakeholder pension;

(6) a *life policy* purchased by the trustees of an *occupational pension scheme* which is a *defined benefits pension scheme*;

(7) a *life policy* purchased by the trustees of an *executive money purchase occupational pension scheme*.

16.8.14
FCA

R A persistency report required by ■ SUP 16.8.3 R (1) need not report on a *life policy* if the number of *life policies* on substantially the same terms effected by the relevant *firm* (or member of the *firm's group*) in the relevant year did not exceed the higher of fifty and 1% of the total reportable *life policies* effected by the *person* in that year.

16.8.15
FCA

R If the term of an *endowment assurance* is less than five years, the *life policy* must only be included in a persistency report in respect of years up to and including the anniversary prior to maturity.

Life policies and stakeholder pensions to be treated as in force.....

16.8.16
FCA

R Subject to ■ SUP 16.8.17 R and ■ SUP 16.8.18 R, a *life policy* or stakeholder pension must be treated as in force at the end of Y-1 (that is, included in CF) if and only if:

- (1) in the case of a regular premium life policy:
 - (a) in the case of an *industrial assurance policy* on which the *premiums* are paid at intervals of four weeks, the *premium* has been paid in respect of the four-week period in which the policy anniversary falls; or
 - (b) in any other case, the *premium* has been paid in respect of the month in which the policy anniversary falls;
- (2) in the case of a single premium life policy, the policy has not been surrendered as at the policy anniversary;
- (3) in the case of a regular premium stakeholder pension:
 - (a) for a report required by ■ SUP 16.8.3 R (2) (a), the premium has been paid in respect of the month in which the contract anniversary falls;
 - (b) for a report required by ■ SUP 16.8.3 R (2) (b), the premium has been paid in respect of the month 12 months after the contract was effected;
- (4) in the case of a single premium stakeholder pension:
 - (a) for a report required by ■ SUP 16.8.3 R (2)(a), the contract has not been surrendered as at the contract anniversary; or
 - (b) for a report required by ■ SUP 16.8.3 R (2)(b), the contract has not been surrendered as at the end of the 12 month period.

16.8.17 **R** A cluster *life policy* must be reported as a single *life policy* and must be
 FCA treated as in force (that is included in CF) even if some of the constituent
life policies have been terminated.

16.8.18 **R** An *income withdrawal* that has terminated other than by death of the
 FCA *policyholder* must be treated as not in force at the end of Y-1 (that is, not
 included in CF).

Contents of the persistency or data report

16.8.19 **R** (1) A persistency report on life policies must be a report in the format
 FCA of Forms 1R(1), (2) and (3).

(2) A data report on stakeholder pensions must be a report in the
 format of Form 1R(4).

(3) A persistency and a data report must include:

(a) for a report required by ■ SUP 16.8.3 R (1) or (2) (a), a separate
 copy of each Form reporting on *life policies* or stakeholder
 pensions effected during each of Y-2, Y-3, Y-4, Y-5;

(b) for a persistency report, a separate copy of Forms IR(1) and
 IR(2) reporting on:

(i) regular premium life policies and single premium *life
 policies*; and

(ii) *life policies* classified as ordinary assurance policies and
industrial assurance policies .

16.8.20 **R** If, in relation to any Form, a *firm* has no *life policies* or stakeholder
 FCA pensions to report on in a copy of that Form, the *firm* need not submit that
 copy provided that it confirms in writing to the FCA, as part of the
 persistency or data report, that it is not doing so and the reason for not
 doing so.

16.8.21 **R** The *firm* must, if a persistency report reports on;
 FCA

(1) an *endowment assurance* with a term of five years or less:

(a) report on such a *policy* in Form 1R(2); and

(b) not report on such a *policy* in Form 1R(1);

(2) a group personal pension policy, include the policy as a personal
 pension policy in Forms 1R(1) and 1R(3);

(3) a mortgage endowment, also include the policy as an endowment
 assurance in Forms 1R(1) and 1R(3);

16.8.22
FCA

G

(4) an *income withdrawal*, not include the policy under any other relevant category in Forms 1R(1) and 1R(3).

- (1) Under ■ SUP 16.8.16 R, a *life policy* must be treated as not in force if *premiums* have not been paid at the relevant date. Form 1R(3) seeks additional information on the number of *policies* treated as not in force which are subject to genuine contribution holidays.
- (2) A *firm* should treat a *life policy* as 'subject to a contribution holiday' if:
 - (a) the terms of the *policy* allow the *policyholder* to take a contribution holiday;
 - (b) the *policyholder* has opted to take a contribution holiday in accordance with those terms;
 - (c) the *policyholder* has clearly stated his intention to resume payments; and
 - (d) at the end of Y-1, not more than 12 months have elapsed from the date that *premiums* ceased to be paid.

Records

16.8.23
FCA

R

A *firm* must make and retain such records as will enable it to:

- (1) monitor regularly the persistency of *life policies* and stakeholder pensions effected through each of its *representatives*; and
- (2) make persistency reports or data reports to the FCA in accordance with SUP 16.8.3R.

16.8.24
FCA

G

In order to comply with ■ SUP 16.8.23 R, a *firm* will as a minimum need to make and retain separate records for:

- (1) *life policies* and stakeholder pensions originally promoted:
 - (a) by *representatives*; or
 - (b) by *independent intermediaries*; or
 - (c) through the *firm's* own *direct offer financial promotions*; or
 - (d) as adopted *packaged products*;
- (2) *life policies* and stakeholder pensions not within (1), including those *effected* as execution-only transactions, for inclusion in the relevant form under 'Otherwise';
- (3) *life policies* and stakeholder pensions written assuming the payment of:
 - (a) regular premiums;
 - (b) a single premium;
- (4) *life policies* written as:

- (a) ordinary assurance policies;
 - (b) *industrial assurance policies*;
- (5) the categories of *life policies* and stakeholder pensions referred to in Forms 1R(1) to (4).



16.9 Appointed representatives annual report

Application

16.9.1
FCA

G

The effect of **■ SUP 16.1.1 R** is that this section applies to every *firm* with a *Part 4A permission to advise on investments, arrange (bring about) deals in investments, making arrangements with a view to transactions in investments, or arrange safeguarding and administration of assets.*

Purpose

16.9.2
FCA

G

The purpose of the *rules and guidance* in this section is to ensure that, in addition to the notifications made under **■ SUP 12.7** (Appointed representatives; notification requirements), the *FCA* receives regular and comprehensive information about the *appointed representatives* engaged by a *firm*, so that the *FCA* is in a better position to pursue the *statutory objective* of the protection of *consumers*.

16.9.3
FCA

R

- (1) A *firm* must:
 - (a) submit a report to the *FCA* annually, in the form of an amended copy of the relevant extract from the *Financial Services Register*, containing the information in (2);
 - (b) submit the report in (1) to the *FCA* within four *months* of the *firm's accounting reference date*.
- (2) The report in (1) must contain a list of all the current *appointed representatives* of the *firm* as at the *firm's accounting reference date*.
- (3) The report in (1) is not required if:
 - (a) the *firm* has no *appointed representatives* as at the *firm's accounting reference date*; and
 - (b) this is reflected in the relevant extract from the *Financial Services Register*.

16.9.4
FCA

G

The *Financial Services Register* is maintained under section 347 of the *Act* (The record of authorised persons, etc.) and may be viewed at the *FCA's* website.

16.9.5 G [deleted]

16.9.6 G If a group includes more than one *firm*, a single annual *appointed representatives* report may be submitted on behalf of all *firms* in the *group*. Such a report should contain the information required from all the *firms*, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their *Financial Services Register* firm reference numbers. The requirement to provide a report, and the responsibility for the report remains with each *firm* in the *group*.

FCA



16.10 Verification of standing data

Application

16.10.1
FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* except:

- (1) an *ICVC*; or
- (2) a *UCITS qualifier*; or
- (2A) an *AIFM qualifier*; or
- (3) a *credit union*; or
- (4) a *dormant account fund operator*.

Purpose

16.10.2
FCA PRA

G

Standing data is used by the *appropriate regulator* :

- (1) to ensure that a *firm* is presented with the correct regulatory return when it seeks to report electronically;
- (2) in order to communicate with a *firm*;
- (3) as the basis for some sections of the *Financial Services Register*; and
- (4) in order to carry out thematic analysis across sectors and groups of *firms*.

16.10.3
FCA PRA

G

In view of the importance attached to *standing data*, and the consequences which may result if it is wrong, this section provides the framework for a *firm* to check and correct it.

Requirement to check the accuracy of standing data and to report changes to the appropriate regulator

16.10.4
FCA PRA

R

- (1) Within 30 *business days* of its *accounting reference date*, a *firm* must check the accuracy of its *standing data* through the relevant section of the *appropriate regulator's* website.
- (2) [paragraph suspended by FSA 2004/79]

(3) If any *standing data* is incorrect, the *firm* must submit the corrected *standing data* to the *appropriate regulator*, using the appropriate form set out in ■ SUP 15 Ann 3 R and in accordance with ■ SUP 16.10.4A R.

16.10.4A **R**
FCA **PRA**

- (1) A *firm* other than:
- (a) a *credit union*; or
 - (b) an *FCA-authorized person* with *permission* to carry on only *credit-related regulated activity*;
- must submit any corrected standing data under ■ SUP 16.10.4 R (3) online at the *appropriate regulator's* website using the ONA system.
- (2) A *credit union* or a *firm* with *permission* to carry on only *credit-related regulated activity* must submit any corrected *standing data* under ■ SUP 16.10.4R (3) to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team' .
- (3) Where a *firm* is obliged to submit corrected *standing data* online under (1), if the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit its corrected *standing data* to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team' .

16.10.4B **G**
FCA **PRA**

If the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 16.3.9 R should be used.

16.10.4C **G**
FCA **PRA**

Where ■ SUP 16.10.4AR (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

16.10.5 **G**
FCA **PRA**

The *standing data* is made available to the *firm* when the *firm* logs into the appropriate section of the *appropriate regulator's* website. The *firm* should check the *standing data* and send any corrections to the *appropriate regulator* . The *appropriate regulator's* preferred method of receiving corrections to *standing data* is by the online forms available at the *appropriate regulator's* website.

16.10.6 **G**
FCA **PRA**

A *firm* may check, and submit corrections to, its *standing data* more frequently than annually.

16.10.7 **G**

[deleted]



16.11 Product Sales Data Reporting

Application

16.11.1 **R**
FCA

This section applies to a *firm* which is a *home finance provider* or a *firm with permission to enter into a regulated credit agreement as lender* in respect of *high-cost short-term credit* or *home credit loan agreements*, or which is, in respect of sales to a *retail client* or a *consumer*:

- (1) an *insurer*; or
- (1A) the *manager* of an *authorised AIF* or a *UCITS scheme*; or
- (2) the *operator* of an *investment trust savings scheme* , or a *personal pension scheme* ; or
- (3) a *person* who issues or manages the relevant assets of the issuer of a *structured capital-at-risk product*,

unless the *firm* is a *managing agent*.

Purpose

16.11.2 **G**
FCA

- (1) The purpose of this section is to set out the requirements for *firms* in the retail mortgage, investment, *consumer credit lending* and *pure protection contract* markets specified in ■ SUP 16.11.1 R to report individual product sales data to the *FCA*. In the case of *firms* in the sale and rent back market, there is a requirement to record, but not to submit, the data. These requirements apply whether the *regulated activity* has been carried out by the *firm*, or through an intermediary which has dealt directly with the *firm*.
- (2) The purpose of collecting this data is to assist the *FCA* in the ongoing supervision of *firms* engaged in retail activities and to enable the *FCA* to gain a wider understanding of market trends in the interests of protecting *consumers*.

Reporting requirement

16.11.3 **R**
FCA

- (1) A *firm* must submit a report (the 'data report') containing the information required by ■ SUP 16.11.5 R quarterly, within 20 *business days* of the end of the quarter, unless (3) or (4) applies.

- (2) The reporting periods are the four calendar quarters of each year beginning on 1 January.
- (3) A *firm* need not submit a data report if no relevant sales have occurred in the quarter.
- (4) A *SRB agreement provider* must compile, and keep for at least five years from the end of the relevant quarter, a data report containing the information required by ■ SUP 16.11.5 R, but is not subject to the requirement in (1) to submit a data report (or to the requirement in ■ SUP 16.11.9 R).

16.11.4

FCA

G

- (1) A *firm* may submit a data report more frequently than quarterly if it wishes.
- (2) If it is easier and more practical for a *firm* to submit additional data relating to products other than those specified in ■ SUP 16.11.5 R, it may submit that additional data to the FCA in a data report.

Content of the report

16.11.5

FCA

R

The data report must contain sales data in respect of the following products:

- (1) *retail investments*;
- (2) *pure protection contracts*;
- (3) *regulated mortgage contracts* (but not further advances);
- (4) *home purchase plans*;
- (5) *home reversion plans*;
- (6) *regulated sale and rent back agreements* ;
- (7) *High-cost short-term credit*; and
- (8) *home credit loan agreements*.

16.11.6

FCA

G

Guidance on the type of products covered by ■ SUP 16.11.5 R is contained in ■ SUP 16 Annex 20 GG.

16.11.7

FCA

R

The data report must comply with the provisions of ■ SUP 16 Annex 21 RR.

16.11.8

FCA

R

The data report must relate both to transactions undertaken by the *firm* and to transactions undertaken by an intermediary which has dealt directly with the customer on the *firm's* behalf.

16.11.8A

FCA

G

Where the *manager* of an *authorised AIF* or a *UCITS scheme* receives business from a *firm* which operates a nominee account, the data report in respect of those transactions

submitted by the *manager* should treat those transactions as transactions undertaken by the *manager* with the *firm*.

16.11.9 **R** **A *firm* must provide the data report to the FCA electronically in a standard format provided by the FCA.**
FCA

16.11.10 **G** A data report will have been provided to the FCA in accordance with **■ SUP 16.11.9 R** only if all mandatory data reporting fields (as set out in **■ SUP 16 Annex 21 RR**) have been completed correctly and the report has been accepted by the relevant FCA reporting system.
FCA

Use of reporting agents

- 16.11.11** **R**
- (1) A *firm* may appoint another *person* to provide the data report on the *firm*'s behalf if the *firm* has informed the FCA of that appointment in writing.
 - (2) Where (1) applies, the *firm* must ensure that the data report complies with the requirements of **■ SUP 16.11** and identifies the originator of the transaction.
- FCA

16.12 Integrated Regulatory Reporting

Application

16.12.1

FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* carrying on business set out in column (1) of ■ SUP 16.12.4 R except:

- (1) an *incoming EEA firm* with *permission* for *cross border services* only;
- (1A) an *incoming EEA firm* in relation to its carrying on of *bidding in emissions auctions*;
- (2) an *oil market participant* that is not subject to the requirements of *IPRU(INV)* Chapter 3;
- (3) an *authorised professional firm* (other than one that must comply with *IPRU(INV)* 3, 5 or 13 in accordance with *IPRU(INV)* 2.1.4R, or that is a *CASS debt management firm*, where ■ SUP 16.12.4 R will apply in respect of the business the firm undertakes), which must (unless it is within (3A)) comply with ■ SUP 16.12.30 R ■ SUP 16.12.31 R;
- (3A) an *authorised professional firm* if the only *regulated activity* it carries on is *credit-related regulated activity* as a *non-mainstream regulated activity*; and
- (4) a *financial conglomerate*, which must comply with ■ SUP 16.12.32 R: *firms* that are members of a *financial conglomerate* will have their own reporting requirements under ■ SUP 16.12.32 R.

Purpose

16.12.2

FCA PRA

G

- (1) *Principle 4* requires *firms* to maintain adequate financial resources. The Interim Prudential sourcebooks, *BIPRU*, *GENPRU* and *IFPRU* set out the *appropriate regulator's* detailed capital adequacy requirements. By submitting regular data, *firms* enable the *appropriate regulator* to monitor their compliance with *Principle 4* and their prudential requirements .
- (2) The *data items* submitted help the *appropriate regulator* analyse *firms'* financial and other conditions and performance and to understand their business. By means of further collation and review of the data which the *data items* provide, the *appropriate regulator* also uses the *data items* to identify developments across the financial services industry and its constituent sectors.

16.12.3

FCA PRA

R

- (3) The requirements in this section differ according to a *firm's regulated activity group (RAG)*, as different information is required to reflect different types of business. Standard formats are used for reporting, to assist compatibility between *firms* which carry on similar types of business. Timely submission is important to ensure the *appropriate regulator* has up-to-date information.

Reporting requirement

- (1) Any *firm* permitted to carry on any of the activities within each of the RAGs set out in column (1) of the table in ■ SUP 16.12.4 R must:
- (a) (i) unless (ii) or (iii) applies, submit to the *appropriate regulator* the duly completed *data items* or other items applicable to the *firm* as set out in the provision referred to in column (2) of that table;
- (ii) unless (iii) applies, where a *firm* is required to submit completed *data items* for more than one RAG, that *firm* must only submit the *data item* of the same name and purpose in respect of the lowest numbered RAG applicable to it, RAG 1 being the lowest and RAG 12 the highest;
- (iii) where a *firm* is, but for this *rule*, required to submit *data items* for more than one RAG and this includes the submission of *data items* in respect of fees, the FOS or FSCS levy, or threshold conditions, that *firm* must only submit these *data items* if they belong to the lowest numbered of the RAGs applicable to it;
- (iv) in the case of a *non-EEA bank*, or an *EEA bank* (whether or not it has *permission for accepting deposits*) other than one with *permission for cross border services* only, any *data items* submitted should, unless indicated otherwise, only cover the activities of the branch operation in the *United Kingdom*;
- in the format specified as applicable to the *firm* in the provision referred to in column (2);
- (b) submit this information at the frequency and in respect of the periods set out in the provision referred to in column (3); and
- (c) submit this information by the due date referred to in the provision referred to in column (4).
- (2) Unless (3) applies, any *data item* in (1) must be submitted by electronic means made available by the *appropriate regulator* ;
- (3) Paragraph (2) does not apply to:

(a) *credit unions* solely in relation to the reporting requirement for RAG 1 activities where the following submission methods apply:

(i) *Post* to the Bank of England for postal submission:

Regulatory Data Group

Statistics and Regulatory Data Division (HO5 A-B)

Bank of England

Threadneedle Street

London

EC2R 8AH

(ii) Leaving the report marked for the attention of "Regulatory Data Group, Statistics and Regulatory Data Division (HO 5 A-B) at the Bank of England, Threadneedle Street, London, EC2R 8AH, and obtaining a dated receipt

(iii) Electronic mail

(CreditUnionReporting@BankofEngland.co.uk) or fax (020 7601 3334) to the Regulatory Data Group of the Bank of England

(iv) Online submission via the appropriate systems accessible from the *appropriate regulator's* website;

(b) *firms* in RAG 2 in relation to the reporting requirements for RAG 2 activities; and

(c) those data items specified as "No standard format", where ■ SUP 16.3.6 R to ■ SUP 16.3.10 G will apply.

(4) A *firm* that is a member of a *financial conglomerate* must also submit financial reports as required by ■ SUP 16.12.32 R.

(1) *Investment firms* subject to the *EU CRR* should refer to any relevant technical standards to determine their specific reporting obligations, as those obligations may extend beyond those specified in this chapter.

(2) Where a *firm* submits a *data item* pursuant any applicable provision of the *EU CRR* any *data item* with the same name and purpose does not have to be submitted again regardless of *RAG*.

16.12.3-A

G

FCA

16.12.3-B G
FCA

In relation to an *investment firm* subject to the *EU CRR*, where an expression appearing in italics in this chapter is also used in the *EU CRR*, the italicised expression:

- (1) has the same meaning as the corresponding expression used in the *EU CRR*; or
- (2) is interpreted in the context of the risk or requirement in the *EU CRR* that corresponds to the risk or requirement referred to in the italicised expression.

16.12.3A G
PRA

The following is designed to assist *firms* to understand how the reporting requirements set out in this chapter operate when the circumstances set out in ■ SUP 16.12.3 R (1)(a)(ii) apply.

- (1) Example 1

A *UK designated investment firm* that undertakes activities in both RAG 3 and RAG 7

Overlaying the requirements of RAG 3 (*data items*) with the requirements of RAG 7 shows the following:

RAG 3 (SUP 16.12.11 R) data items	RAG 7 (SUP 16.12.22A R) data items
<i>Annual reports and accounts</i>	<i>Annual reports and accounts</i>
<i>Annual report and accounts of the mixed-activity holding company</i>	<i>Annual report and accounts of the mixed-activity holding company (note 10)</i>
Solvency statement	Solvency statement
Balance sheet	Balance Sheet
Income statement	Income statement
Market risk	Market risk
Market risk - supplementary	Market risk - supplementary
Exposures between <i>core UK group</i> and <i>non-core large exposures group</i>	Exposures between <i>core UK group</i> and <i>non-core large exposures group</i>
Solo consolidation data	Solo consolidation data
Pillar 2 questionnaire	Pillar 2 questionnaire
	Professional indemnity insurance
	Threshold Conditions
	Training and Competence
	COBS data
Client money and client assets	Client money and client assets
	Fees and levies

RAG 3 (SUP 16.12.11 R) data items	RAG 7 (SUP 16.12.22A R) data items
CFTC IRB portfolio risk Daily Flows (if it is an <i>ILAS BIPRU firm</i>) Enhanced Mismatch Report (if it is an <i>ILAS BIPRU firm</i>) Liquidity Buffer Qualifying Securities (if it is an <i>ILAS BIPRU firm</i>) Funding Concentration (if it is an <i>ILAS BIPRU firm</i>) Pricing data (if it is an <i>ILAS BIPRU firm</i>) Retail and corporate funding (if it is an <i>ILAS BIPRU firm</i>) Currency Analysis (if it is a <i>ILAS BIPRU firm</i>) Systems and Controls Questionnaire (if it is a <i>non-ILAS BIPRU firm</i>)	IRB portfolio risk

From this, the additional reports that are required are:

- (a) [deleted]
- (b) Professional indemnity insurance, where *RAG 7 firms* complete Section E of the *RMAR*, and therefore a *RAG 3 firm* should complete that;
- (c) [deleted]
- (d) Training and competence data, where *RAG 3 firms* should also complete Section G of *RMAR*;
- (e) Conduct of business data, where *RAG 3 firms* should complete Section H of *RMAR* .
- (f) [deleted]
- (g) [deleted]

The reporting frequency and submission times for items (b), (d) and (e) above are then derived from the rules applicable to *firms* in ■ SUP 16.12.23 R and ■ SUP 16.12.24 R. Threshold conditions and fees and levies reports do not need to be submitted as they are not required under the lowest numbered of the two *RAGs* in this example, see ■ SUP 16.12.3 R (1)(a)(iii).

(2) Example 2

A *UK bank* that is not a *FINREP firm* in *RAG 1* that also carries on activities in *RAG 5*

Again, overlaying the RAG 1 reporting requirements with the requirements for a RAG 5 firm gives the following :

RAG 1 requirements (SUP 16.12.5 R)	RAG 5 requirements (SUP 16.12.18A R)
<i>Annual report and accounts</i>	<i>Annual report and accounts</i>
<i>Annual report and accounts of the mixed-activity holding company (note 9)</i>	
Solvency statement (note 10)	
Balance sheet	Balance Sheet
Income statement	Income statement
Market risk	
Market risk -supplementary	
Exposures between <i>core UK group</i> and <i>non-core large exposures group</i>	
Liquidity (other than stock)	
Liquidity - stock	
Forecast data	
Solo consolidation data	
Interest rate gap report	
[deleted]	
Sectoral information, including arrears and impairment	
IRB portfolio risk	
Daily Flows (if it is an <i>ILAS BIPRU firm</i>)	
Enhanced Mismatch Report (if it is an <i>ILAS BIPRU firm</i>)	
Liquidity Buffer Qualifying Securities (if it is an <i>ILAS BIPRU firm</i>)	
Funding Concentration (if it is an <i>ILAS BIPRU firm</i>)	
Pricing data (if it is an <i>ILAS BIPRU firm</i>)	
Retail and corporate funding (if it is an <i>ILAS BIPRU firm</i>)	
Currency Analysis (if it is an <i>ILAS BIPRU firm</i>)	
	Lending - Business flow and rates

RAG 1 requirements (SUP 16.12.5 R)	RAG 5 requirements (SUP 16.12.18A R)
	Residential Lending to individuals - New business profile Lending - Arrears analysis Mortgage administration - Business profile Mortgage Administration - Arrears analysis Analysis of loans to customers Provisions analysis Fees and levies

In this case, it is more obvious that the firm's reporting requirement in RAG 1 is not all the data items listed above. However, for the purposes of this exercise, it is the list of potential data items that is important. Thus comparing RAG 1 with RAG 5, the additional reporting requirements are:

- (a) Lending - Business flow and rates, where Section D MLAR is required;
- (b) Residential Lending to individuals - New business profile, where Section E MLAR is required;
- (c) Lending - Arrears analysis, where Section F MLAR is required;
- (d) Mortgage administration - Business profile, where Section G MLAR is required;
- (e) Mortgage Administration - Arrears analysis, where Section H MLAR is required
- (f) Analysis of loans to customers, where section A3 of MLAR is required
- (g) Provisions analysis, where Section B2 of MLAR is required; and

Fees and levies are not applicable as they are not required to be submitted under the lowest numbered RAG in this example. The reporting frequency and submission times for items (a) to (g) above are then derived from the rules applicable to RAG 5 firms in ■ SUP 16.12.18 R.

16.12.3B
FCA PRA

G

Firms' attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all firms in the group.

16.12.4
FCA PRA

R

Table of applicable rules containing *data items*, frequency and submission periods

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable <i>data items</i>	reporting frequency/ period	due date
RAG 1	<ul style="list-style-type: none"> • accepting deposits • <i>meeting of repayment claims</i> • <i>managing dormant account funds (including the investment of such funds)</i> 	SUP 16.12.5 R	SUP 16.12.6 R	SUP 16.12.7 R
RAG 2.1	<ul style="list-style-type: none"> • effecting contracts of insurance • carrying out contracts of insurance • entering as provider into a funeral plan contract 	SUP 16.12.8 R	SUP 16.12.8 R	SUP 16.12.8 R
RAG 2.2	<ul style="list-style-type: none"> • managing the under-writing capacity of a Lloyds syndicate as a managing agent at Lloyds • advising on syndicate 	SUP 16.12.9 R	SUP 16.12.9 R	SUP 16.12.9 R

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
RAG 3	<p>participation at Lloyds</p> <ul style="list-style-type: none"> • arranging deals in contracts of insurance written at Lloyds 			
	<ul style="list-style-type: none"> • dealing in investment as principal • dealing in investments as agent • advising on investments (excluding retail investment activities) • arranging (bringing about) deals in investments (excluding retail investment activities) 	<p>SUP 16.12.10 R SUP 16.12.11 R or SUP 16.12.11B R for <i>UK designated investment firms</i></p>	<p>SUP 16.12.10 R SUP 16.12.12 R or SUP 16.12.12A R for <i>UK designated investment firms</i></p>	<p>SUP 16.12.10 R SUP 16.12.13 R</p>
RAG 4	<ul style="list-style-type: none"> • managing investments • establishing, operating or winding up a collective investment scheme 	<p>SUP 16.12.14 R SUP 16.12.15 R or SUP 16.12.15B R for <i>UK designated investment firms</i></p>	<p>SUP 16.12.14 R SUP 16.12.16 R or SUP 16.12.16A R for <i>UK designated investment firm</i></p>	<p>SUP 16.12.14 R SUP 16.12.17 R</p>

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
	<ul style="list-style-type: none"> • establishing, operating or winding up a stakeholder pension scheme • establishing, operating or winding up a personal pension scheme • managing an AIF • managing a UCITS • operating an electronic system in relation to lending (FCA-authorized persons only) 			
RAG 5	<ul style="list-style-type: none"> • home finance administration or home finance providing activity 	SUP 16.12.18A R and SUP 16.12.18BR	SUP 16.12.18A R and SUP 16.12.18BR	SUP 16.12.18A R and SUP 16.12.18BR
RAG 6	<ul style="list-style-type: none"> • acting as the depositary of an authorised contractual scheme 	SUP 16.12.19 R	SUP 16.12.20 R	SUP 16.12.21 R

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
	<ul style="list-style-type: none"> • safeguarding and administration of assets (without arranging) • arranging safeguarding and administration of assets • acting as trustee or depositary of an AIF • acting as trustee or depositary of a UCITS 			
RAG 7	<ul style="list-style-type: none"> • retail investment activities • advising on pensions transfers & opt-outs • arranging (bringing about deals) in retail investments 	SUP 16.12.22A R or SUP 16.12.22C R for <i>UK designated investment firms</i>	SUP 16.12.23A R and SUP 16.12.23 R for <i>UK designated investment firms</i>	SUP 16.12.24 R
RAG 8	<ul style="list-style-type: none"> • making arrangements with a view to 	SUP 16.12.25A R or SUP 16.12.25C R for	SUP 16.12.26 R	SUP 16.12.27 R

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
	<ul style="list-style-type: none"> transactions in investments operating a multilateral trading facility 	<i>UK designated investment firms</i>		
RAG 9	<ul style="list-style-type: none"> home finance mediation activity insurance mediation activity (non-investment insurance contracts) 	SUP 16.12.28A R	SUP 16.12.28A R	SUP 16.12.28A R
RAG 10	the activities of an <i>RIE</i>	SUP 16.12.29 G	SUP 16.12.29 G	SUP 16.12.29 G
RAG 11	bidding in emissions auctions	SUP 16.12.29A R	SUP 16.12.29A R	SUP 16.12.29A R
RAG 12 [FCA]	credit-related regulated activity	SUP 16.12.29C R	SUP 16.12.29C R	SUP 16.12.29C R

16.12.4A G
PRA

RAG 1 includes an *incoming EEA firm* exercising a *BCD* right through a *UK* branch.

16.12.4B G
FCA PRA

Group liquidity reporting

Reporting at group level for liquidity purposes by *firms* falling within BIPRU 12 (Liquidity) is by reference to *defined liquidity groups*. *Guidance* about the different types of *defined liquidity groups* and related material is set out in ■ SUP 16 Annex 26 (Guidance on designated liquidity groups in ■ SUP 16.12).

16.12.5

FCA PRA

R

Regulated Activity Group 1

The applicable *data items* and forms or reports referred to in ■ SUP 16.12.4 R are set out according to *firm* type in the table below:

De- scrip- tion of da- ta item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has per- mis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	[the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)
<i>Annual report and ac- counts</i>	No stan- dard format		No stan- dard for- mat, but in En- glish					No stan- dard format
<i>Annual report and ac- counts of the mixed- activity holding compa- ny (note 9)</i>	No stan- dard format							

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De- scrip- tion of <i>data item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and report- ing format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	[de- let- ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)
Solven- cy stan- dard state- ment (note 10)	No stan- dard for- mat							
Bal- ance sheet	FSA001 (note 2)	FSA001 (note 2)					CQ; CY	
In- come state- ment	FSA002 (note 2)	FSA002 (note 2)	FSA002				CQ; CY	
Capi- tal ade- quacy							CQ; CY	
	[delet- ed]	[delet- ed]						

De- scrip- tion of <i>da- ta item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has per- mis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	[dit ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)
Mar- ket risk	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)						
Mar- ket risk - supple- men- tary	FSA006 (note 5)							
Large expo- sures							CQ; CY	
Expo- sures be- tween <i>core UK group and non- core</i>	FSA018 (note 12)	FSA018 (note 12)						

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De- scrip- tion of <i>data</i> <i>item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and report- ing format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	[the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)
<i>large expo- sures group</i>								
Liquid- ity (other than stock)		FSA011					CQ; CY	
Fore- cast data	FSA014 (note 11)	FSA014 (note 11)						
Solo consoli- dation data	FSA016 (note 7)	FSA016 (note 7)						
Inter- est rate	FSA017	FSA017						

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[dit ed]	Credit union	Dormant account fund operator (note 15)

gap report								
Sec-toral infor-ma-tion, in-cluding arrears and im-pair-ment	FSA015 (Note 2)	FSA015 (Note 2)						
IRB portfo-lio risk	FSA045 (note 13)	FSA045 (note 13)						
Daily Flows	FSA047 (Notes 16, 20 and 22)	FSA047 (Notes 16, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)			

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[the ed]	Credit union	Dormant account fund operator (note 15)
Enhanced Mismatch Report	FSA048 (Notes 16, 20 and 22)	FSA048 (Notes 16, 20 and 22)	FSA048 (Notes 16, 18, 20 and 22)	FSA048 (Notes 16, 18, 20 and 22)	FSA048 (Notes 16, 18, 20 and 22)			
Liquidity Buffer Qualifying Securities	FSA050 (Notes 17, 21 and 22)	FSA050 (Notes 17, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)			
Funding Concentration	FSA051 (Notes 17, 21 and 22)	FSA051 (Notes 17, 21 and 22)	FSA051 (Notes 17, 19, 21 and 22)	FSA051 (Notes 17, 19, 21 and 22)	FSA051 (Notes 17, 19, 21 and 22)			
Pricing data	FSA052 (Notes 17, 22)	FSA052 (Notes 17, 22)	FSA052 (Notes 17, 19, 17, 19,	FSA052 (Notes 17, 19, 17, 19,	FSA052 (Notes 17, 19,			

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[file ed]	Credit union	Dormant account fund operator (note 15)
	and 24)	and 24)	22 and 24)	22 and 24)	22 and 24)			
Retail and corporate funding	FSA053 (Notes 17, 21 and 22)	FSA053 (Notes 17, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)			
Currency Analysis	FSA054 (Notes 17, 21 and 22)	FSA054 (Notes 17, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)			
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 24 R, except for credit union reports that are in SUP 16 Annex 14 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G (or Ann 15 G for credit unions).							
Note 2	<i>Firms</i> that are members of a <i>UK consolidation group</i> subject to the capital resources requirement at stage 1 of BIPRU 8 Annex 5 R are also required to submit this data item on a <i>UK consolidation group</i>							

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	Credit union	Dormant account fund operator (note 15)

basis. *Firms'* attention is drawn to SUP 16.3.25 G regarding a single submission for all *firms* in the *group*.

- Note 3 [deleted]
- Note 4 For *PRA-authorized persons* lines 62 to 64 only are applicable. These lines apply to a *firm* that applies add-ons to their market risk capital calculation under the RNIV framework. For further guidance on how to complete the form *PRA-authorized persons* may refer to SUP 16.12.25A R.
- Note 5 Only applicable to *firms* with a *VaR model permission*
- Note 6 [deleted]
- Note 7 Only applicable to a *firm* that has a *solo consolidation waiver*.
- Note 8 This will be applicable to *firms* (other than building societies) that are members of a *UK consolidation group* on the reporting date.
- Note 9 Only applicable to a *firm* whose ultimate parent is a *mixed-activity holding company*.
- Note 10 Only applicable to a *firm* that is a *partnership*, when the report must be submitted by each *partner*.

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	Credit union	Dormant account fund operator (note 15)

Note 11 Members of a *UK consolidation group* should only submit this *data item* at the *UK consolidation group* level.

Note 12 Only applicable to a *firm* that has both a *core UK group* and a *non-core large exposures group*.

Note 13 Only applicable to *firms* that have an *IRB permission*

Note 14 [deleted]

Note 15 Only applies to a *dormant account fund operator* that does not fall into any of the other prudential categories in this table.

Note 16 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis (including on the basis of the *firm's UK branch*). Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[the ed]	Credit union	Dormant account fund operator (note 15)

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

(4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.

Note 17 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis (including on the basis of the *firm's UK branch*) unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

Note 18 (1) If the *firm* has a *whole-firm liquidity modification* it must complete this item on the basis of the whole *firm* (or at any other reporting level the *whole-firm liquidity modification* may require) and not just its *UK branch*.

De- scrip- tion of da- ta item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has per- mis- sion to accept de- posits, other than one with per- mis- sion for cross border services only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	[dit ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)

(2) Otherwise the *firm* must complete this item by reference to the activities of its branch operation in the *United Kingdom* in accordance with SUP 16.12.3R (1)(a)(iv).

Note 19

(1) If the *firm* has a *whole-firm liquidity modification* there is no obligation to report this item.

(2) Otherwise the *firm* must complete this item by reference to the activities of its branch operation in the *United Kingdom* in accordance with SUP 16.12.3R (1)(a)(iv).

De- scrip- tion of <i>data</i> <i>item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	[the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)

Note 20

(1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	Credit union	Dormant account fund operator (note 15)

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 21 Note 20 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 22 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* or a *whole-firm liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification, whole-firm liquidity modification*

De- scrip- tion of <i>data</i> <i>item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	[the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)

or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* or a *whole-firm liquidity modification* says to the contrary.

Note 23 Only applicable to *firms* that hold *securitisation positions* in the *trading book* and/ or are the *originator* or *sponsor* of *securitisations* held in the *trading book*.

Note 24 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

16.12.6
FCA PRA

R

The applicable reporting frequencies for submission of *data items* and periods referred to in ■ SUP 16.12.5 R are set out in the table below according to *firm* type. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data item</i>	Unconsolidated UK banks and building societies	Solo consolidated UK banks and building societies	Report on a consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies	Other members of RAG 1
<i>Annual report and accounts</i>	Annual			Annual
<i>Annual report and accounts of the mixed-activity holding company</i>	Annual			
Solvency statement	Annual			
CQ				Quarterly
CY				Annually (note 2)
FSA001	Quarterly		Half yearly	
FSA002	Quarterly		Half yearly	Half yearly
FSA005	Quarterly		Half yearly	
FSA006	Quarterly			
FSA011	Quarterly			
FSA014	Half yearly			
FSA015	Quarterly		Half yearly	
FSA016		Half yearly		
FSA017	Quarterly		Half yearly	
FSA018	Quarterly			
FSA045	Quarterly		Half yearly	

<i>Data item</i>	Unconsolidated <i>UK banks and building societies</i>	Solo consolidated <i>UK banks and building societies</i>	Report on a <i>consolidation group</i> or, as applicable, <i>defined liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of <i>RAG 1</i>
FSA047	Daily, weekly, monthly or quarterly (Notes 4, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4,5, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4, 8 and 9)	Daily, weekly, monthly or quarterly (Notes 4,7 and 9)
FSA048	Daily, weekly, monthly or quarterly (Notes 4, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4,5, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4, 8 and 9)	Daily, weekly, monthly or quarterly (Notes 4,7 and 9)
FSA050	Monthly (Note 4)	Monthly (Notes 4 and 5)	Monthly (Note 4)	Monthly (Note 4)
FSA051	Monthly (Note 4)	Monthly (Notes 4 and 5)	Monthly (Note 4)	Monthly (Note 4)
FSA052	Weekly or monthly (Notes 4 and 10)	Weekly or monthly (Notes 4, 5 and 10)	Weekly or monthly (Notes 4 and 11)	Weekly or monthly (Notes 4 and 10)
FSA053	Quarterly (Note 4)	Quarterly (Notes 4 and 5)	Quarterly (Note 4)	Quarterly (Note 4)
FSA054	Quarterly (Note 4)	Quarterly (Notes 4 and 5)	Quarterly (Note 4)	Quarterly (Note 4)
Note 1	[deleted]			
Note 2	The annual report required from a <i>credit union</i> by SUP 16.12.5 R must be made up for the same period as the audited accounts published by the <i>credit union</i> in accordance with section 3A of the Friendly and Industrial and Provident Societies Act 1968 or provided in accordance with article 49 of the Credit Unions (Northern Ireland) Order			

<i>Data item</i>	Unconsolidated <i>UK banks and building societies</i>	Solo consolidated <i>UK banks and building societies</i>	Report on a <i>consolidation group</i> or, as applicable, <i>defined liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of <i>RAG 1</i>
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1985 (as appropriate). CREDS 8.2.6 R (2)(a) states that the audited accounts referred to in SUP 16.12.5 R are to be made up for the period beginning with the date of the *credit union's* registration or with the date to which the *credit union's* last annual accounts were made up, and ending on the *credit union's* most recent financial year end.

Note 3 [deleted]

Note 4 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.**
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.**
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.**
- (4) Daily means each *business day*.**

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* or a *whole-firm liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the firm receives that *intra-group liquidity modification*, *whole-firm liquidity modification* or variation part of the way through such a period, unless the *whole-firm liquidity modification* or *intra-group liquidity modification* says otherwise.

Note 5 As specified in SUP 16.12.5 R, solo consolidation has no application to liquidity reporting. Therefore it does not make

<i>Data item</i>	Unconsolidated <i>UK banks and building societies</i>	Solo consolidated <i>UK banks and building societies</i>	Report on a <i>consolidation group</i> or, as applicable, <i>defined liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of <i>RAG 1</i>
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any difference to the reporting of this item whether or not the *firm* is solo consolidated.

Note 6 If the report is on a solo basis (and the *firm* is a *UK firm*) the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm* in a *non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm* in a *UK DLG by modification*.

Note 7 (1) If the report is on a solo basis (and the *firm* is not a *UK firm*) the reporting frequency is as follows:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*.

(2) If the *firm* has a *whole-firm liquidity modification* (1) does not apply and instead the frequency of solo reporting

<i>Data item</i>	Unconsolidated <i>UK banks and building societies</i>	Solo consolidated <i>UK banks and building societies</i>	Report on a <i>consolidation group</i> or, as applicable, <i>defined liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of <i>RAG 1</i>
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is quarterly (or whatever other frequency the *whole-firm liquidity modification* requires).

Note 8 (1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 9 (1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm, branch* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm, branch* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under

<i>Data item</i>	Unconsolidated <i>UK banks and building societies</i>	Solo consolidated <i>UK banks and building societies</i>	Report on a <i>consolidation group</i> or, as applicable, <i>defined liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of RAG 1
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paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

Note 10 If the report is on a solo basis (including by reference to the *firm's UK branch*) the reporting frequency is as follows:

(1) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(2) monthly if the *firm* is a *low frequency liquidity reporting firm*.

Note 11 If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(1) weekly if the *group liquidity standard frequency reporting conditions* are met;

(2) monthly if the *group liquidity low frequency reporting conditions* are met.

16.12.7
FCA PRA

R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.6 R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
<i>Annual report and accounts</i>						80 <i>business days</i> (note 1)
						7 months (note 2)
<i>Annual report</i>						7 months

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
<i>and accounts of the mixed-activity holding company</i>						
Solvency statement						3 months
CQ				1 month		
CY						6 months
FSA001				20 business days	45 business days	
FSA002				20 business days	45 business days	
FSA005				20 business days	45 business days	
FSA006				20 business days		
[deleted]				[deleted]		
FSA011				15 business days		
[deleted]					[deleted]	
[deleted]				[deleted]		
FSA014					30 business days (note 3);	
					45 business days (note 4)	
FSA015				30 business days	45 business days	
FSA016					30 business days	
FSA017				20 business days	45 business days	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA018				45 business days		
FSA045				20 business days	45 business days	
FSA047	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question	15 business days	15 business days or one Month (Note 5)		
FSA048	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question	15 business days	15 business days or one Month (Note 5)		
FSA050			15 business days			

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA051			15 business days			
FSA052		22.00 hours (London time) on the second business day immediately following the last day of the reporting period for the item in question	15 business days			
FSA053			15 business days			
FSA054			15 business days			
Note 1	Applicable to UK banks and dormant account fund operators.					
Note 2	Applicable to non-EEA banks					
Note 3	Applicable to unconsolidated and solo consolidated reports					
Note 4	Applicable to UK consolidation group reports					
Note 5	It is one Month if the report relates to a non-UK DLG by modification or the firm has a whole-firm liquidity modification.					

Regulated Activity Group 2.1

16.12.8

PRA

R

- (1) The financial reporting requirements for RAG 2.1 activities for *insurers*, excluding *friendly societies*, are set out in *IPRU(INS)*.
- (2) The financial reporting requirements for RAG 2.1 activities for *friendly societies* are set out in *IPRU(FSOC)*.
- (3) A UK insurance special purpose vehicle must submit a copy of its annual audited financial statements within 3 months of its *accounting reference date*, but the report is only required if it was audited as a result of a statutory provision other than under the *Act*.

16.12.9
FCA

R

Regulated Activity Group 2.2

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below .

The applicable reporting frequencies for submission of *data items* and periods referred to in ■ SUP 16.12.4 R are set out in the table below and are calculated from a *firm's accounting reference date*, unless indicated otherwise.

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

	<i>Member's adviser</i>		<i>the Society (note 1)</i>		
Description of <i>data item</i> and <i>data item</i>	Frequency	Submission deadline	Description of <i>data item</i>	Frequency	Submission deadline
			<i>Annual re- port and accounts</i>	Annually	6 month's after the <i>Society's accounting reference date</i>
			Annual Lloyd's re- turn	Annually	6 months after the <i>Society's accounting reference date</i>
			Syndicate accounts and re- ports (note 2)	Annually	6 months after the <i>Society's accounting reference date</i>
Quarterly reporting statement	Quarterly	15 <i>business days</i> after the quarter end			
Balance Sheet					
FSA001 (notes 15, 20) or	Quarterly or half yearly	(note 14)			

	<i>Member's adviser</i>	<i>the Society (note 1)</i>
FSA029	Quarterly (note 14)	
	(note 14)	
Income Statement		
FSA002	Quarterly (note 14)	
(note 20),	or half	
or	yearly	
	(note 14)	
FSA030	Quarterly (note 14)	
Capital Adequacy		
FSA003	Monthly, (note 14)	
(notes 4,	quarterly	
20) or	or half	
	yearly	
	(note 14)	
FSA033	Quarterly (note 14)	
(note 12) or		
FSA034	Quarterly (note 14)	
(note 13) or		
FSA035	Quarterly (note 14)	
(note 13)		
Credit Risk		
FSA004	Quarterly (note 14)	
(notes 5,	or half	
20)	yearly	
	(note 14)	
Market Risk		
FSA005	Quarterly (note 14)	
(notes 6,	or half	
20)	yearly	
	(note 14)	
Large Exposures		
FSA008	Quarterly	20 business
(Notes 20,		days (note
21)		19)

	<i>Member's adviser</i>	the <i>Society</i> (note 1)
Note 1	The <i>Society</i> must prepare its reports in the format specified in <i>IPRU(INS)</i> Appendix 9.11, unless Note 2 applies.	
Note 2	The <i>Society</i> must ensure that the annual syndicate accounts and reports are prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (S.I. 2008/1950).	
Note 3	[deleted]	
Note 4	Only <i>firms</i> subject to <i>IPRU(INV)</i> 4 report <i>data item</i> FSA003.	
Note 5	<p>This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at anytime within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA004 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p> <p>The threshold is exceeded where <i>data element</i> 77A in <i>data item</i> FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p>	
Note 6	<p>This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at anytime within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA005 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p> <p>The threshold is exceeded where <i>data element</i> 93A in <i>data item</i> FSA003 is greater than £50 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p>	
Note 7	[deleted]	
Note 8	[deleted]	

	<i>Member's adviser</i>	<i>the Society (note 1)</i>
Note 9	[deleted]	
Note 10	[deleted]	
Note 11	[deleted]	
Note 12	FSA033 is only applicable to <i>firms</i> subject to <i>IPRU(INV)</i> 3	
Note 13	Only applicable to <i>firms</i> subject to <i>IPRU(INV)</i> 5. FSA034 must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2)R.	
	FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2)R.	
Note 14	<i>BIPRU firms</i> report half yearly on 30 <i>business days</i> submission . All UK <i>consolidation group</i> reports report half yearly on 45 <i>business days</i> submission. All other <i>firms</i> report monthly on 20 <i>business days</i> submission.	
Note 15	This <i>data item</i> only applies to <i>BIPRU firms</i>.	
Note 16	[deleted]	
Note 17	[deleted]	
Note 18	[deleted]	
Note 19	<i>UK consolidation group</i> reports have 45 <i>business days</i> submission.	
Note 20	<i>Firms</i> that are members of a <i>UK consolidation group</i> are also required to submit FSA001, FSA002, FSA003, FSA004, FSA005 and FSA008 on a <i>UK consolidation group</i> basis.	
Note 21	This will not be applicable to <i>BIPRU firms</i>.	

16.12.9A

FCA

G

A *Member's adviser* that is also an *IFPRU investment firm* will also fall under one of the higher number *RAGs* that apply to *IFPRU investment firms* . That means that it will have to report a number of *data items* in addition to the ones that it has to supply under *RAG* 2.2.

16.12.10

FCA PRA

R

Regulated Activity Group 3

(1) ■ SUP 16.12.11 R to ■ SUP 16.12.13 R do not apply to:

- (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
- (b) an *OPS firm*;
- (c) a local authority;
- (d) a *service company*.

- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.
- (3) A *service company* must submit a copy of its annual audited financial statements within 6 months from its *accounting reference date*. However, the *firm* need only submit this if the report was audited as a result of a statutory provision other than the *Act*.

16.12.11 **R**
FCA

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to *firm* type in the table below:

De- scrip- tion of <i>data</i> <i>item</i>	Firms' prudential category and applicable <i>data items</i> (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms				
	IFPRU	BIPRU	IR(N) Chap- ter 3	IR(N) Chap- ter 5	IR(N) Chap- ter 9	IR(N) Chap- ter 13	UP- RU
<i>Annual report and accounts</i>	No standard format		No stan- dard for- mat (note 19)	No standard format		No stan- dard for- mat (Note 13)	No stan- dard for- mat
<i>Annual report and accounts of the mixed-activity holding company</i> (note 10)	No standard format						
<i>Solvency state- ment</i>	No standard format (note 11)		No stan- dard for- mat	No stan- dard for- mat			No stan- dard for- mat

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>							
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>					
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IRU</i> Chap- ter 3	<i>IRU</i> Chap- ter 5	<i>IRU</i> Chap- ter 9	<i>IRU</i> Chap- ter 13	<i>UP- RU</i>	
			(note 20)	(note 11)			(note 11)	
Balance sheet	FSA001/FIN-REP (note 36)	FSA001 (Note 2)	FSA029 (note 18)	FSA029	FSA029	FSA029	FSA029 (note 15) or Section A RMAR (note 15)	FSA029
Income statement	FSA002/FIN-REP (note 36)	FSA002 (Note 2)	FSA030 (note 18)	FSA030	FSA030	FSA030	FSA030 (note 15) or Section B RMAR (note 15)	FSA030
Capital adequacy	COREP (Note 36)	FSA003 (Note 2)	FSA033 (note 18)	FSA034 or FSA035 (note 14)	FSA031	FSA032	FSA032 (note 15) or Sections D1 and D2 RMAR (note 15)	FSA036
Supplementary capital data for collective portfolio	FIN067 (Note 35)	FIN068 (Note 35)						

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IRU</i> Chap- ter 3	<i>IRU</i> Chap- ter 5	<i>IRU</i> Chap- ter 9	<i>IRU</i> Chap- ter 13	<i>UP- RU</i>

<i>manage- ment in- vestment firms</i>							
Credit risk	COREP (Note 36)	FSA004 (Notes 2, 3)					
Market risk	COREP (Note 36)	FSA005 (Notes 2, 4)					
Market risk - supplementary	FSA006 (note 5)	FSA006 (Note 5)					
Operational risk	COREP (Note 36)						
Large exposures	COREP (Note 36)						
Exposures between core UK group and non-core large exposures group	FSA018 (note 12)						
Solo consolidation data	FSA016 (note 25)	FSA016 (Note 25)					

Description of data item	Firms' prudential category and applicable data items (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms				
	IFPRU	BIPRU	IR(U) Chapter 3	IR(U) Chapter 5	IR(U) Chapter 9	IR(U) Chapter 13	UP-RU
Pillar 2 question-naire	FSA019 (note 8)	FSA019 (Note 8)					
Non-EEA sub-group	COREP (Note 36)	FSA028 (Note 9)					
Threshold conditions						Section F RMAR (Note 15)	
Client money and client assets	FSA039	FSA039	FSA039 (note 18)	FSA039	FSA039	FSA039	Section C RMAR (Note 15) or FSA039
CFTC	FSA040 (note 24)	FSA040 (Note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)
IRB portfolio risk	FSA045 (note 22)	FSA045 (Note 22)					
Securiti-sation: non-trading book	COREP (Note 36)	FSA046 (Note 23)					
Daily Flows	FSA047/COREP (Notes 26, 29, 31, 33, and 36)						

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IR(N) Chap- ter 3</i>	<i>IR(N) Chap- ter 5</i>	<i>IR(N) Chap- ter 9</i>	<i>IR(N) Chap- ter 13</i>	<i>UP- RU</i>
En- hanced Mis- match Report	FSA08COREP (Notes 26, 29, 31, 33, and 36)						
Liquidi- ty Buffer Qualify- ing Secu- rities	FSA09COREP (Notes 27, 30, 31, 33, and 36)						
Funding Concen- tration	FSA05COREP (Notes 27, 30, 31, 33, and 36)						
Pricing data	FSA02COREP (Notes 27, 31, 33, 34, and 36)						
Retail and cor- porate funding	FSA03COREP (Notes 27, 30, 31, 33, and 36)						
Curren- cy Anal- ysis	FSA04COREP (Notes 27, 30, 31, 33, and 36)						
Systems and Con- trols Ques- tion- naire	FSA05COREP (Notes 28, 33, and 36)		FSA055 (Notes 28 and 33)				

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IRNY</i> Chap- ter 3	<i>IRNY</i> Chap- ter 5	<i>IRNY</i> Chap- ter 9	<i>IRNY</i> Chap- ter 13	<i>UP- RU</i>

**Securiti- COREP
sation: (Note 36)
trading
book**

Note 1 *All firms, except IFPRU investment firms in relation to data items reported under the EU CRR, when submitting the completed data item required, a firm must use the format of the data item set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.*

Note 2 *Firms that are members of a UK consolidation group are also required to submit this report on a UK consolidation group basis.*

Note 3 *This applies to a firm that is required to submit data item FSA003 and, at any time within the 12 months up to its latest accounting reference date ("the relevant period"), was reporting data item FSA004 ("Firm A") or not reporting this item ("Firm B").*

In the case of Firm A it must report this data item if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where data element 77A in data item FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the firm.

Note 4 *This applies to a firm that is required to submit data item FSA003 and, at anytime within the 12 months up to its latest accounting reference date ("the relevant period"), was reporting data item FSA005 ("Firm A") or not reporting this item ("Firm B").*

In the case of Firm A it must report this data item if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>			<i>Firms other than BIPRU firms or IFPRU investment firms</i>			
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IRU</i> Chap- ter 3	<i>IRU</i> Chap- ter 5	<i>IRU</i> Chap- ter 9	<i>IRU</i> Chap- ter 13	<i>UP- RU</i>

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element 93A in data item FSA003* is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 5 Only applicable to *firms* with a *VaR model permission*.

Note 6 [deleted]

Note 7 [deleted]

Note 8 Only applicable to *IFPRU investment firms* and *BIPRU firms* that:

(a) are subject to consolidated supervision under **BIPRU 8**, except those that are either included within the consolidated supervision of a group that includes a *UK credit institution*, or that have been granted an *investment firm consolidation waiver*; or

(b) have been granted an *investment firm consolidation waiver*; or

(c) are not subject to consolidated supervision under **BIPRU 8**.

An *IFPRU investment firm* and a *BIPRU firm* under (a) must complete the report on the basis of its *UK consolidation group*. An *IFPRU investment firm* and a *BIPRU firm* under (b) or (c) must complete the report on the basis of its solo position.

Note 9 This will be applicable to firms that are members of a *UK consolidation group* on the reporting date.

Note 10 Only applicable to a *firm* whose ultimate parent is a *mixed activity holding company*.

Note 11 Only applicable to a *firm* that is a *sole trader* or a *partnership*, when the report must be submitted by each *partner*.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms'</i> prudential category and applicable <i>data items</i> (note 1)						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IPRU</i> Chap- ter 3	<i>IPRU</i> Chap- ter 5	<i>IPRU</i> Chap- ter 9	<i>IPRU</i> Chap- ter 13	<i>UP- RU</i>

- Note 12** This is only applicable to a *firm* that has both a *core UK group* and a *non-core large exposures group*.
- Note 13** For firms subject to *IPRU(INV)* Chapter 13, this only applies to firms that are *exempt-CAD firms*.
- Note 14** FSA034 must be completed by a *firm* not subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

FSA035 must be completed by a firm subject to the exemption in *IPRU(INV)* 5.2.3(2)R.
- Note 15** FSA029, FSA030, FSA032 and FSA039 only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*. Sections A, B, C, D1, D2 and F RMAR only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.
- Note 16** [deleted]
- Note 17** An *exempt BIPRU commodity firm* will, by virtue of the definition of *BIPRU TP 15*, be exempt from completing FSA003 (and thus FSA004, FSA005, FSA006 and FSA007) for the duration of the transitional provision. It is however required to submit all other *data items* applicable according to the firm's *BIPRU* classification including, for the avoidance of doubt, *BIPRU TP 16*.
- Note 18** Except if the *firm* is an *adviser, local* or traded options market maker (as referred to in *IPRU(INV)* 3-60(4)R).
- Note 19** In the case of an *adviser, local* or traded options market maker (as referred to in *IPRU(INV)* 3-60(4)R), it is only required from *partnerships* and *bodies corporate*, and then only if the report was audited as a result of a statutory provision other than under the *Act*.
- Note 20** Only required in the case of an *adviser, local* or traded options market maker (as referred to in *IPRU(INV)* 3-60(4)R) that is a *sole trader*.
- Note 21** [deleted]
- Note 22** Only applicable to *firms* that have an *IRB permission*.

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>			<i>Firms other than BIPRU firms or IFPRU investment firms</i>			
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IR(N) Chapter 3</i>	<i>IR(N) Chapter 5</i>	<i>IR(N) Chapter 9</i>	<i>IR(N) Chapter 13</i>	<i>UP-RU</i>

Note 23 Only applicable to *firms* that hold *securitisation positions*, or are the *originator* or *sponsor* of *securitisations*. of *non-trading book exposures*.

Note 24 Only applicable to *firms* granted a *Part 30 exemption order* and operating an arrangement to cover forward profits on the London Metals Exchange.

Note 25 Only applicable to a *firm* that has a *solo consolidation waiver*.

Note 26 A *firm* must complete this item separately on each of the following bases (if applicable).

(1) It must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

(4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.

Note 27 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms'</i> prudential category and applicable <i>data items</i> (note 1)						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>ILAS</i> Chap- ter 3	<i>ILAS</i> Chap- ter 5	<i>ILAS</i> Chap- ter 9	<i>ILAS</i> Chap- ter 13	<i>UP- RU</i>

Note 28 If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 29 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms'</i> prudential category and applicable <i>data items</i> (note 1)						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>ILAS</i> Chap- ter 3	<i>ILAS</i> Chap- ter 5	<i>ILAS</i> Chap- ter 9	<i>ILAS</i> Chap- ter 13	<i>UP- RU</i>

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 30 Note 29 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 31 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 32 Only applicable to *firms* that hold *securitisation positions* in the trading book and/or are the *originator* or *sponsor* of *securitisations* held in the *trading book*.

Note 33 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an *ILAS BIPRU firm*. An *ILAS BIPRU firm* does not need to complete FSA055. A *non-ILAS BIPRU firm* must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

Note 34 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

Note 35 Only applicable to *firms* that are *collective portfolio management investment firms*.

Description of data item	Firms' prudential category and applicable data items (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms				
	IFPRU	BIPRU	ILAS Chapter 3	ILAS Chapter 5	ILAS Chapter 9	ILAS Chapter 13	UP-RU

Note 36 Requirements under COREP and FINREP should be determined with reference to the *EU CRR* and applicable technical standards.

16.12.11A **G**
FCA

The column in the table in ■ SUP 16.12.11 R that deals with *IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm* (please see notes 28 and 33)

16.12.11B **R**
PRA

The applicable *data items* referred to in ■ SUP 16.12.4 R for *UK designated investment firms* are set out below:

Description of data item	Applicable data items (Note 1)
<i>Annual report and accounts</i>	No standard format
<i>Annual report and accounts of the mixed-activity holding company</i> (note 5)	No standard format
Solvency statement	No standard format (Note 6)
Balance sheet	FSA001 (Note 2)
Income statement	FSA002 (Note 2)
Market risk	FSA005 (notes 2, 19)
Market risk-supplementary	FSA006 (Note 3)
Exposures between <i>core UK group</i> and <i>non-core large exposures group</i>	FSA018 (Note 7)
Solo consolidation data	FSA016 (Note 9)
Pillar 2 questionnaire	FSA019 (Note 4)
IRB portfolio risk	FSA045 (Note 18)
Daily flows	FSA047 (Notes 10, 13, 15 and 16)
Enhanced Mismatch Report	FSA048 (Notes 10, 13, 15 and 16)
Liquidity Buffer Qualifying Securities	FSA050 (Notes 11, 14, 15 and 16)
Funding Concentration	FSA051 (Notes 11, 14, 15 and 16)
Pricing data	FSA052 (Notes 11, 15, 16 and 17)
Retail and corporate funding	FSA053 (Notes 11, 14, 15 and 16)

<p>Currency Analysis</p> <p>Systems and Controls Questionnaire</p>	<p>FSA054 (Notes 11, 14, 15 and 16)</p> <p>FSA055 (Notes 12 and 16)</p>
<p>Note 1</p>	<p>When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25AG.</p>
<p>Note 2</p>	<p><i>Firms</i> that are members of a <i>consolidation group</i> are also required to submit this report on a <i>consolidation group</i> basis.</p>
<p>Note 3</p>	<p>Only applicable to <i>firms</i> with a <i>VaR model permission</i>.</p>
<p>Note 4</p>	<p>Only applicable to <i>UK designated investment firms</i> that:</p> <p>(a) are subject to consolidated supervision under the <i>EU CRR</i>, except those that are either included within the consolidated supervision of a group that includes a <i>UK credit institution</i>, or</p> <p>(b) are not subject to consolidated supervision under the <i>EU CRR</i>.</p> <p>A <i>UK designated investment firm</i> under (a) must complete the report on the basis of its <i>consolidation group</i>. A <i>UK designated investment firm</i> under (b) must complete the report on the basis of its solo position.</p>
<p>Note 5</p>	<p>Only applicable to a <i>firm</i> whose ultimate parent is a <i>mixed activity holding company</i>.</p>
<p>Note 6</p>	<p>Only applicable to a <i>firm</i> that is a <i>sole trader</i> or a <i>partnership</i>, when the report must be submitted by each <i>partner</i>.</p>
<p>Note 7</p>	<p>Only applicable to a <i>firm</i> that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>.</p>
<p>Note 9</p>	<p>Only applicable to a <i>firm</i> with an <i>individual consolidation permission</i></p>
<p>Note 10</p>	<p>A <i>firm</i> must complete this item separately on each of the following bases (if applicable).</p> <p>(1) It must complete it on a solo basis. Therefore even if it has an <i>individual consolidation permission</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p> <p>(2) If it is a <i>group liquidity reporting firm</i> in a <i>DLG by default</i> and is a <i>UK lead regulated firm</i>, it must complete the item on the basis of that group.</p>

Note 11	<p>(3) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p> <p>(4) If it is a <i>group liquidity reporting firm</i> in a <i>non-UK DLG by modification</i>, it must complete the item on the basis of that group.</p> <p>A <i>firm</i> must complete this item separately on each of the following bases that are applicable.</p> <p>(1) It must complete it on a solo basis unless it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>. Therefore even if it has an <i>individual consolidation permission</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p> <p>(2) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
Note 12	<p>If it is a <i>non-ILAS BIPRU firm</i>, it must complete it on a solo basis. Therefore even if it has an <i>individual consolidation permission</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p>
Note 13	<p>(1) This item must be reported in the reporting currency.</p> <p>(2) If any <i>data element</i> is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.</p> <p>(3) In addition, all <i>material currencies</i> (which may include the reporting currency) must each be recorded separately (translated into the reporting currency).</p> <p>However if:</p> <p>(a) the reporting frequency is (whether under a <i>rule</i> or under a <i>waiver</i>) quarterly or less than quarterly; or</p> <p>(b) the only <i>material currency</i> is the reporting currency;</p> <p>(3) does not apply.</p> <p>(4) If there are more than three <i>material currencies</i> for this <i>data item</i>, (3) only applies to the three largest in amount. A <i>firm</i> must identify the largest in amount in accordance with the following procedure.</p>

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 14 Note 13 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 15 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 16 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an *ILAS BIPRU firm*. An *ILAS BIPRU firm* does not need to complete FSA055. A *non-ILAS BIPRU firm* must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

Note 17 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

Note 18 Only applicable to *firms* that have an *IRB permission*.

Note 19 Lines 62 to 64 only are applicable. These lines apply to a *firm* that applies add-ons to their market risk capital calculation under the RNIV framework. For further guidance on how to complete the form refer to SUP 16 Annex 25A G.

16.12.12
FCA

R

The applicable reporting frequencies for *data items* referred to in ■ SUP 16.12.4 R are set out in the table below according to *firm* type. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

Data Item	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CORFIN-REP	Refer to EU CRR and applicable technical standards			Refer to EU CRR and applicable technical standards		
Annual report and accounts	Annually	Annually	Annually	Annually		Annually
Annual report and accounts of the mixed-activity holding company	Annually	Annually	Annually	Annually		
Solvency statement	Annually	Annually	Annually	Annually		Annually
FSA001	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	

Data Item	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA002	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA003				Half yearly	Half yearly	
FSA004				Half yearly	Half yearly	
FSA005				Half yearly	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	
FSA007				Annual (note 4)	Annual (note 4)	
FSA016	Half yearly	Half yearly	Half yearly	Half yearly		
FSA018	Quarterly	Quarterly	Quarterly			
FSA019	Annually	Annually	Annually	Annually	Annually	
FSA028				Half yearly		
FSA029						Quarterly

Data Item	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA030						Quarterly
FSA031						Quarterly
FSA032						Quarterly
FSA033						Quarterly
FSA034						Quarterly
FSA035						Quarterly
FSA036						Quarterly
FSA039	Half yearly	Half yearly	Half yearly	Half yearly		Half yearly
FSA040	Quarterly	Quarterly	Quarterly	Quarterly		Quarterly
FSA045	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA046				Quarterly	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)					Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)					Daily, weekly,

Data Item	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
					monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)				Monthly (Note 5)	
FSA051	Monthly (Note 5)				Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)				Weekly or monthly (Notes 5 and 10)	
FSA053	Quarterly (Note 5)				Quarterly (Note 5)	
FSA054	Quarterly (Note 5)				Quarterly (Note 5)	
FSA055	Annually (Note 5)				Annually (Note 5)	
FSA058					Quarterly	Quarterly

Data Item	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards			Refer to <i>EU CRR</i> and applicable technical standards		
FIN067	Quarterly (note 5)					
FIN068				Half yearly		
Section A RMAR				Half yearly (note 2) Quarterly (note 3)		
Section B RMAR				Half yearly (note 2) Quarterly (note 3)		
Section C RMAR				Half yearly (note 2) Quarterly (note 3)		
Section D1 and D2 RMAR				Half yearly (note 2) Quarterly (note 3)		
Section F RMAR				Half yearly		
Note 1	[deleted]					
Note 2	Annual regulated business revenue up to and including £5 million.					
Note 3	Annual regulated business revenue over £5 million.					

Data Item	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
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CRR/REP	Refer to EU CRR and applicable technical standards	Refer to EU CRR and applicable technical standards
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Note 4 The reporting date for this *data item* is six months after a *firm's* most recent *accounting reference date*.

Note 5 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's* *accounting reference date*. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.
- (4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

Data Item	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards			Refer to <i>EU CRR</i> and applicable technical standards		

Note 6 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm* in a *non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm* in a *UK DLG by modification*.

Data Item	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
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CRR/REP	Refer to EU CRR and applicable technical standards	Refer to EU CRR and applicable technical standards
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Note 7 (1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 8 (1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-*

Data Item	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
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CORFIN-REP	Refer to EU CRR and applicable technical standards	Refer to EU CRR and applicable technical standards
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specific liquidity stress or market liquidity stress in relation to the firm or group in question.

(3) A firm must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no firm-specific liquidity stress or market liquidity stress and none is expected.

Note 9 If the report is on a solo basis the reporting frequency is as follows:

(1) weekly if the firm is a standard frequency liquidity reporting firm; and

(2) monthly if the firm is a low frequency liquidity reporting firm.

Note 10 If the report is by reference to the firm's UK DLG by modification the reporting frequency is:

(1) weekly if the group liquidity standard frequency reporting conditions are met;

(2) monthly if the group liquidity low frequency reporting conditions are met.

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The applicable reporting frequencies for *data items* referred to in SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

Data item	Reporting frequency
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<i>Annual report and accounts</i>	Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually
Solvency statement	Annually
FSA001	Quarterly
FSA002	Quarterly
FSA005	Quarterly
FSA006	Quarterly
FSA016	Half yearly
FSA018	Quarterly
FSA019	Annually
FSA045	Quarterly
FSA047	Daily, weekly, monthly or quarterly (Notes 1, 2 and 3)
FSA048	Daily, weekly, monthly or quarterly (Notes 1, 2 and 3)
FSA050	Monthly (Note 1)
FSA051	Monthly (Note 1)
FSA502	Weekly or monthly (Notes 1 and 4)
FSA053	Quarterly (Note 1)
FSA054	Quarterly (Note 1)
FSA055	Annually (Note 1)

Note 1 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

(1) A week means the period beginning on Saturday and ending on Friday.

(2) A month begins on the first day of the calendar month and ends on the last day of that month.

(3) Quarters end on 31 March, 30 June, 30 September and 31 December.

(4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

Note 2

If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm* in a *non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm* in a *UK DLG by modification*.

Note 3

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

Note 4 If the report is on a solo basis the reporting frequency is:

(1) Weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(2) Monthly if the *firm* is a *low frequency liquidity reporting firm*.

16.12.13 **R**
FCA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.12 R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
Annual report and accounts						80 <i>business days</i>
Annual report and accounts of the mixed-activity holding company						7 months
Solvency statement						3 months
FSA001				20 <i>business days</i>	30 <i>business days</i> (note 1)	45 <i>business days</i> (note 2)

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREN-REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA002				20 <i>business days</i>	30 <i>business days</i> (note 1)	
					45 <i>business days</i> (note 2)	
FSA003			15 <i>business days</i>	20 <i>business days</i>	30 <i>business days</i> (note 1)	
					45 <i>business days</i> (note 2)	
FSA004				20 <i>business days</i>	30 <i>business days</i> (note 1)	
					45 <i>business days</i> (note 2)	
FSA005				20 <i>business days</i>	30 <i>business days</i> (note 1)	
					45 <i>business days</i> (note 2)	
FSA006				20 <i>business days</i>		
FSA007						2 months
FSA016					30 <i>business days</i>	
FSA018				45 <i>business days</i>		
FSA019						2 months
FSA028					30 <i>business days</i>	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA029				20 business days		
FSA030				20 business days		
FSA031				20 business days		
FSA032				20 business days		
FSA033				20 business days		
FSA034				20 business days		
FSA035				20 business days		
FSA036				20 business days		
FSA039					30 business days	
FSA040				15 business days		
FSA045				20 business days	30 business days (note 1), 45 business days (note 2)	
FSA046				20 business days (Note 1), 45 business days (Note 2)		
FSA047	22.00 hours (London time) on the business day	22.00 hours (London time) on the business day	15 business days	15 business days or one Month (Note 3)		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREFIN REP	Refer to <i>EU CRR</i> and applicable technical standards					
	immediately following the last day of the reporting period for the item in question	immediately following the last day of the reporting period for the item in question				
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 3)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the <i>second business day</i> immediately following the last day of the	15 <i>business days</i>			

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
	reporting period for the item in question					
FSA053				15 <i>business days</i>		
FSA054				15 <i>business days</i>		
FSA055						15 <i>business days</i>
FSA058				20 <i>business days</i> (Note 1), 45 <i>business days</i> (Note 2)		
FIN067				30 <i>days</i>		
FIN068					30 <i>business days</i>	
Section A RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section B RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section C RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section D6 RMAR- Sections D1 and D2				30 <i>business days</i>	30 <i>business days</i>	
Section F RMAR					30 <i>business days</i>	
Note 1	For unconsolidated and solo-consolidated reports.					
Note 2	For UK consolidation group reports.					

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREFIN REP	Refer to <i>EU CRR</i> and applicable technical standards					
Note 3	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i>.					

16.12.13A **R**
PRA

The applicable due dates for submission referred to in **■** SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in **■** SUP 16.12.12A R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Halfyearly	Annual
Annual report and accounts						80 <i>business days</i>
<i>Annual report and accounts of the mixed-activity holding company</i>						7 months
Solvency statement						3 months
FSA001				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i> (Note 2)	
FSA002				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i> (Note 2)	
FSA005				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i>	

					<i>ness days (Note 2)</i>
FSA006				20 <i>business days</i>	
FSA016					30 <i>business days</i>
FSA018				45 <i>business days</i>	
FSA019					2 months
FSA045				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i> (Note 2)
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one month (Note 3)	
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period	15 <i>business days</i>	15 <i>business days</i> or one month (Note 3)	

	for the item in question	for the item in question	
FSA050			15 <i>business days</i>
FSA051			15 <i>business days</i>
FSA052	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question		15 <i>business days</i>
FSA053			15 <i>business days</i>
FSA054			15 <i>business days</i>
FSA055			15 <i>business days</i>
Note 1: For unconsolidated and solo-consolidated reports			
Note 2: For consolidation group reports			
Note 3: It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i>.			

Regulated Activity Group 4

16.12.14

FCA

R

- (1) ■ SUP 16.12.15 R to ■ SUP 16.12.17 R do not apply to:
 - (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
 - (b) an *OPS firm*;
 - (c) a local authority.

(2) A lead regulated firm and an OPS firm must submit a copy of its annual report and audited accounts within 80 business days from its accounting reference date.

16.12.15 R
FCA

The applicable data items referred to in SUP 16.12.4 R according to type of firm are set out in the table below:

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)								
	IFPRU invest- ment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF- PRU	BIPRU	IRNY Chap- ter 3	IRNY Chap- ter 5	IRNY Chap- ter 9	IRNY Chap- ter 11 (col- lec- tive port- fo- lio man- age- ment firms on- ly)	IRNY Chap- ter 12	IRNY Chap- ter 13	UP- RU
Annua- l re- port and ac- counts	No standard format (note 13)		No	No	No	No	No	No	No
Annua- l re- port and ac- counts of the (note 10)	No standard for- mat (note 13)		No	No	No	No	No	No	No
Sol- ven- cy	No stan- dard	No standard format (Note 11)	No stan- dard	No stan- dard	No stan- dard	No stan- dard	No stan- dard	No stan- dard	No stan- dard

Description of data item	Firms' prudential category and applicable data items (note 1)								
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF-PRU	BIPRU	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11	IRU Chapter 12	IRU Chapter 13	UP-RU
						(collective portfolio management firms only)			
statement	for-								for-
	mat								mat
Bal- ance sheet	FSA001 REP (Notes 2 and 34)	FSA001 (Note 2)	FSA029	FSA029	FSA029	FSA029	FSA029	FSA029	FSA029
									(note 15) or Section A RMAR (note 15)
In- come state- ment	FSA001 REP (Notes 2 and 34)	FSA002 (Note 2)	FSA080	FSA080	FSA080	FSA080	FSA080	FSA080	FSA080
									(note 15) or Section B RMAR (note 15)
Cap- ital ade-	COREP (Note 34)	FSA003 (Note 2)	FSA083	FSA084 or FSA085	FSA081	FIN066	FIN069	Sec- tionD1 and	FSA086

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF-PRU	BIPRU	IRNY Chapter 3	IRNY Chapter 5	IRNY Chapter 9	IRNY Chapter 11	IRNY Chapter 12	IRNY Chapter 13	UP-RU
						(collective portfolio management firms only)			
quality				(note 14)				D2 RMAR or ISAE (note 15)	
Supplementary capital data for collective portfolio management investment firms	FIN067 (Note 32)	FIN068 (Note 32)							

Description of data item	Firms' prudential category and applicable data items (note 1)								
	IF-PRU	BIPRU	IRU/Chapter 3	IRU/Chapter 5	IRU/Chapter 9	IRU/Chapter 11 (collective portfolio management firms only)	IRU/Chapter 12	IRU/Chapter 13	UP-RU
Credit risk	COREP	FSA004	(Note 34)	(Notes 2, 3)					
Market risk	COREP	FSA005	(Note 34)	(Notes 2, 4)					
Market risk - supplementary	FSA006	FSA006	(note 5)	(note 5)					
Operational risk	COREP		(Note 34)						
Large exposures	COREP		(Note 34)						
Exposures between core	FSA018		(note 12)						

De- scrip- tion of da- ta item	<i>Firms' prudential category and applicable data items (note 1)</i>								
	<i>IFPRU invest- ment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>						
	<i>IF- PRU</i>	<i>BIPRU</i>	<i>IRNJ Chap- ter 3</i>	<i>IRNJ Chap- ter 5</i>	<i>IRNJ Chap- ter 9</i>	<i>IRNJ Chap- ter 11</i>	<i>IRNJ Chap- ter 12</i>	<i>IRNJ Chap- ter 13</i>	<i>UP- RU</i>
						<i>(col- lec- tive port- fo- lio man- age- ment firms on- ly)</i>			

UK group and non- core large expo- sures group									
Solo con- sol- ida- tion data	FSA016 (note 20)	FSA016 (Note 20)							
Pillar 2 ques- tion- naire	FSA019 (note 8)	FSA019 (Note 8)							
Non- EEA sub- group	COREP (Note 34)	FSA028 (Note 9)							

Description of data item	Firms' prudential category and applicable data items (note 1)								
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF-PRU	BIPRU	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11 (collective portfolio management firms only)	IRU Chapter 12	IRU Chapter 13	UP-RU
Threshold conditions									Section F RMAR (note 15)
Volumes and types of business (note 21)	FSA038	FSA038	FSA038	FSA038	FSA038	FSA038			FSA038 FSA038
Client money and client assets	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039		Section C RMAR (note 15) or FSA039
UCITS (note 22)						FSA042			FSA042

De- scrip- tion of da- ta item	<i>Firms' prudential category and applicable data items (note 1)</i>								
	<i>IFPRU invest- ment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>						
	<i>IF- PRU</i>	<i>BIPRU</i>	<i>IRNJ Chap- ter 3</i>	<i>IRNJ Chap- ter 5</i>	<i>IRNJ Chap- ter 9</i>	<i>IRNJ Chap- ter 11</i>	<i>IRNJ Chap- ter 12</i>	<i>IRNJ Chap- ter 13</i>	<i>UP- RU</i>
IRB port- folio risk	FSA05 (note 18)	FSA045 (Note 18)							
Secu- ritisa- tion: non- trad- ing book	COREP (Note 34)	FSA046 (Note 19)							
Daily Flows	ISCRP (Notes 23, 26, 28, 30 and 34)								
En- hanced Mis- match Re- port	ISCRP (Notes 23, 26, 28, 30 and 34)								

Description of data item	Firms' prudential category and applicable data items (note 1)								
	IF-PRU	BIPRU	IRU/Chapter 3	IRU/Chapter 5	IRU/Chapter 9	IRU/Chapter 11 (collective portfolio management firms only)	IRU/Chapter 12	IRU/Chapter 13	UP-RU

Liquidity Buffer (Notes 24, 27, 28, 30 and 34)

Funding Concentration (Notes 24, 27, 28, 30 and 34)

Pricing data (Notes 24, 28, 30, 31 and 34)

Retail and corporate (Notes 24, 27, 28, 30)

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF-PRU	BIPRU	IRNY Chapter 3	IRNY Chapter 5	IRNY Chapter 9	IRNY Chapter 11	IRNY Chapter 12	IRNY Chapter 13	UP-RU
fund- and ing 34)									
Currency Analysis and 34)									
Systems and Controls Questionnaire and 30)									
Securitisating book									

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	IF-PRU	BIPRU	IRU/Chapter 3	IRU/Chapter 5	IRU/Chapter 9	IRU/Chapter 11	IRU/Chapter 12	IRU/Chapter 13	UP-RU
						(collective portfolio management firms only)			

Information on P2P agreements **FIN070**

Note 1 All firms, except *IFPRU investment firms* in relation to *data items* reported under the *EU CRR*, when submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in [SUP 16 Annex 24 R](#). Guidance notes for completion of the *data items* are contained in [SUP 16 Annex 25 G](#).

Note 2 *Firms* that are members of a *UK consolidation group* are also required to submit this report on a *UK consolidation group* basis.

Note 3 This applies to a *firm* that is required to submit *data item* FSA003 and at anytime within the 12 months up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA004 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF-PRU	BIPRU	IRNY Chapter 3	IRNY Chapter 5	IRNY Chapter 9	IRNY Chapter 11	IRNY Chapter 12	IRNY Chapter 13	UP-RU
						(collective portfolio management firms only)			

The threshold is exceeded where *data element 77A* in *data item FSA003* is greater than £10 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 4 This applies to a *firm* that is required to submit *data item FSA003* and at any time within the 12 months up to its latest *accounting reference date* ("the relevant period"), was reporting *data item FSA005* ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this data item if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element 93A* in *data item FSA003* is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 5 Only applicable to *firms* with a *VaR model permission*.

Note 6 [deleted]

Note 7 [deleted]

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)							
	IFPRU investment firms	BIPRU firms	IR(N) Chapter 3	IR(N) Chapter 5	IR(N) Chapter 9	IR(N) Chapter 11 (collective portfolio management firms only)	IR(N) Chapter 12	IR(N) Chapter 13

Note 8 Only applicable to *IFPRU investment firms* and *BIPRU firms* that :

(a) are subject to consolidated supervision under **BIPRU 8**, except those that are either included within the consolidated supervision of a group that includes a *UK credit institution*, or that have been granted an *investment firm consolidation waiver*; or

(b) have been granted an *investment firm consolidation waiver*;

or

(c) are not subject to consolidated supervision under **BIPRU 8**.

An *IFPRU investment firm* and a *BIPRU firm* under (a) must complete the report on the basis of its *UK consolidation group*. An *IFPRU investment firm* and a *BIPRU firm* under (b) or (c) must complete the report on the basis of its solo position.

Note 9 This will be applicable to firms that are members of a *UK consolidation group* on the reporting date.

Note 10 Only applicable to a *firm* whose ultimate parent is a *mixed-activity holding company*.

Note 11 Only applicable to a *firm* that is a *sole trader* or a *partnership*, when the report must be submitted by each *partner*.

Note 12 Only applicable to a *firm* that has both a *core UK group* and a *non-core large exposures group*.

De- scrip- tion of da- ta item	<i>Firms' prudential category and applicable data items (note 1)</i>								
	<i>IFPRU invest- ment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>						
	<i>IF- PRU</i>	<i>BIPRU</i>	<i>IRNY Chap- ter 3</i>	<i>IRNY Chap- ter 5</i>	<i>IRNY Chap- ter 9</i>	<i>IRNY Chap- ter 11</i>	<i>IRNY Chap- ter 12</i>	<i>IRNY Chap- ter 13</i>	<i>UP- RU</i>
									<i>(col- lec- tive port- fo- lio man- age- ment firms on- ly)</i>

Note 13 This *data item* is applicable to all *firms* in this table except a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.

Note 14 FSA034 must be completed by a *firm* not subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

FSA035 must be completed by a *firm* subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

Note 15 FSA029, FSA030, FSA032 and FSA039 only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*.

Sections A, B, C, D1, D2 and F RMAR only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.

Note 16 [deleted]

Note 17 [deleted]

Note 18 Only applicable to *firms* that have an *IRB permission*.

Note 19 Only applicable to *firms* that hold *securitisation positions*, or are the *originator* or *sponsor* of *securitisations of non-trading book exposures*.

Note 20 Only applicable to a *firm* that has a *solo consolidation waiver*.

Description of data item	Firms' prudential category and applicable data items (note 1)								
	IF-PRU	BIPRU	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11 (collective portfolio management firms only)	IRU Chapter 12	IRU Chapter 13	UP-RU

- Note 21** [deleted]
- Note 22** Only applicable to *firms* that have *permission* for *managing a UCITS*.
- Note 23** A *firm* must complete this item separately on each of the following bases (if applicable).
- (1) It must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
 - (2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.
 - (3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.
 - (4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.
- Note 24** A *firm* must complete this item separately on each of the following bases that are applicable.
- (1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms						
	IF-PRU	BIPRU	IRNJ Chapter 3	IRNJ Chapter 5	IRNJ Chapter 9	IRNJ Chapter 11	IRNJ Chapter 12	IRNJ Chapter 13	UP-RU
						(collective portfolio management firms only)			

a solo consolidation waiver it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a group liquidity reporting firm in a UK DLG by modification, it must complete the item on the basis of that group.

Note 25 If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 26 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	IFPRU investment firms	BIPRU firms	IRNY Chapter 3	IRNY Chapter 5	IRNY Chapter 9	IRNY Chapter 11	IRNY Chapter 12	IRNY Chapter 13	UPRU
						(collective portfolio management firms only)			

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 27 Note 26 applies, except that paragraphs (3), (4), and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 28 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification*

De- scrip- tion of da- ta item	<i>Firms' prudential category and applicable data items (note 1)</i>								
	<i>IFPRU invest- ment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>						
	<i>IF- PRU</i>	<i>BIPRU</i>	<i>IRNJ Chap- ter 3</i>	<i>IRNJ Chap- ter 5</i>	<i>IRNJ Chap- ter 9</i>	<i>IRNJ Chap- ter 11</i>	<i>IRNJ Chap- ter 12</i>	<i>IRNJ Chap- ter 13</i>	<i>UP- RU</i>
						<i>(col- lec- tive port- fo- lio man- age- ment firms on- ly)</i>			

or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular data item or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 29 Only applicable to *firms* that hold *securitisation positions* in the *trading book* and/or are the *originator* or *sponsor* of *securitisations* held in the *trading book*.

Note 30 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an *ILAS BIPRU firm*. An *ILAS BIPRU firm* does not need to complete FSA055. A *non-ILAS BIPRU firm* must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

Note 31 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

Note 32 Only applicable to *firms* that are *collective portfolio management investment firms*.

Note 33 Only applicable to *firms* that have a *managing investments permission*.

Description of data item	Firms' prudential category and applicable data items (note 1)								
	IF-PRU	BIPRU	IRU/Chapter 3	IRU/Chapter 5	IRU/Chapter 9	IRU/Chapter 11	IRU/Chapter 12	IRU/Chapter 13	UP-RU
						(collective portfolio management firms only)			

Note 34 Requirements under COREP and FINREP should be determined with reference to the EU CRR and applicable technical standards.

16.12.15A **G**
FCA

The column in the table in ■ SUP 16.12.15 R that deals with *IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm*(please see notes 25 and 30).

16.12.15B **R**
PRA

The applicable *data items* referred to in ■ SUP 16.12.4 R for *UK designated investment firms* are set out below:

Description of data item	Applicable data items (Note 1)
<i>Annual report and accounts</i>	No standard format
<i>Annual report and accounts of the mixed-activity holding company (Note 19)</i>	No standard format
Solvency statement (Note 20)	No standard format
Balance sheet	FSA001 (Note 2)
Income statement	FSA002 (Note 2)
Market risk	FSA005 (notes 2, 18)
Market risk ? supplementary	FSA006 (Note 3)
Exposures between <i>core UK group</i> and <i>non-core large exposures group</i>	FSA018 (Note 5)
Solo consolidation data	FSA016 (Note 6)
Pillar 2 questionnaire	FSA019 (Note 4)

Volumes and type of business (Note 15)	FSA038
UCITS (Note 16)	FSA042
IRB portfolio risk	FSA045 (note 17)
Daily Flows	FSA047 (Notes 7,10, 12 and 13)
Enhanced Mismatch Report	FSA048 (Notes 7, 10, 12 and 13)
Liquidity Buffer Qualifying Securities	FSA050 (Notes 8, 11, 12 and 13)
Funding Concentration	FSA051 (Notes 8, 11, 12 and 13)
Pricing data	FSA052 (Notes 8, 12, 13 and 14)
Retail and corporate funding	FSA053 (Notes 8, 11, 12 and 13)
Currency Analysis	FSA054 (Notes 8, 11, 12 and 13)
Systems and Control Questionnaire	FSA055 (Notes 9 and 13)

- Note 1** When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the *data items* are contained in SUP 16 Annex 25AG.
- Note 2** *Firms* that are members of a *consolidation group* are also required to submit this report on a *consolidation group* basis.
- Note 3** Only applicable to *firms* with a *VaR model permission*.
- Note 4** Only applicable to *UK designated investment firms* that:
- (a) are subject to consolidated supervision under the *EU CRR*, except those that are either included within the consolidated supervision of a group that includes a *UK credit institution*,
 - or
 - (b) are not subject to consolidated supervision under the *EU CRR*.
- A *UK designated investment firm* under (a) must complete the report on the basis of its *consolidation group*. A *UK designated investment firm* under (b) must complete the report on the basis of its solo position.
- Note 5** Only applicable to a *firm* that has both a *core UK group* and a *non-core large exposures group*.
- Note 6** Only applicable to a *firm* that has an *individual consolidation permission*.

- Note 7** A *firm* must complete this item separately on each of the following bases (if applicable).
- (1) It must complete it on a solo basis. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
- (2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.
- (3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.
- (4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.
- Note 8** A *firm* must complete this item separately on each of the following bases that are applicable.
- (1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
- (2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.
- Note 9** If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
- Note 10**
- (1) This item must be reported in the reporting currency.
- (2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.
- (3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:
- (a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 11 Note 10 applies, except that paragraphs (3), (4), and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 12 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 13 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an *ILAS BIPRU firm*. An *ILAS BIPRU firm* does not need to complete FSA055. A *non-ILAS BIPRU firm* must complete FSA055 and

	does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.
Note 14	This <i>data item</i> must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.
Note 15	Only applicable to <i>firms</i> that have a <i>managing investments permission</i> .
Note 16	Only applicable to <i>firms</i> that have <i>permission for establishing, operating or winding up a regulated collective investment scheme</i> .
Note 17	Only applicable to <i>firms</i> that have an <i>IRB permission</i> .
Note 18	Lines 63 to 64 only are applicable. These lines apply to a <i>firm</i> that applies add-ons to their market risk capital calculation under the RNIV framework.
Note 19	Only applicable to a <i>firm</i> whose ultimate parent is a <i>mixed activity holding company</i> .
Note 20	Only applicable to a <i>firm</i> that is a <i>sole trader</i> or a <i>partnership</i> , when the report must be submitted by each <i>partner</i> .

16.12.16

FCA

R

The applicable reporting frequencies for *data items* referred to in

■ SUP 16.12.15 R are set out in the table below according to *firm* type.

Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
Annual report and accounts	Annually	Annually	Annually	Annually	Annually	
Annual report and accounts of the mixed-activity holding company	Annually	Annually	Annually	Annually		
Solvency statement	Annually	Annually	Annually	Annually	Annually	
FSA001	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA002	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA003				Half yearly	Half yearly	
FSA004				Half yearly	Half yearly	
FSA005				Half yearly	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	
FSA007				Annual (note 4)	Annual (note 4)	
FSA016	Half yearly	Half yearly	Half yearly	Half yearly		

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA018	Quarterly	Quarterly	Quarterly			
FSA019	Annually	Annually	Annually	Annually	Annually	
FSA028				Half yearly		
FSA029						Quarterly
FSA030						Quarterly
FSA031						Quarterly
FSA032						Quarterly
FSA033						Quarterly
FSA034						Quarterly
FSA035						Quarterly
FSA036						Quarterly

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA038	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly	
FSA039	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly	
FSA042	Quarterly					Quarterly
FSA045	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA046				Quarterly	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)				Daily, weekly, monthly or quarterly (Notes	

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)				5, 7 and 8) Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)				Monthly (Note 5)	
FSA051	Monthly (Note 5)				Monthly	

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
					(Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)				Weekly or monthly (Notes 5 and 10)	
FSA053	Quarterly (Note 5)				Quarterly (Note 5)	
FSA054	Quarterly (Note 5)				Quarterly (Note 5)	
FSA055	Annually (Note 5)			Annually	Annually	

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA058					(Note 5) Quarterly	(Note 5) Quarterly
FIN066					Quarterly	
FIN067	Quarterly (Note 5)					
FIN068					Half yearly	
FIN069					Quarterly	
FIN070					Quarterly	
Section A RMAR					Half yearly (note 2) Quarterly (note 3)	

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
Section B RMAR						Half yearly (note 2) Quarterly (note 3)
Section C RMAR						Half yearly (note 2) Quarterly (note 3)
Sections D1 and D2 RMAR						Half yearly (note 2) Quarterly (note 3)
Section F RMAR						Half yearly
Note 1	[deleted]					
Note 2	Annual regulated business revenue up to and including £5 million.					
Note 3	Annual regulated business revenue over £5 million.					

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
<p>Note 4 The reporting date for this <i>data item</i> is six months after a <i>firm's</i> most recent <i>accounting reference date</i>.</p>						

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 5 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's* accounting reference date. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.
- (4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CRR/REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
<p>applicable under the changed reporting requirements if the firm receives that <i>intra-group liquidity modification</i> or variation part of the way through such a period, unless the <i>intra-group liquidity modification</i> says otherwise.</p>						

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 6 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm* in a *non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity re-*

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
<i>porting firm in a UK DLG by modification.</i>						

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CORFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 7 (1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm and collective portfolio management investment firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms or IFPRU investment firms
CRR/REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 8

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
CORFIN REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 9 If the report is on a solo basis the reporting frequency is as follows:

- (1) weekly if the firm is a *standard frequency liquidity reporting firm*; and
- (2) monthly if the firm is a *low frequency liquidity reporting firm*.

Note 10 If the report is by reference to the firm's *UK DLG by modification* the reporting frequency is:

- (1) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (2) monthly if the *group liquidity low frequency reporting conditions* are met.

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16.12.16A **R**
PRA

The applicable reporting frequencies for *data items* referred to in **SUP 16.12.15B R** are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data item</i>	<i>Reporting frequency</i>
<i>Annual report and accounts</i>	Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually
Solvency statement	Annually
FSA001	Quarterly
FSA002	Quarterly
FSA005	Quarterly
FSA006	Quarterly
FSA016	Half yearly
FSA018	Quarterly
FSA019	Annually
FSA038	Half yearly
FSA042	Quarterly
FSA045	Quarterly
FSA047	Daily, weekly, monthly or quarterly (Notes 1, 2 and 3)
FSA048	Daily, weekly, monthly or quarterly (Notes 1, 2 and 3)
FSA050	Monthly (Note 1)
FSA051	Monthly (Note 1)
FSA052	Weekly or monthly (Notes 1 and 4)
FSA053	Quarterly (Note 1)
FSA054	Quarterly (Note 1)
FSA055	Annually (Note 1)

Note 1 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

(1) A week means the period beginning on Saturday and ending on Friday.

(2) A month begins on the first day of the calendar month and ends on the last day of that month.

(3) Quarters end on 31 March, 30 June, 30 September and 31 December.

(4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

Note 2 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

Note 3

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

Note 4

If the report is on a solo basis the reporting frequency is as follows:

(1) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(2) monthly if the *firm* is a *low frequency liquidity reporting firm*.

16.12.17 **R**
FCA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.16 R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
<i>Annual report and accounts</i>						80 <i>business days</i>
<i>Annual report and accounts of the mixed-activity holding company</i>						7 months

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREIN-REP	Refer to <i>EU CRR</i> and applicable technical standards					
Solvency statement	3 months					
FSA001				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA002				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA003			15 business days	20 business days	30 business days (note 2); 45 business days (note 3)	
FSA004				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA005				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA006				20 business days		
FSA007						2 months
FSA016				30 business days		
FSA018				45 business days		

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA019						2 months
FSA028					30 busi- ness days	
FSA029				20 busi- ness days		
FSA030				20 busi- ness days		
FSA031				20 busi- ness days		
FSA032				20 busi- ness days		
FSA033				20 busi- ness days		
FSA034				20 busi- ness days		
FSA035				20 busi- ness days		
FSA036				20 busi- ness days		
FSA038					30 busi- ness days	
FSA039					30 busi- ness days	
FSA042				20 busi- ness days		
FSA045				20 busi- ness days	30 busi- ness days (note 2); 45 busi- ness days (note 3)	
FSA046				20 busi- ness days (Note 2), 45 busi- ness days (Note 3)		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREN REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 4)		
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 4)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the <i>second busi-</i>	15 <i>business days</i>			

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
		<i>business day immediately following the last day of the reporting period for the item in question</i>				
FSA053				15 <i>business days</i>		
FSA054				15 <i>business days</i>		
FSA055						15 <i>business days</i>
FSA058				20 <i>business days</i> (Note 2), 45 <i>business days</i> (Note 3)		
FIN066				20 <i>business days</i>		
FIN067				30 days		
FIN068					30 <i>business days</i>	
FIN069				20 <i>business days</i>		
FIN070				20 <i>business days</i>		
Section A RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section B RMAR				30 <i>business days</i>	30 <i>business days</i>	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREFIN REP	Refer to <i>EU CRR</i> and applicable technical standards					
Section C RMAR				30 <i>business days</i>	30 <i>business days</i>	
Sections D1 and D2 RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section F RMAR					30 <i>business days</i>	
Note 1	[deleted]					
Note 2	For unconsolidated and solo-consolidated reports.					
Note 3	For <i>UK consolidation group</i> reports.					
Note 4	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i> .					

16.12.17A **R**
PRA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.16A R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
Annual report and accounts						80 <i>business days</i>
<i>Annual report and accounts of the mixed-activity holding company</i>						7 months
Solvency statement						3 months
FSA001				20 <i>business days</i>	30 <i>business days</i> (Note 1);	

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
FSA002				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i> (Note 2)	45 <i>business days</i> (Note 2)
FSA005				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i> (Note 2)	
FSA006				20 <i>business days</i>		
FSA016				30 <i>business days</i>		
FSA018				45 <i>business days</i>		
FSA019						2 months
FSA042				20 <i>business days</i>		
FSA045				20 <i>business days</i>	30 <i>business days</i> (Note 1); 45 <i>business days</i> (Note 2)	
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting	15 <i>business days</i>	15 <i>business days</i> or one <i>month</i> (Note 3)		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
	period for the item in question	period for the item in question				
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>month</i> (Note 3)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>			
FSA053				15 <i>business days</i>		
FSA054				15 <i>business days</i>		

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
FSA055						15 business days
Note 1: For unconsolidated and solo-consolidated reports						
Note 2: For consolidation group reports						
Note 3: It is one Month if the report relates to a non-UK DLG by modification.						

Regulated Activity Group 5

16.12.18 **R**
FCA PRA

(1) ■ SUP 16.12.18A R does not apply to:

- (a) a *lead regulated firm*;
- (b) an *OPS firm*;
- (c) a local authority.

(2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.18A **R**
FCA PRA

The applicable *data items*, reporting frequencies and submission deadlines referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of <i>data item</i>	<i>Data item</i> (note 1)	Frequency	Submission deadline
<i>Annual report and accounts</i>	No standard format	Annually	80 <i>business days</i>
Balance Sheet	Sections A.1 and A.2 MLAR	Quarterly	20 <i>business days</i>
Income Statement	Sections B.0 and B.1 MLAR	Quarterly	20 <i>business days</i>
Capital Adequacy	Section C MLAR Note 2	Quarterly	20 <i>business days</i>
Lending - Business flow and rates	Section D MLAR	Quarterly	20 <i>business days</i>
Residential Lending to indi-	Section E MLAR	Quarterly	20 <i>business days</i>

Description of <i>data item</i>	<i>Data item</i> (note 1)	Frequency	Submission deadline
viduals - New business profile			
Lending - Arrears analysis	Section F MLAR	Quarterly	20 <i>business days</i>
Mortgage administration - Business profile	Section G MLAR	Quarterly	20 <i>business days</i>
Mortgage Administration - Arrears analysis	Section H MLAR	Quarterly	20 <i>business days</i>
Analysis of loans to customers	Section A3 MLAR	Quarterly	20 <i>business days</i>
Provisions analysis	Section B2 MLAR	Quarterly	20 <i>business days</i>
Fees and levies	Section J MLAR	Annually	30 <i>business days</i>
Sale and rent back	Section K MLAR	Annually	30 <i>business days</i>
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 19A R. Guidance notes for the completion of the <i>data items</i> is set out in SUP 16 Annex 19B G.		
Note 2	If a <i>firm</i> is subject to <i>IFPRU</i> then that <i>firm</i> should submit COREP instead of MLA-C. If a <i>firm</i> is subject to <i>BIPRU</i> then that <i>firm</i> should submit FSA003.		

Regulated Activity Group 6

16.12.19

R

FCA

(1) ■ SUP 16.12.19A R to ■ SUP 16.12.21 R do not apply to:

- (a) a *lead regulated firm*;
- (b) an *OPS firm*;
- (c) a local authority.

(2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.19A **R**
FCA

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below:

Description of <i>data item</i>	Firm's prudential category and applicable data item (note 1)				
	IPRU(INV) Chapter 3	IPRU(INV) Chapter 5	IPRU(INV) Chapter 9	IPRU(INV) Chapter 13	UPRU
<i>Annual re-report and accounts</i>	No standard format				
Solvency statement (note 6)		No standard format			No standard format
Balance sheet	FSA029	FSA029	FSA029	FSA029 or Section A RMAR (note 7)	FSA029
Income statement	FSA030	FSA030	FSA030	FSA030 or Section B RMAR (note 7)	FSA030
Capital adequacy	FSA033	FSA034 or FSA035 (note 4)	FSA031	FSA032 or Sections D1 and D2RMAR (notes 5 and 7)	FSA036
Threshold conditions				Section F RMAR (Note 7)	
Client money and client assets	FSA039	FSA039	FSA039	Section C RMAR (note 7) or FSA039	FSA039
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.				
Note 2	[deleted]				
Note 3	[deleted]				

Description of data item	Firm's prudential category and applicable data item (note 1)				
	IPRU(INV) Chapter 3	IPRU(INV) Chapter 5	IPRU(INV) Chapter 9	IPRU(INV) Chapter 13	UPRU
Note 4	FSA034 must be completed by a <i>firm</i> not subject to the exemption in IPRU(INV) 5.2.3(2)R.				
	FSA035 must be completed by a <i>firm</i> subject to the exemption in IPRU(INV) 5.2.3(2)R.				
Note 5	FSA032 must be completed by a <i>firm</i> subject to IPRU(INV) Chapter 13 which is an <i>exempt CAD firm</i> .				
Note 6	Only applicable to a <i>firm</i> that is a <i>partnership</i> , when the report must be submitted by each <i>partner</i> .				
Note 7	FSA029 , FSA030, FSA032 and FSA039 only apply to a <i>firm</i> subject to IPRU(INV) Chapter 13 which is an <i>exempt CAD firm</i> . Sections A, B, C, D1, D2 and F RMAR only apply to a <i>firm</i> subject to IPRU(INV) Chapter 13 which is not an <i>exempt CAD firm</i> .				

16.12.20

FCA

R

The applicable reporting frequencies for submission of *data items* referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Annual report and accounts</i>	Annually
Solvency statement	Annually
FSA029	Quarterly
FSA030	Quarterly
FSA031	Quarterly
FSA032	Quarterly
FSA033	Quarterly
FSA034	Quarterly
FSA035	Quarterly
FSA036	Quarterly
FSA039	Half yearly
Section A RMAR	Half yearly (note 2)
	Quarterly (note 3)

Section B RMAR	Half yearly (note 2)
	Quarterly (note 3)
Section C RMAR	Half yearly (note 2)
	Quarterly (note 3)
Sections D1 and D2 RMAR	Half yearly (note 2)
	Quarterly (note 3)
Section F RMAR	Half yearly
Note 1	[deleted]
Note 2	Annual regulated business revenue up to and including £5 million.
Note 3	Annual regulated business revenue over £5 million.

16.12.21 **R**
FCA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.20 R.

<i>Data item</i>	Quarterly	Half yearly	Annual
<i>Annual report and accounts</i>			80 business days
<i>Solvency statement</i>			3 months
FSA029	<i>20 business days</i>		
FSA030	<i>20 business days</i>		
FSA031	<i>20 business days</i>		
FSA032	<i>20 business days</i>		
FSA033	<i>20 business days</i>		
FSA034	<i>20 business days</i>		
FSA035	<i>20 business days</i>		
FSA036	<i>20 business days</i>		
FSA039		<i>30 business days</i>	
FSA040	<i>15 business days</i>		
Section A RMAR	<i>30 business days</i>	<i>30 business days</i>	
Section B RMAR	<i>30 business days</i>	<i>30 business days</i>	
Section C RMAR	<i>30 business days</i>	<i>30 business days</i>	

<i>Data item</i>	Quarterly	Half yearly	Annual
Sections D1 and D2 RMAR	30 <i>business days</i>	30 <i>business days</i>	
Section F RMAR		30 <i>business days</i>	

Regulated Activity Group 7

16.12.22

R

FCA

- (1) ■ SUP 16.12.22A R to ■ SUP 16.12.24 R do not apply to:
- (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
 - (b) an *OPS firm*;
 - (c) a local authority.
- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.22A

R

FCA

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below:

Description of <i>Data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>			
	<i>IFPRU</i>	<i>BIPRU firm</i>	<i>Exempt Firms (other than exempt firms subject to IPRU(INV) Chapter 13</i>	<i>Firms that are also in one or more of RAGs 1 to 6 and not subject to IPRU(INV) Chapter 13</i>
<i>Annual report and accounts</i>	No standard format		No standard format	
<i>Annual report and accounts of the mixed-activity holding</i>	No standard format			

De- scrip- tion of <i>Data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>		
company (note 10)			
Solvency state- ment	No standard format (note 11)		
Balance Sheet	FSA001/FIN-REP (Notes 2 and 29)	FSA001 (Note 2)	FSA029 Section A RMAR
Income State- ment	FSA002/FIN-REP (Notes 2 and 29)	FSA002 (Note 2)	FSA030 Section B RMAR
Capital Adequa- cy	COREP (Note 29)	FSA003 (Note 2)	FSA032 Section D1 and D2 RMAR (Note 23)
Credit risk	COREP (Note 29)	FSA004 (Notes 2, 3)	
Market risk	COREP (Note 29)	FSA005 (Notes 2, 4)	
Market risk - supple- mentary	FSA006 (note 5)	FSA006 (Note 5)	
Opera- tional risk	COREP (Note 29)		
Large ex- posures	COREP (Note 29)		
Expo- sures be- tween <i>core UK group and non- core large ex- posures group</i>	FSA018 (note 12)		

Description of Data item	<i>Firms' prudential category and applicable data item (note 1)</i>				
Solo consolidation data	FSA016	FSA016			
Pillar 2 question-naire	FSA019 (note 8)	FSA019 (Note 8)			
Non-EEA sub-group	COREP (Note 29)	FSA028 (Note 9)			
Professional indemnity insurance (note 15)	Section E RMAR	Section E RMAR		Section E RMAR	Section E RMAR
Threshold Conditions				Section F RMAR	Section F RMAR
Training and Competence	Section G RMAR	Section G RMAR	Section G RMAR	Section G RMAR	Section G RMAR
COBS data	Section H RMAR	Section H RMAR	Section H RMAR	Section H RMAR	Section H RMAR
Client money and client assets	Section C RMAR	Section C RMAR	Section C RMAR	Section C RMAR	Section C RMAR
Fees and levies	Section J RMAR	Section J RMAR	Section J RMAR	Section J RMAR	Section J RMAR
Adviser charges	Section K RMAR (Note 26)	Section K RMAR (Note 26)	Section K RMAR (Note 26)	Section K RMAR (Note 26)	Section K RMAR (Note 26)
Consultancy charges	Section L RMAR (Note 27)	Section L RMAR (Note 27)	Section L RMAR (Note 27)	Section L RMAR (Note 27)	Section L RMAR (Note 27)

De- scrip- tion of <i>Data item</i>	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)	
		(Note 27)
IRB portfolio risk	FSA045 (note 13)	FSA045 (Note 13)
Securiti- sation: non-trad- ing book	COREP (note 29)	FSA046 (Note 14)
Daily Flows	FSA047/COREP (Notes 16, 19, 21, 24 and 29)	
En- hanced Mis- match Report	FSA048/COREP (Notes 16, 19, 21, 24 and 29)	
Liquidi- ty Buffer Qualify- ing Secu- rities	FSA050/COREP (Notes 17, 20, 21, 24 and 29)	
Funding Concen- tration	FSA051/COREP (Notes 17, 20, 21, 24 and 29)	
Pricing data	FSA052/COREP (Notes 17, 20, 21, 24 and 29)	
Retail and cor- porate funding	FSA053/COREP (Notes 17, 20, 21, 24 and 29)	
Curren- cy Analy- sis	FSA054/COREP (Notes 17, 20, 21, 24 and 29)	

Description of <i>Data item</i>	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
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Systems and Controls Questionnaire	FSA055/COREP FSA055 (Notes 18, 24 and 29) (Notes 18 and 24)
Securitisation: trading book	COREP FSA058 (Note 22) (Note 29)
Supplementary capital data for collective portfolio management investment firms	FIN067 (Note 28) FIN068 (Note 28)

Note 1 When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R, or SUP 16 Annex 18A R in the case of the RMAR. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G, or SUP 16 Annex 18B G in the case of the RMAR.

Note 2 *Firms* that are members of a *UK consolidation group* are also required to submit this report on a *UK consolidation group* basis.

Note 3 This applies to a *firm* that is required to submit *data item* FSA003 and, at any time within the 12 months up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA004 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element* 77A in data item FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the *firm*.

De- scrip- tion of <i>Data item</i>	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
<p>Note 4</p>	<p>This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at any time within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA005 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p> <p>The threshold is exceeded where <i>data element</i> 93A in <i>data item</i> FSA003 is greater than £50 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p>
<p>Note 5</p>	<p>Only applicable to <i>firms</i> with a <i>VaR model permission</i>.</p>
<p>Note 6</p>	<p>[deleted]</p>
<p>Note 7</p>	<p>[deleted]</p>
<p>Note 8</p>	<p>Only applicable to <i>IFPRU investment firms</i> and <i>BIPRU firms</i> that:</p> <ul style="list-style-type: none"> (a) are subject to consolidated supervision under BIPRU 8, except those that are either included within the consolidated supervision of a group that includes a <i>UK credit institution</i>, or that have been granted an <i>investment firm consolidation waiver</i>; or (b) have been granted an <i>investment firm consolidation waiver</i>; or (c) are not subject to consolidated supervision under BIPRU 8. <p>An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (a) must complete the report on the basis of its <i>UK consolidation group</i>. An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (b) or (c) must complete the report on the basis of its solo position.</p>
<p>Note 9</p>	<p>This will be applicable to <i>firms</i> that are members of a <i>UK consolidation group</i> on the reporting date.</p>

Description of Data item	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
Note 10	Only applicable to a <i>firm</i> whose ultimate parent is a <i>mixed-activity holding company</i>.
Note 11	Only applicable to a <i>firm</i> that is a <i>sole trader</i> or a <i>partnership</i>, when the report must be submitted by each <i>partner</i>.
Note 12	Only applicable to a <i>firm</i> that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>.
Note 13	Only applicable to <i>firms</i> that have an <i>IRB permission</i>.
Note 14	Only applicable to <i>firms</i> that hold <i>securitisation positions</i>, or are the <i>originator</i> or <i>sponsor</i> of <i>securitisations of non-trading book exposures</i>.
Note 15	This item only applies to <i>firms</i> that are subject to an <i>FCA</i> requirement to hold professional indemnity insurance and are not <i>exempt CAD firms</i>.
Note 16	A <i>firm</i> must complete this item separately on each of the following bases (if applicable).
	<p>(1) It must complete it on a solo basis. Therefore even if it has a <i>solo consolidation waiver</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p>
	<p>(2) If it is a <i>group liquidity reporting firm</i> in a <i>DLG by default</i> and is a <i>UK lead regulated firm</i>, it must complete the item on the basis of that group.</p>
	<p>(3) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
	<p>(4) If it is a <i>group liquidity reporting firm</i> in a <i>non-UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
Note 17	A <i>firm</i> must complete this item separately on each of the following bases that are applicable.
	<p>(1) It must complete it on a solo basis unless it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>. Therefore even if it has a <i>solo consolidation waiver</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p>
	<p>(2) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
Note 18	If it is a <i>non-ILAS BIPRU firm</i>, it must complete it on a solo basis. Therefore even if it has a <i>solo consolidation waiver</i> it must com-

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item*

Firms' prudential category and applicable *data item* (note 1)

plete the item on an unconsolidated basis by reference to the *firm* alone.

Note 19 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Description of Data item	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
Note 20	Note 19 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that <i>material currencies</i> must not be recorded separately.
Note 21	Any changes to reporting requirements caused by a <i>firm</i> receiving an <i>intra-group liquidity modification</i> (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the <i>data item</i> in question if the <i>firm</i> receives that <i>intra-group liquidity modification</i> or variation part of the way through such a period. If the change is that the <i>firm</i> does not have to report a particular <i>data item</i> or does not have to report it at a particular <i>reporting level</i> , the <i>firm</i> must nevertheless report that item or at that <i>reporting level</i> for any reporting period that has already begun. This paragraph is subject to anything that the <i>intra-group liquidity modification</i> says to the contrary.
Note 22	Only applicable to <i>firms</i> that hold <i>securitisation positions</i> in the <i>trading book</i> and/ or are the <i>originator</i> or <i>sponsor</i> of <i>securitisations</i> held in the <i>trading book</i> .
Note 24	FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an <i>ILAS BIPRU firm</i> . An <i>ILAS BIPRU firm</i> does not need to complete FSA055. A <i>non-ILAS BIPRU firm</i> must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.
Note 25	This <i>data item</i> must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.
Note 26	This item only applies to <i>firms</i> that provide advice on <i>retail investment products</i> .
Note 27	This item applies only to firms that provide advice and related services to employers on <i>group personal pension schemes</i> and/or <i>group stakeholder pension schemes</i> .
Note 28	Only applicable to <i>firms</i> that are <i>collective portfolio management investment firms</i> .
Note 29	Requirements under COREP and FINREP should be determined with reference to the <i>EU CRR</i> and applicable technical standards.

16.12.22B **G**
FCA

The column in the table in ■ SUP 16.12.22A R that deals with *IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm*. (see notes 18 and 24).

16.12.22C **R**
PRA

The applicable *data items* referred to in ■ SUP 16.12.4 R for *UK designated investment firms* are set out in the table below:

Description of <i>data item</i>	Applicable <i>data item</i> (Note 1)
Annual report and accounts	No standard format
Annual report and accounts of the mixed-activity holding company (note 16)	No standard format
Solvency statement	No standard format (Note 17)
Balance sheet	FSA001 (Note 2)
Income statement	FSA 002 (note 2)
Market risk	FSA005 (notes 2, 20)
Market risk - supplementary	FSA006 (note 3)
Exposures between core UK group and non-core large exposures group	FSA018 (note 18)
Solo consolidation data	FSA016
Pillar 2 questionnaire	FSA019 (note 4)
IRB portfolio risk	FSA045 (note 19)
Daily Flows	FSA047 (Notes 6, 9, 11 and 12)
Enhanced Mismatch Report	FSA048 (Notes 6, 9, 11 and 12)
Liquidity Buffer Qualifying Securities	FSA050 (Notes 7, 10, 11 and 12)
Funding Concentration	FSA051 (Notes 7, 10, 11 and 12)
Pricing Data	FSA052 (Note 7, 10, 12 and 13)
Retail and corporate funding	FSA053 (Notes 7, 10, 11 and 12)
Currency Analysis	FSA054 (Notes 7, 10, 11 and 12)
Systems and Controls Questionnaire	FSA055 (Notes 8 and 12)

Note 1 When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25A.

Note 2 *Firms* that are members of a *consolidation group* are also required to

Note 3

submit this report on a *consolidation group* basis.

Only applicable to *firms* with a *VaR model permission*.

Note 4

Only applicable to *UK designated investment firms* that: (a) are subject to consolidated supervision under the *EU CRR*, except those that are either included within the consolidated supervision of a group that includes a *UK credit institution*

or

(b) are not subject to consolidated supervision under the *EU CRR*.

A *UK designated investment firm* under (a) must complete the report on the basis of its *consolidation group*.

A *UK designated investment firm* under (b) or must complete the report on the basis of its solo position.

Note 6

A *firm* must complete this item separately on each of the following bases (if applicable).

(1) It must complete it on a solo basis. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

(4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group

Note 7

A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

Note 8

If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 9

(1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 10

Note 9 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 11

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or

	<p>does not have to report it at a particular <i>reporting level</i>, the <i>firm</i> must nevertheless report that item or at that <i>reporting level</i> for any reporting period that has already begun. This paragraph is subject to anything that the <i>intra-group liquidity modification</i> says to the contrary.</p>
<p>Note 12</p>	<p>FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an <i>ILAS BIPRU firm</i>. An <i>ILAS BIPRU firm</i> does not need to complete FSA055. A <i>non-ILAS BIPRU firm</i> must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.</p>
<p>Note 13</p>	<p>This <i>data item</i> must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.</p>
<p>Note 15</p>	<p>This item applies only to firms that provide advice and related services to employers on <i>group personal pension schemes</i> and/or <i>group stakeholder pension schemes</i>.</p>
<p>Note 16</p>	<p>Only applicable to a <i>firm</i> whose ultimate parent is a <i>mixed-activity holding company</i>.</p>
<p>Note 17</p>	<p>Only applicable to a <i>firm</i> that is a <i>sole trader</i> or a <i>partnership</i>, when the report must be submitted by each <i>partner</i>.</p>
<p>Note 18</p>	<p>Only applicable to a <i>firm</i> that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>.</p>
<p>Note 19</p>	<p>Only applicable to <i>firms</i> that have an <i>IRB permission</i>.</p>
<p>Note 20</p>	<p>Lines 62 to 64 only are applicable. These lines apply to a <i>firm</i> that ap-</p>

plies add-ons to their market risk capital calculation under the RNIV framework. For further guidance on how to complete the form refer to SUP 16 Annex 25A.

16.12.23

PRA

R

The applicable reporting frequencies for *data items* referred to in ■ SUP 16.12.22A R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

Data item	Frequency				
	Unconsolidated UK designated investment firm	UK designated investment firm with an individual consolidation permission	Consolidation Group or defined liquidity group	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
<i>Annual reports and accounts</i>	Annually			Annually	Annually
Annual accounts of the <i>mixed-activity holding company</i>	Annually			Annually	Annually
Solvency statement	Annually				
FSA001	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
FSA002	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
[deleted]					
[deleted]					
FSA005	Quarterly or half	Quarterly or half	Half yearly		

Data item	Frequency				
	Uncon- solidated UK desig- nated in- vestment firm	UK desig- nated in- vestment firm with an individu- al consol- idation permis- sion	Consoli- dation Group or de- fined liq- uidity group	Annual regulated business revenue up to and in- clud- ing £5 mil- lion	Annual regulated business revenue over £5 million
	yearly (note 1)	yearly (note 1)			
FSA006	Quarterly	Quarterly	Quarterly		
[deleted]					
[deleted]					
FSA016		Half yearly			
FSA018	Quarterly	Quarterly	Quarterly		
FSA019	Annually	Annually	Annually		
[deleted]					
FSA032				Quarterly	Quarterly
FSA045	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
[deleted]					
FSA047	Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)	Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)	Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)		
FSA048	Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)	Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)	Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)		
FSA050	Monthly (Note 4)	Monthly (Notes 4 and 10)	Monthly (Note 4)		

<i>Data item</i>	Frequency				
	<i>Unconsolidated UK designated investment firm</i>	<i>UK designated investment firm with an individual consolidation permission</i>	<i>Consolidation Group or defined liquidity group</i>	<i>Annual regulated business revenue up to and including £5 million</i>	<i>Annual regulated business revenue over £5 million</i>
FSA051	Monthly (Note 4)	Monthly (Notes 4 and 10)	Monthly (Note 4)		
FSA052	Weekly or monthly (Notes 4 and 8)	Weekly or monthly (Notes 4, 8 and 10)	Weekly or monthly (Notes 4 and 9)		
FSA053	Quarterly (Note 4)	Quarterly (Notes 4 and 10)	Quarterly (Note 4)		
FSA054	Quarterly (Note 4)	Quarterly (Notes 4 and 10)	Quarterly (Note 4)		
FSA055	Annually (Note 4)	Annually (Notes 4 and 10)	Annually (Note 4)		
[deleted]					
FIN067	Quarterly				
Section A RMAR				Half yearly	Quarterly
Section B RMAR				Half yearly	Quarterly
Section C RMAR				Half yearly	Quarterly
Section D6 RMAR				Half yearly	Quarterly
Section E RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Quarterly
Section F RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly

<i>Data item</i>	Frequency				
	Uncon- solidated <i>UK desig- nated in- vestment firm</i>	<i>UK desig- nated in- vestment firm</i> with an individu- al consol- idation permis- sion	<i>Consoli- dation Group</i> or <i>de- fined liq- uidity group</i>	Annual regulated business revenue up to and in- clud- ing £5 mil- lion	Annual regulated business revenue over £5 million
Section G RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section H RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section J RMAR	Annually	Annually	Annually	Annually	Annually
Section K RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section L RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Note 1:	<i>UK designated investment firms</i> - quarterly.				
Note 2	[deleted]				
Note 3	[deleted]				
Note 4	<p>Reporting frequencies and reporting periods for this <i>data item</i> are calculated on a calendar year basis and not from a <i>firm's accounting reference date</i>. In particular:</p> <p>(1) A week means the period beginning on Saturday and ending on Friday.</p> <p>(2) A month begins on the first day of the calendar month and ends on the last day of that month.</p> <p>(3) Quarters end on 31 March, 30 June, 30 September and 31 December.</p> <p>(4) Daily means each <i>business day</i>.</p> <p>All periods are calculated by reference to London time.</p> <p>Any changes to reporting requirements caused by a <i>firm</i> receiving an <i>intra-group liquidity modification</i> (or a variation</p>				

Data item	Frequency				
	Unconsolidated UK designated investment firm	UK designated investment firm with an individual consolidation permission	Consolidation Group or defined liquidity group	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million

to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

Note 5 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm* in a *non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm* in a *UK DLG by modification*.

Data item	Frequency				
	Unconsolidated UK designated investment firm	UK designated investment firm with an individual consolidation permission	Consolidation Group or defined liquidity group	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million

Note 6

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 7

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

<i>Data item</i>	Frequency				
	Unconsolidated UK designated investment firm	UK designated investment firm with an individual consolidation permission	Consolidation Group or defined liquidity group	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
Note 8	<p>If the report is on a solo basis the reporting frequency is as follows:</p> <p>(1) weekly if the firm is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(2) monthly if the firm is a <i>low frequency liquidity reporting firm</i>.</p>				
Note 9	<p>If the report is by reference to the firm's UK DLG by modification the reporting frequency is:</p> <p>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p>				
Note 10	<p>As specified in SUP 16.12.22A R, solo consolidation has no application to liquidity reporting. Therefore it does not make any difference to the reporting of this item whether or not the firm is solo consolidated.</p>				

16.12.23A **R**
FCA

The applicable reporting frequencies for *data items* referred to in **SUP 16.12.22A R** are set out in the table below. Reporting frequencies are calculated from a firm's *accounting reference date*, unless indicated otherwise.

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm</i> and <i>IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm</i> and <i>IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
CORE/EN-REP	Refer to <i>EU CRR</i> and applicable technical standards				
Annual reports and accounts	Annually			Annually	Annually
Annual accounts of the mixed-activity holding company	Annually			Annually	Annually
Solvency statement	Annually				
FSA001	Quarterly or half yearly (Note 1)	Quarterly or half yearly (Note 1)	Half yearly		
FSA002	Quarterly or half yearly (Note 1)	Quarterly or half yearly (Note 1)	Half yearly		
FSA003	Monthly, quarterly or half yearly (Notes 2 and 11)	Monthly, quarterly or half yearly (Notes 2 and 11)	Half yearly		
FSA004	Quarterly or half yearly (Notes 1 and 11)	Quarterly or half yearly (Notes 1 and 11)	Half yearly		

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm and IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm and IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
COREP/IN-REP	Refer to <i>EU CRR</i> and applicable technical standards				
FSA005	Quarterly or half yearly (Notes 1 and 11)	Quarterly or half yearly (Notes 1 and 11)	Half yearly		
FSA006	Quarterly	Quarterly	Quarterly		
FSA007	Annually				
FSA016		Half yearly			
FSA018	Quarterly	Quarterly	Quarterly		
FSA019	Annually	Annually	Annually		
FSA028	Half yearly (Note 11)	Half yearly (Note 11)			
FSA032				Quarterly	Quarterly
FSA045	Quarterly or half yearly (Note 1)	Quarterly or half yearly (Note 1)	Half yearly		
FSA046	Quarterly	Quarterly	Quarterly		
FSA047	Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)	Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)	Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)		
FSA048	Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)	Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)	Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)		

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm</i> and <i>IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm</i> and <i>IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
CORE/EN-REP	Refer to <i>EU CRR</i> and applicable technical standards				
FSA050	Monthly (Note 4)	Monthly (Notes 4 and 10)	Monthly (Note 4)		
FSA051	Monthly (Note 4)	Monthly (Notes 4 and 10)	Monthly (Note 4)		
FSA052	Weekly or monthly (Notes 4 and 8)	Weekly or monthly (Notes 4, 8 and 10)	Weekly or monthly (Notes 4 and 9)		
FSA053	Quarterly (Note 4)	Quarterly (Notes 4 and 10)	Quarterly (Note 4)		
FSA054	Quarterly (Note 4)	Quarterly (Notes 4 and 10)	Quarterly (Note 4)		
FSA055	Annually (Note 4)	Annually (Notes 4 and 10)	Annually (Note 4)		
FSA058	Quarterly (Note 11)	Quarterly (Note 11)	Quarterly		
FIN067	Quarterly (Note 4)	Quarterly (Note 4)			
FIN068	Half yearly	Half yearly			
Section A RMAR				Half yearly	Quarterly
Section B RMAR				Half yearly	Quarterly

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm and IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm and IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
COREP/IN-REP	Refer to <i>EU CRR</i> and applicable technical standards				
Section C RMAR				Half yearly	Quarterly
Sections D1 and D2 RMAR				Half yearly	Quarterly
Section E RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Quarterly
Section F RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section G RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section H RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section J RMAR	Annually	Annually	Annually	Annually	Annually
Section K RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section L RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Note 1	<i>IFPRU 730K firms and IFPRU 125K firms - quarterly;</i> <i>IFPRU 50K firms and BIPRU firms - half yearly.</i>				
Note 2	<i>IFPRU 730K firms - monthly;</i> <i>IFPRU 125K firms - quarterly</i> <i>IFPRU 50K firms and BIPRU firms - half yearly.</i>				
Note 3	The reporting date for this <i>data item</i> is six months after a <i>firm's</i> most recent <i>accounting reference date</i> .				

<i>Data item</i>	Frequency				
	Unconsolidated <i>BIPRU investment firm and IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm and IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million

CORE/IN-REP Refer to *EU CRR* and applicable technical standards

Note 4 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

- (1) a week means the period beginning on Saturday and ending on Friday;
- (2) a month begins on the first day of the calendar month and ends on the last day of that month;
- (3) quarters end on 31 March, 30 June, 30 September and 31 December;
- (4) daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm and IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm and IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
COREP/IN-REP	Refer to <i>EU CRR</i> and applicable technical standards				

Note 5 **If the report is on a solo basis the reporting frequency is as follows:**

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm and IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm and IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million

CORE/EN-REP Refer to *EU CRR* and applicable technical standards

Note 6 (1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 7 (1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under

<i>Data item</i>	<i>Frequency</i>				
	Unconsolidated <i>BIPRU investment firm and IFPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm and IFPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million
COREP/IN-REP	Refer to <i>EU CRR</i> and applicable technical standards				
Note 8	<p>(1) or (2) even if there is no <i>firm-specific liquidity stress</i> or <i>market liquidity stress</i> and none is expected.</p> <p>If the report is on a solo basis the reporting frequency is as follows:</p> <p>(1) weekly if the <i>firm</i> is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(2) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>.</p>				
Note 9	<p>If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p> <p>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p>				
Note 10	As specified in SUP 16.12.22A R, solo consolidation has no application to liquidity reporting. Therefore, it does not make any difference to the reporting of this item whether or not the <i>firm</i> is solo consolidated.				
Note 11	Only applicable to <i>firms</i> that are not required to report a <i>data item</i> with a similar name and purpose under the <i>EU CRR</i> and applicable technical standards.				

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PRA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.23 R, unless indicated otherwise.

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
<i>Annual reports and accounts</i>						80 business days
<i>Annual report and accounts of the mixed-activity holding company</i>						7 months
Solvency statement						3 months
FSA001				20 business days	30 business days (note 1); 45 business days (note 2)	
FSA002				20 business days	30 business days (note 1); 45 business days (note 2)	
[deleted]						
[deleted]						
FSA005				20 business days	30 business days (note 1); 45 business days (note 2)	
FSA006				20 business days		
[deleted]						
[deleted]						
FSA016					30 business days	

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
FSA018				45 <i>busi-ness days</i>		
FSA019						2 months
[deleted]						
FSA032				20 <i>busi-ness days</i>		
FSA045				20 <i>busi-ness days</i>	30 <i>busi-ness days</i> (note 1), 45 <i>busi-ness days</i> (note 2)	
[deleted]						
FSA047	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last day of the reporting period for the item in question	15 <i>busi-ness days</i>	15 <i>busi-ness days</i> or one <i>Month</i> (Note 3)		
FSA048	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last day of the reporting period	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last day of the reporting period	15 <i>busi-ness days</i>	15 <i>busi-ness days</i> or one <i>Month</i> (Note 3)		

<i>Data Item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
	for the item in question	period for the item in question				
FSA050			15 business days			
FSA051			15 business days			
FSA052		22.00 hours (London time) on the second business day immediately following the last day of the reporting period for the item in question	15 business days			
FSA053				15 business days		
FSA054				15 business days		
FSA055						15 business days
[deleted]						
FIN067	20 business days					
Section A RMAR				30 business days	30 business days	
Section B RMAR				30 business days	30 business days	

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
Section C RMAR				30 busi-ness days	30 busi-ness days	
Section D6 RMAR				30 busi-ness days	30 busi-ness days	
Section E RMAR				30 busi-ness days	30 busi-ness days	
Section F RMAR					30 busi-ness days	
Section G RMAR					30 busi-ness days	
Section H RMAR					30 busi-ness days	
Section J RMAR						30 busi-ness days
Section K RMAR					30 busi-ness days	
Section L RMAR					30 busi-ness days	
Note 1	For unconsolidated and solo consolidated reports					
Note 2	For UK consolidation group reports					
Note 3	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i>.					

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The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.23A R, unless indicated otherwise.

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
COREFIN REP	Refer to <i>EU CRR</i> and applicable technical standards					
Annual reports and accounts						80 busi-ness days
Annual report and ac-						7 months

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
<i>counts of the mixed-activity holding company</i>						
Solvency statement						3 months
FSA001				20 <i>business days</i>	30 <i>business days</i> (note 1); 45 <i>business days</i> (note 2)	
FSA002				20 <i>business days</i>	30 <i>business days</i> (note 1); 45 <i>business days</i> (note 2)	
FSA003	15 <i>business days</i>			20 <i>business days</i>		
FSA004				20 <i>business days</i>	30 <i>business days</i> (note 1); 45 <i>business days</i> (note 2)	
FSA005				20 <i>business days</i>	30 <i>business days</i> (note 1); 45 <i>business days</i> (note 2)	
FSA006				20 <i>business days</i>		
FSA016					30 <i>business days</i>	

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
COREN REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA018				45 <i>busi-ness days</i>		
FSA019						2 months
FSA028						
FSA032				20 <i>busi-ness days</i>		
FSA045				20 <i>busi-ness days</i>	30 <i>busi-ness days</i> (note 1), 45 <i>busi-ness days</i> (note 2)	
FSA046						
FSA047	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last day of the reporting period for the item in question	15 <i>busi-ness days</i>	15 <i>busi-ness days</i> or one <i>Month</i> (Note 3)		
FSA048	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last	22.00 hours (London time) on the <i>busi-ness day</i> immedi-ately fol- lowing the last	15 <i>busi-ness days</i>	15 <i>busi-ness days</i> or one <i>Month</i> (Note 3)		

<i>Data Item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
	day of the reporting period for the item in question	day of the reporting period for the item in question				
FSA050				15 business days		
FSA051				15 business days		
FSA052		22.00 hours (London time) on the second business day immediately following the last day of the reporting period for the item in question		15 business days		
FSA053				15 business days		
FSA054				15 business days		
FSA055						15 business days
FSA058				20 business days (Note 1), 45 busi-		

<i>Data Item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards					
					30 business days (Note 2)	
FIN067					30 days	
FIN068						30 days
Section A RMAR				30 business days	30 business days	
Section B RMAR				30 business days	30 business days	
Section C RMAR				30 business days	30 business days	
Sections D1 and D2 RMAR				30 business days	30 business days	
Section E RMAR				30 business days	30 business days	
Section F RMAR					30 business days	
Section G RMAR					30 business days	
Section H RMAR					30 business days	
Section J RMAR						30 business days
Section K RMAR					30 business days	
Section L RMAR					30 business days	
Note 1	For unconsolidated and solo consolidated reports					
Note 2	For UK consolidation group reports					
Note 3	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i>.					

Regulated Activity Group 8

(1) ■ SUP 16.12.25A R does not apply to:

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- (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
 - (b) an *OPS firm*;
 - (c) a local authority;
 - (d) a *service company*.
- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.
- (3) A *service company* must submit a copy of its annual audited financial statements (only if the report was audited as a result of a statutory provision other than under the *Act*) within 6 months from its *accounting reference date*.

16.12.25A **R**
FCA

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below:

De- scrip- tion of <i>data</i> <i>item</i>	Firms' prudential category and applicable <i>data item</i> (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms				
	IFPRU	BIPRU	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 13	UP- RU
<i>Annual re- port and ac- counts</i>	No standard format						
<i>Annual re- port and ac- counts of the mixed- activity hold- ing compa- ny (note 10)</i>	No standard format						

De- scrip- tion of da- ta item	Firms' prudential category and applicable <i>data item</i> (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms				
	IFPRU	BIPRU	BRUN Chap- ter 3	BRUN Chap- ter 5	BRUN Chap- ter 9	BRUN Chap- ter 13	UP- RU
Solven- cy state- ment (note 11)	No standard format						No stan- dard for- mat
Bal- ance sheet	FSA001/FIN- REP (Notes 2 and 30)	FSA001 (Note 2)	FSA029	FSA029	FSA029	Section A RMAR (note 17) or FSA029	
In- come state- ment	FSA002/FIN- REP (Notes 2 and 30)	FSA002 (Note 2)	FSA030	FSA030	FSA030	Section B RMAR (note 17) or FSA030	
Capi- tal ade- quacy	COREP (Note 30)	FSA003 (Note 2)	FSA033	FSA034 or FSA035 (note 14)	FSA031	Sec- tions D1 and D2 RMAR (note 17) or FSA 032 (note 15)	FSA036
Credit risk	COREP (Note 30)	FSA004 (Notes 2, 3)					
Mar- ket risk	COREP (Note 30)	FSA005 (Notes 2, 4)					
Mar- ket risk - supple-	FSA006 (note 5)	FSA006 (Note 5)					

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>ILIN</i> Chap- ter 3	<i>ILIN</i> Chap- ter 5	<i>ILIN</i> Chap- ter 9	<i>ILIN</i> Chap- ter 13	<i>UP- RU</i>
men- tary							
Opera- tional risk	COREP (Note 30)						
Large expo- sures	COREP (Note 30)						
UK In- tegrat- ed group large expo- sures	FSA018 (note 12)						
Expo- sures be- tween <i>core UK group and non- core large expo- sures group</i>	FSA016 (note 20)						
Solo consoli- dation data	FSA016 (note 20)						
Pillar 2 ques- tion- naire	FSA019 (note 8)	FSA019 (Note 8)					

Description of data item	Firms' prudential category and applicable data item (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IFPRU investment firms				
	IFPRU	BIPRU	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 13	UPRU
Non-EEA sub-group	COREP (Note 30)	FSA028 (Note 9)					
Threshold conditions						Section F RMAR (note 17)	
Client money and client assets	FSA039	FSA039	FSA039	FSA039	FSA039	Section C RMAR (Note 13) or FSA039	FSA039
IRB portfolio risk	FSA045 (note 18)	FSA045 (Note 18)					
Securitisation: non-trading book	COREP (Note 30)	FSA046 (Note 19)					
Daily Flows	FSA047/COREP (Notes 21, 24, 26, 28 and 30)						
Enhanced Mismatch Report	FSA048/COREP (Notes 21, 24, 26, 28 and 30)						
Liquidity	FSA050/COREP (Notes 22,						

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>ILINJ</i> Chap- ter 3	<i>ILINJ</i> Chap- ter 5	<i>ILINJ</i> Chap- ter 9	<i>ILINJ</i> Chap- ter 13	<i>UP- RU</i>
Buffer	25, 26, 28						
Quali- fying Securi- ties	and 30)						
Fund- ing Con- centra- tion	FSA051COREP (Notes 22, 25, 26, 28 and 30)						
Pric- ing da- ta	FSA052COREP (Notes 22, 26, 28, 29 and 30)						
Retail and corpo- rate fund- ing	FSA053COREP (Notes 22, 25, 26, 28 and 30)						
Cur- rency Analy- sis	FSA054COREP (Notes 22, 25, 26, 28 and 30)						
Sys- tems and Con- trols Ques- tion- naire	FSA055COREP (Notes 23, 28 and 30)	FSA055 (notes 23 and 28)					
Securi- tisa- tion: trad-	COREP (Note 30)	FSA058 (Note 27)					

De- scrip- tion of da- ta item	<i>Firms' prudential category and applicable data item (note 1)</i>					
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>			
	<i>IFPRU</i>	<i>BIPRU</i>	<i>RU(1)</i> Chap- ter 3	<i>RU(2)</i> Chap- ter 5	<i>RU(3)</i> Chap- ter 9	<i>RU(4)</i> Chap- ter 13

ing book

Note 1: When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.

Note 2 *Firms* that are members of a *UK consolidation group* are also required to submit this report on a *UK consolidation group* basis.

Note 3 This applies to a *firm* that is required to submit *data item* FSA003 and, at any time within the 12 *months* up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA004 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element* 77A in *data item* FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 4 This applies to a *firm* that is required to submit *data item* FSA003 and, at any time within the 12 *months* up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA005 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>IPRU</i> Chap- ter 3	<i>IPRU</i> Chap- ter 5	<i>IPRU</i> Chap- ter 9	<i>IPRU</i> Chap- ter 13	<i>UP- RU</i>

The threshold is exceeded where *data element 93A in data item FSA003* is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 5 Only applicable to *firms* with a *VaR model permission*.

Note 6 [deleted]

Note 7 [deleted]

Note 8 Only applicable to *IFPRU investment firms* and *BIPRU firms* that:

(a) are subject to consolidated supervision under **BIPRU 8**, those that are either included within the consolidated supervision of a group that includes a *UK credit institution*, or that have been granted an *investment firm consolidation waiver*; or

(b) have been granted an *investment firm consolidation waiver*; or

(c) are not subject to consolidated supervision under **BIPRU 8**.

An *IFPRU investment firm* and *BIPRU firm* under (a) must complete the report on the basis of its *UK consolidation group*. An *IFPRU investment firm* and *BIPRU firm* under (b) or (c) must complete the report on the basis of its solo position.

Note 9 This will be applicable to firms that are members of a *UK consolidation group* on the reporting date.

Note 10 Only applicable to a *firm* whose ultimate parent is a *mixed-activity holding company*.

Note 11 Only applicable to a *firm* that is a *sole trader* or a *partnership*, when the report must be submitted by each *partner*.

Note 12 Only applicable to a *firm* that has both a *core UK group* and a *non-core large exposures group*.

Note 13 FSA039 must only be completed by a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*. Section C RMAR must only be completed by a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.

De- scrip- tion of da- ta item	Firms' prudential category and applicable <i>data item</i> (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IF-PRU investment firms				
	IFPRU	BIPRU	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 13	UP- RU

Note 14 FSA034 must be completed by a *firm* not subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

FSA035 must be completed by a *firm* subject to the exemption in *IPRU(INV)* 5.2.3(2) R.

Note 15 FSA032 must be completed by a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*.

Note 16 [deleted]

Note 17 This is only applicable to a *firm* subject to *IPRU(INV)* Chapter 13 that is not an *exempt CAD firm*.

Note 18 Only applicable to *firms* that have an *IRB permission*.

Note 19 Only applicable to *firms* that hold *securitisation positions*, or are the *originator* or *sponsor* of *securitisations* of *non-trading book exposures*.

Note 20 Only applicable to a *firm* that has a *solo consolidation waiver*.

Note 21 A *firm* must complete this item separately on each of the following bases (if applicable).

(1) It must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

(4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.

De- scrip- tion of <i>data</i> <i>item</i>	Firms' prudential category and applicable <i>data item</i> (note 1)						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>ILAS</i> Chap- ter 3	<i>ILAS</i> Chap- ter 5	<i>ILAS</i> Chap- ter 9	<i>ILAS</i> Chap- ter 13	<i>UP- RU</i>

Note 22 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

Note 23 If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 24 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

De- scrip- tion of da- ta item	Firms' prudential category and applicable <i>data item</i> (note 1)						
	IFPRU investment firms and BIPRU firms		Firms other than BIPRU firms or IF-PRU investment firms				
	IFPRU	BIPRU	ILAS Chap- ter 3	ILAS Chap- ter 5	ILAS Chap- ter 9	ILAS Chap- ter 13	UP- RU

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 25 Note 24 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 26 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 27 Only applicable to *firms* that hold *securitisation positions* in the *trading book* and/or are the *originator* or *sponsor* of *securitisations* held in the *trading book*.

Note 28 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an *ILAS BIPRU firm*. An *ILAS BIPRU firm* does not need to complete FSA055. A *non-ILAS BIPRU firm* must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>						
	<i>IFPRU investment firms and BIPRU firms</i>		<i>Firms other than BIPRU firms or IFPRU investment firms</i>				
	<i>IFPRU</i>	<i>BIPRU</i>	<i>ILAS</i> Chap- ter 3	<i>ILAS</i> Chap- ter 5	<i>ILAS</i> Chap- ter 9	<i>ILAS</i> Chap- ter 13	<i>UP- RU</i>

Note 29 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

Note 30 Requirements under COREP and FINREP should be determined with reference to the *EU CRR* and applicable technical standards.

16.12.25B G
FCA

The column in the table in ■ SUP 16.12.25A R that deals with *IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm* (see notes 23 and 28).

16.12.25C R
PRA

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out in the table below:

Description of <i>data item</i>	Applicable <i>data item</i> (Note 1)
<i>Annual report and accounts</i>	No standard format
<i>Annual report and accounts of the mixed-activity holding company (Note 5)</i>	No standard format
Solvency statement (Note 6)	No standard format
Balance sheet	FSA001 (note 2)
Income statement	FSA002 (note 2)
Market risk	FSA005 (notes 2, 18)
Market risk - supplementary	FSA006 (Note 3)
Exposures between <i>core UK group</i> and <i>non-core large exposures group</i>	FSA018 (note 7)
Solo consolidation data	FSA016 (note 8)
Pillar 2 questionnaire	FSA019 (note 4)
IRB portfolio risk	FSA045 (note 17)
Daily flows	FSA047 (Notes 9, 12, 14 and 15)
Enhanced Mismatch Report	FSA048 (Notes 9, 12, 14 and 15)

Description of <i>data item</i>	Applicable <i>data item</i> (Note 1)
Liquidity Buffer Qualifying Securities	FSA050 (Notes 10, 13, 14 and 15)
Funding Concentration	FSA051 (Notes 10, 13, 14 and 15)
Pricing data	FSA052 (Notes 10, 14, 15 and 16)
Retail and corporate funding	FSA053 (Notes 10, 13, 14 and 15)
Currency Analysis	FSA054 (Notes 10, 13, 14 and 15)
Systems and Controls Questionnaire	FSA055 (Notes 11 and 15)

Note 1 When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25A.

Note 2 *Firms* that are members of a *consolidation group* are also required to submit this report on a consolidation group basis.

Note 3 Only applicable to *firms* with a *VaR model permission*.

Note 4 Only applicable to *UK designated investment firms* that:

(a) are subject to consolidated supervision under the *EU CRR*, except those that are either included within the consolidated supervision of a group that includes a *UK credit institution*; or

(c) are not subject to consolidated supervision under the *EU CRR*.

A *UK designated investment firm* under (a) must complete the report on the basis of its *consolidation group*. A *UK designated investment firm* under (b) must complete the report on the basis of its solo position.

Note 5 Only applicable to a *firm* whose ultimate parent is a *mixed-activity holding company*.

Note 6	Only applicable to a firm that is a <i>sole trader</i> or a <i>partnership</i> , when the report must be submitted by each <i>partner</i> .
Note 7	Only applicable to a <i>firm</i> that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>
Note 8	Only applicable to a <i>firm</i> that has an <i>individual consolidation permission</i> .
Note 9	<p>A <i>firm</i> must complete this item separately on each of the following bases (if applicable).</p> <p>(1) It must complete it on a solo basis. Therefore even if it has an <i>individual consolidation permission</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p> <p>(2) If it a <i>group liquidity reporting firm</i> in a <i>DLG by default</i> and is a <i>UK lead regulated firm</i>, it must complete the item on the basis of that group.</p> <p>(3) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p> <p>(4) If it is a <i>group liquidity reporting firm</i> in a <i>non-UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
Note 10	<p>A <i>firm</i> must complete this item separately on each of the following bases that are applicable.</p> <p>(1) It must complete it on a solo basis unless it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>. Therefore even if it has an <i>individual consolidation permission</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p>

Note 11

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 12

(1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

	<p>(b) Take the three largest figures from the resulting list of amounts.</p> <p>(5) The date as at which the calculations for the purposes of the definition of <i>material currency</i> are carried out is the last day of the reporting period in question.</p> <p>(6) The reporting currency for this <i>data item</i> is whichever of the following currencies the <i>firm</i> chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).</p>
<p>Note 13</p>	<p>Note 24 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that <i>material currencies</i> must not be recorded separately.</p>
<p>Note 14</p>	<p>Any changes to reporting requirements caused by a <i>firm</i> receiving an <i>intra-group liquidity modification</i> (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the <i>data item</i> in question if the <i>firm</i> receives that <i>intra-group liquidity modification</i> or variation part of the way through such a period. If the change is that the <i>firm</i> does not have to report a particular <i>data item</i> or does not have to report it at a particular <i>reporting level</i>, the <i>firm</i> must nevertheless report that item or at that <i>reporting level</i> for any reporting period that has already begun. This paragraph is subject to anything that the <i>intra-group liquidity modification</i> says to the contrary.</p>
<p>Note 15</p>	<p>FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an <i>ILAS BIPRU firm</i>. An <i>ILAS BIPRU firm</i> does not need to complete FSA055. A <i>non-</i></p>

<p>Note 16</p>	<p><i>ILAS BIPRU firm</i> must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.</p> <p>This <i>data item</i> must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.</p>
<p>Note 17</p>	<p>Only applicable to <i>firms</i> that have an <i>IRB permission</i>.</p>
<p>Note 18</p>	<p>Lines 63 and 64 only are applicable. These lines apply to a <i>firm</i> that applies add-ons to their market risk capital calculation under the RNIV framework.</p>

16.12.26

FCA

R

The applicable reporting frequencies for *data items* referred to in ■ SUP 16.12.25A R are set out according to the type of *firm* in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
CRR REP	Refer to EU CRR and applicable technical standards				Refer to EU CRR and applicable technical standards	
Annual reports and accounts	Annually	Annually	Annually	Annually		Annually
Annual report and accounts of the mixed-activity holding company	Annually	Annually	Annually	Annually	Annually	
Solvency statement	Annually	Annually	Annually	Annually		Annually
FSA001	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA003				Half yearly	Half yearly	
FSA004				Half yearly	Half yearly	
FSA005				Half yearly	Half yearly	

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA006	Quarterly	Quarterly	Quarterly	Quarterly		
FSA007				Annual (note 4)	Annually (note 4)	
FSA016	Half year-ly	Half year-ly	Half year-ly	Half year-ly		
FSA018	Quarterly	Quarterly	Quarterly			
FSA019	Annually	Annually	Annually	Annually	Annually	
FSA028				Half year-ly		
FSA029						Quarterly
FSA030						Quarterly
FSA031						Quarterly
FSA032						Quarterly
FSA033						Quarterly
FSA034						Quarterly

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA035						Quarterly
FSA036						Quarterly
FSA039	Half yearly	Half yearly	Half yearly	Half yearly		Half yearly
FSA045	Quarterly	Quarterly	Half yearly	Half yearly	Half yearly	
FSA046						Quarterly
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)					Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)					Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)
FSA050	Monthly (Note 5)					Monthly (Note 5)

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
FSA051	Monthly (Note 5)				Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)				Weekly or monthly (Notes 5 and 10)	
FSA053	Quarterly (Note 5)				Quarterly (Note 5)	
FSA054	Quarterly (Note 5)				Quarterly (Note 5)	
FSA055	Annually (Note 5)			Annually (Note 5)	Annually (Note 5)	
FSA058	[deleted]	[deleted]	[deleted]	Quarterly	Quarterly	
Section A RMAR					Half yearly (note 2) Quarterly (note 3)	
Section B RMAR					Half yearly (note 2) Quarterly (note 3)	

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	
Section C RMAR					Half yearly (note 2) Quarterly (note 3)	
Sections D1 and D2 RMAR					Half yearly (note 2) Quarterly (note 3)	
Section F RMAR					Half yearly	
Note 1	[deleted]					
Note 2	Annual regulated business revenue up to and including £5 million.					
Note 3	Annual regulated business revenue over £5 million.					
Note 4	The reporting date for this <i>data item</i> is six months after a <i>firm's</i> most recent <i>accounting reference date</i> .					

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 5 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.
- (4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards				Refer to <i>EU CRR</i> and applicable technical standards	

Note 6 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
CORE/IN-REP	Refer to <i>EU CRR</i> and applicable technical standards			Refer to <i>EU CRR</i> and applicable technical standards		

Note 7 (1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 8 (1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-spe-*

Data item	Firms' prudential category					
	IFPRU 730K firm	IFPRU 125K firm	IFPRU 50K firm	BIPRU firm	UK consolidation group or defined liquidity group	Firms other than BIPRU firms or IFPRU investment firm
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards			Refer to <i>EU CRR</i> and applicable technical standards		
	<p><i>cific liquidity stress or market liquidity stress in relation to the firm or group in question.</i></p> <p>(3) A <i>firm</i> must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no <i>firm-specific liquidity stress or market liquidity stress</i> and none is expected.</p> <p>Note 9 If the report is on a solo basis the reporting frequency is as follows:</p> <p>(1) weekly if the <i>firm</i> is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(2) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>.</p> <p>Note 10 If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p> <p>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p>					

16.12.26A **R**
PRA

The applicable reporting frequencies for *data items* referred to in **SUP 16.12.25C R** are set out in the table below. Reporting frequencies

are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data item</i>	<i>UK designated investment firm</i>	<i>consolidation group or defined liquidity group</i>
<i>Annual reports and accounts</i>	Annually	Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually	Annually
Solvency statement	Annually	
FSA001	Quarterly	Half yearly
FSA002	Quarterly	Half yearly
FSA005	Quarterly	Quarterly
FSA006	Quarterly	
FSA016	Half yearly	
FSA018	Quarterly	
FSA019	Annually	Annually
FSA045	Quarterly	Half yearly
FSA047	Daily, weekly, monthly or quarterly (Notes 1, 2 and 4)	Daily, weekly, monthly or quarterly (Notes 1, 3 and 4)
FSA048	Daily, weekly, monthly or quarterly (Notes 1, 2 and 4)	Daily, weekly, monthly or quarterly (Notes 1, 3 and 4)
FSA050	Monthly (Note 1)	Monthly (Note 1)
FSA051	Monthly (Note 1)	Monthly (Note 1)
FSA052	Weekly or monthly (Notes 1 and 5)	Weekly or monthly (notes 1 and 6)
FSA053	Quarterly (Note 1)	Quarterly (Note 1)
FSA054	Quarterly (Note 1)	Quarterly (Note 1)
FSA055	Annually (Note 1)	Annually (Note 1)

Note 1

Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

(1) A week means the period beginning on Saturday and ending on Friday.

(2) A month begins on the first day of the calendar month and ends on the last day of that month.

(3) Quarters end on 31 March, 30 June, 30 September and 31 December.

(4) Daily means each *business day*.

All periods are calculated by reference to London time. Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

Note 2

If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm* in a *non-UK DLG by modification (firm level)* the frequency is:

Note 3

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm* in a *UK DLG by modification*.

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's DLG by modification* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 4

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress*

or *market liquidity stress* in relation to the firm or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

Note 5 If the report is on a solo basis the reporting frequency is as follows:

(1) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(2) monthly if the *firm* is a *low frequency liquidity reporting firm*.

Note 6 If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(1) weekly if the *group liquidity standard frequency reporting conditions* are met;

(2) monthly if the *group liquidity low frequency reporting conditions* are met.

16.12.27 **R**
FCA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.26 R, unless indicated otherwise

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
<i>Annual accounts</i>						80 <i>business days</i>
<i>Annual reconciliation</i>						80 <i>business days</i>

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards					
Annual reports and accounts of the mixed-activity holding company						7 months
Solvency statement						3 months
FSA001				20 business days	30 business days (note 1);45 business days (note 2)	
FSA002				20 business days	30 business days (note 1);45 business days (note 2)	
FSA003				20 business days	30 business days (note 1);45 business days (note 2)	
FSA004				20 business days	30 business days note 1);45 business days (note 2)	
FSA005				20 business days	30 business days (note	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA006				20 <i>business days</i>	1);45 <i>business days</i> (note 2) 30 <i>business days</i> (note 1);45 <i>business days</i> (note 2)	
FSA007						2 months
FSA016					30 <i>business days</i>	
FSA018				45 <i>business days</i>		
FSA019						2 months
FSA028					30 <i>business days</i>	
FSA029				20 <i>business days</i>		
FSA030				20 <i>business days</i>		
FSA031				20 <i>business days</i>		
FSA032				20 <i>business days</i>		
FSA033				20 <i>business days</i>		
FSA034				20 <i>business days</i>		
FSA035				20 <i>business days</i>		
FSA036				20 <i>business days</i>		
FSA039					30 <i>business days</i>	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREN-REP	Refer to <i>EU CRR</i> and applicable technical standards					
FSA040				15 business days		
FSA045			20 business days	30 business days (note 1); 45 business days (note 2)		
FSA046				20 business days (Note 1), 45 business days (Note 2)		
FSA047	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question	15 business days	15 business days or one Month (Note 3)		
FSA048	22.00 hours (London time) on the business day immediately following the last day of the reporting	22.00 hours (London time) on the business day immediately following the last day of the reporting	15 business days	15 business days or one Month (Note 3)		

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
CRR REP	Refer to <i>EU CRR</i> and applicable technical standards					
	period for the item in question	period for the item in question				
FSA050				15 business days		
FSA051				15 business days		
FSA052		22.00 hours (London time) on the second business day immediately following the last day of the reporting period for the item in question		15 business days		
FSA053				15 business days		
FSA054				15 business days		
FSA055						15 business days
FSA058				20 business days (Note 1), 45 business days (Note 2)		

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
COREFIN-REP	Refer to <i>EU CRR</i> and applicable technical standards					
Section A RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section B RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section C RMAR				30 <i>business days</i>	30 <i>business days</i>	
Sections D1 and D2 RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section F RMAR					30 <i>business days</i>	
Note 1	For unconsolidated and solo consolidated reports.					
Note 2	For <i>UK consolidation group reports</i>					
Note 3	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i> .					

16.12.27A **R**
PRA

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.26 R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
Annual report and accounts						80 <i>business days</i>
Annual reconciliation						80 <i>business days</i>
<i>Annual report and accounts of the mixed-activity</i>						7 months

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
<i>holding company</i>						
Solvency state-ment						3 months
FSA001				20 busi-ness days	30 busi-ness days (Note 1); 45 busi-ness days (Note 2)	
FSA002				20 busi-ness days	30 busi-ness days (Note 1); 45 busi-ness days (Note 2)	
FSA005				20 busi-ness days	30 busi-ness days (Note 1); 45 busi-ness days (Note 2)	
FSA006				20 busi-ness days	30 busi-ness days (Note 1); 45 busi-ness days (Note 2)	
FSA016					30 busi-ness days	
FSA 018				45 busi-ness days		
FSA 019						2 months
FSA045				20 busi-ness days	30 busi-ness days (Note 1); 45 busi-ness days (Note 2)	
FSA047	22.00 hours	22.00 hours	15 busi-ness days	15 busi-ness days		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
	(London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	(London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question		or one <i>month</i> (Note 3)		
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>month</i> (Note 3)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the <i>business day</i> immediately following the last day of the	15 <i>business days</i>			

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
		reporting period for the item in question				
FSA053				15 business days		
FSA054				15 business days		
FSA055						15 business days
Note 1: For unconsolidated and solo-consolidated reports						
Note 2: For consolidation group reports						
Note 3: It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i>.						

Regulated Activity Group 9

16.12.28 **R**
FCA

- (1) ■ SUP 16.12.28A R does not apply to:
 - (a) a *lead regulated firm*;
 - (b) an *OPS firm*;
 - (c) a local authority;
 - (d) a *third party processor* in respect of any *home finance activity*.

- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.28A **R**
FCA

The applicable *data items*, reporting frequencies and submission deadlines referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of data item	Data item (note 1)	Frequency		Submission deadline
		Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million	
Balance Sheet	Section A RMAR	Half yearly	Quarterly	30 business days
Income Statement	Section B RMAR	Half yearly	Quarterly	30 business days
Capital Adequacy	Section D1 RMAR	Half yearly	Quarterly	30 business days
Professional indemnity insurance	Section E RMAR	Half yearly	Quarterly	30 business days
(note 2)				
Threshold Conditions	Section F RMAR	Half yearly	Half yearly	30 business days
Training and Competence	Section G RMAR	Half yearly	Half yearly	30 business days
COBS data	Section H RMAR	Half yearly	Half yearly	30 business days
Supplementary product sales data	Section I RMAR	Half yearly	Annually	30 business days
Client money and client assets	Section C RMAR	Half yearly	Quarterly	30 business days
Fees and levies	Section J RMAR	Annually	Annually	30 business days
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 18A R. Guidance notes for the completion of the data items is set out in SUP 16 Annex 18B G.			
Note 2	This item only applies to <i>firms</i> that may be subject to an <i>FSA</i> requirement to hold professional indemnity insurance and are not <i>exempt CAD firms</i> .			

16.12.29 **G**
FCA

Regulated Activity Group 10

RIEs have separate reporting as set out in REC.

16.12.29A **R**
FCA

Regulated Activity Group 11

A firm must submit the form contained in ■ SUP 16 Annex 32 R (Bidding in emissions auctions return) annually within 30 business days from its accounting reference date unless the firm did not carry on any auction regulation bidding during the year to which that form relates.

16.12.29B **R**
FCA

Regulated Activity group 12

■ SUP 16.12.29C R does not apply:

- (1) to a credit firm if the only credit-related regulated activity it carries on is providing credit references;
- (2) to a credit firm that is a not-for-profit body, unless it is a not-for-profit debt advice body;
- (3) with respect to credit-related regulated activity to the extent that it relates to credit agreements secured by a legal or equitable mortgage on land.

16.12.29C **R**
FCA

The applicable data items, reporting frequencies and submission deadlines referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a firm's accounting reference date, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of data item	Data item (note 1)	Frequency	Submission deadline	
		Annual revenue from credit-related regulated activities up to and including £5 million (note 2)	Annual revenue from credit-related regulated activities over £5 million	
Financial data (note 3)	CCR001	Annually	Half yearly	30 business days
Volumes (note 4)	CCR002	Annually	Half yearly	30 business days
Lenders (note 5)	CCR003	Annually	Half yearly	30 business days

Description of data item	Data item (note 1)	Frequency	Submission deadline
Debt management (note 6)	CCR004	Annually	Half yearly 30 business days
Client Money & Assets (note 7)	CCR005	Annually	Half yearly 30 business days
Debt collection (note 8)	CCR006	Annually	Half yearly 30 business days
Key data (note 9)	CCR007	Annually	Annually 30 business days
Note 1	When submitting the required <i>data item</i> , a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 38A. Guidance notes for the completion of the data items is set out in SUP 16 Annex 38B.		
Note 2	References to revenue in SUP 16.12.29C R in relation to any <i>firm</i> do not include the amount of any repayment of any <i>credit</i> provided by that <i>firm</i> as <i>lender</i> .		
Note 3	<p>(a) Subject to (b) to (d) below, this <i>data item</i> applies to all <i>credit firms</i>.</p> <p>(b) This <i>data item</i> does not apply to a <i>firm</i> if the only <i>credit-related regulated activity</i> for which it has <i>permission</i> is <i>operating an electronic system in relation to lending</i>.</p> <p>(c) This <i>data item</i> does not apply to a <i>firm</i> required to submit a Balance Sheet, Income Statement or Capital Adequacy <i>data item</i> from a RAG other than RAG 12.</p> <p>(d) This <i>data item</i> does not apply to a <i>firm</i> with <i>limited permission</i> unless it is a <i>not-for-profit debt advice body</i> and at any point in the last 12 <i>months</i> has held £1 million or more in <i>client money</i> or as the case may be, projects that it will hold £1million or more in <i>client money</i> in the next 12 <i>months</i>.</p>		
Note 4	<p>(a) Subject to (b) below, this <i>data item</i> applies to all <i>credit firms</i>.</p> <p>(b) This <i>data item</i> does not apply to a <i>firm</i> with <i>limited permission</i> unless it is a <i>not-for-profit debt advice body</i> and at any point in the last 12 <i>months</i> has held £1 million or more in <i>client money</i> or as the case may be, projects that it will hold £1million or more in <i>client money</i> in the next 12 <i>months</i>.</p>		
Note 5	This <i>data item</i> applies to all <i>firms</i> with <i>permission</i> for <i>entering into a regulated credit agreement as lender or exercising</i> ,		

Description of data item	Data item (note 1)	Frequency	Submission deadline
Note 6	<p><i>or having the right to exercise, the lender's rights and duties under a regulated credit agreement.</i></p> <p>(a) Subject to (b) to (d) below, this <i>data item</i> applies to a <i>debt management firm</i> and to a <i>not-for-profit debt advice body</i> that at any point in the last 12 months has held £1 million or more in <i>client money</i> or, as the case may be, projects that it will hold £1million or more in <i>client money</i> in the next 12 months.</p> <p>(b) This <i>data item</i> does not apply to a <i>firm</i> with <i>limited permission</i> other than a <i>not-for-profit debt advice body</i> within (a).</p> <p>(c) This <i>data item</i> does not apply to a <i>firm</i> required to submit a <i>Capital Adequacy data item</i> from a <i>RAG</i> other than <i>RAG 12</i>, or under SUP 16.13, unless (d) applies</p> <p>(d) Where a <i>firm</i> is required to submit a <i>Capital Adequacy data item</i> from a <i>RAG</i> other than <i>RAG 12</i> or under SUP 16.13 but the <i>firm's</i> highest capital requirement derives from its activity under <i>RAG 12</i>, the <i>firm</i> should submit both CCR004 and the <i>Capital Adequacy data item</i> required from the <i>RAG</i> other than <i>RAG 12</i> or SUP 16.13.</p>		
Note 7	<p>This <i>data item</i> applies to a <i>CASS debt management firm</i>.</p>		
Note 8	<p>This <i>data item</i> applies to a <i>firm</i> with <i>permission</i> to carry on <i>debt collecting</i> or <i>operating an electronic system in relation to lending</i>.</p>		
note 9	<p>(a) Subject to (b) and (c) below, this <i>data item</i> applies to a <i>firm</i> that has <i>limited permission</i>.</p> <p>(b) This <i>data item</i> does not apply to an <i>authorised professional firm</i> that is a <i>CASS debt management firm</i>. Such a <i>firm</i> is instead required to submit the other <i>data items</i> in SUP 16.12.29C R as appropriate.</p> <p>(c) This <i>data item</i> does not apply to a <i>not-for-profit debt advice body</i> that at any point in the last 12 months has held £1 million or more in <i>client money</i> or, as the case may be, projects that it will hold £1million or more in <i>client money</i> in the next 12 months. Such a <i>not-for-profit debt advice body</i> is instead required to submit <i>data items</i> CCR001, CCR002, CCR004 and CCR005.</p>		

Authorised professional firms

16.12.30

FCA

R

(1) An *authorised professional firm*, other than one that must comply with IPRU(INV) 3, 5 or 13 in accordance with IPRU(INV) 2.1.4R, or one that is a *CASS debt management firm* or one that carries on only *credit-related regulated activity* as a *non-mainstream regulated activity*, must submit an annual questionnaire, contained in ■ SUP 16 Annex 9 R, unless:

(a) its only *regulated activities* are one or more of:

- (i) *insurance mediation*;
- (ii) *mortgage mediation*;
- (iii) *retail investment*;
- (iv) *mortgage lending*;
- (v) *mortgage administration*; or

(b) its "main business" as determined by IPRU(INV) 2.1.2R(3) is *advising on, or arranging deals in, packaged products, or managing investments for private customers*;

in which case the *authorised professional firm* must complete the appropriate report specified in ■ SUP 16.12.31 R.

(2) The due date for submission of the annual questionnaire is four months after the *firm's accounting reference date*.

(3) An *authorised professional firm* must also, where applicable, submit the other report to the FCA in accordance with ■ SUP 16.12.31 R in respect of the other *regulated activities* it undertakes under (1)(a).

16.12.30A

FCA

R

An *authorised professional firm* that must comply with IPRU(INV) 3, 5, 10 or 13 in accordance with IPRU(INV) 2.1.4R must submit the relevant reports in ■ SUP 16.12.4 R to ■ SUP 16.12.29 G, according to the *regulated activity groups* that its business falls into.

16.12.30B

FCA

R

An *authorised professional firm* that is a *CASS debt management firm* and is not within ■ SUP 16.12.1 G (3A) must complete the appropriate reports specified in ■ SUP 16.12.4 R and ■ SUP 16.12.29C R.

16.12.31

FCA

R

Table of data items from an *authorised professional firm*

Report	Return (note 1)	Frequency (Note 4)	Due date
Adequate information relating to the following activities:	RMAR (Note 3)	Half yearly (quarterly for sections A to E)	For half yearly report: 30 <i>business days</i> after period end For

Report	Return (note 1)	Frequency (Note 4)	Due date
<p>(1) <i>insurance mediation activity</i>;</p> <p>(2) <i>mortgage mediation activity</i>;</p> <p>(3) <i>retail investment activity</i>;</p> <p>(4) advising on, or arranging deals in, packaged products, or managing investments for private customers where these activities are the <i>authorised professional firm's</i> "main business" as determined by <i>IPRU(INV) 2.1.2 R (3)</i></p>		<p>for larger <i>firms</i>, subject to Note 3 exemptions) (note 2)</p>	<p>quarterly report: 30 <i>business days</i> after quarter end</p>
<p>Adequate information relating to mortgage lending and mortgage administration.</p>	MLAR	Quarterly	20 <i>business days</i> after quarter end
Note 1	<p>When giving the report required, a <i>firm</i> must use the return indicated. The RMAR and MLAR are located at SUP 16 Annex 18A R and SUP 16 Annex 19A R respectively. Guidance on the completion of the <i>data items</i> are located at SUP 16 Annex 18B G and SUP 16 Annex 19B G respectively.</p>		
Note 2	<p>For the purposes of RMAR reporting, a larger <i>firm</i> is a <i>firm</i> whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a <i>firm's</i> total revenue relating to <i>insurance mediation activity, mortgage mediation activity and retail investment activity</i>.</p>		
Note 3	<p>A <i>firm</i> which submits an MLAR is not required to submit sections A and B of the RMAR.</p>		

Report	Return (note 1)	Frequency (Note 4)	Due date
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Note 4 Reporting dates are calculated from a *firm's accounting reference date*.

Financial conglomerates

16.12.32
FCA PRA

R

- (1) A *firm* that is a member of a *financial conglomerate* must submit financial reports to the *appropriate regulator* in accordance with the table in ■ SUP 16.12.33 R if:
 - (a) it is at the head of a *UK-regulated EEA financial conglomerate* ; or
 - (b) its *Part 4A permission* contains a relevant *requirement*.

- (2) In (1)(b), a relevant *requirement* is one which:
 - (a) applies ■ SUP 16.12.33 R to the *firm*; or
 - (b) applies ■ SUP 16.12.33 R to the *firm* unless the *mixed financial holding company* of the *financial conglomerate* to which the *firm* belongs submits the report required under this *rule* (as if the *rule* applied to it).

16.12.33
FCA PRA

R

Financial reports from a member of a financial conglomerate (see ■ SUP 16.12.32 R)

Content of Report	Form (Note 1)	Frequency	Due Date
Calculation of supplementary capital adequacy requirements in accordance with one of the three technical calculation methods	Note 2	Note 5 Yearly	Note 5
Identification of significant <i>risk concentration</i> levels	Note 3	Yearly	4 months after year end
Identification of significant <i>intra-group transactions</i>	Note 4	Yearly	4 months after year end
Report on compliance with	Note 6	Note 5	Note 5

Content of Report	Form (Note 1)	Frequency	Due Date
<p>GENPRU 3.1.35 R where it applies</p>			
<p>Note 1</p>	<p>When giving the report required, a <i>firm</i> must use the form indicated, if any.</p>		
<p>Note 2</p>	<p>In respect of <i>FCA-authorised persons</i>, if Part 1 of GENPRU 3 Annex 1 R (method 1), or Part 2 of GENPRU 3 Annex 1 R (method 2), or Part 3 of GENPRU 3 Annex 1 R (method 3) applies, there is no specific form. Adequate information must be provided, specifying the calculation method used and each <i>financial conglomerate</i> for which the <i>appropriate regulator</i> is the <i>co-ordinator</i> must discuss with the <i>appropriate regulator</i> the form which this reporting will take and the extent to which verification by an auditor will be required.</p> <p>For the purposes of the above, where relevant to the agreed reporting arrangements, <i>rules 9.40(1), 9.40(1A), 9.40(3) and 9.40(4) of IPRU(INS)</i> apply as they would if the <i>financial conglomerate</i> were an <i>insurance group</i>.</p>		
<p>Note 3</p>	<p>Rather than specifying a standard format for each <i>financial conglomerate</i> to use, each <i>financial conglomerate</i> for which the <i>appropriate regulator</i> is the <i>co-ordinator</i> must discuss with the <i>appropriate regulator</i> the form of the information to be reported. This should mean that usual information management systems of the <i>financial conglomerate</i> can be used to the extent possible to generate and analyse the information required.</p> <p>When reviewing the <i>risk concentration</i> levels, the <i>appropriate regulator</i> will in particular monitor the possible risk of contagion in the <i>financial conglomerate</i>, the risk of a conflict of interests, the risk of circumvention of sectoral <i>rules</i>, and the level or volume of risks.</p>		
<p>Note 4</p>	<p>For the purposes of this reporting requirement, an <i>intra-group transaction</i> will be presumed to be significant if its amount exceeds 5% of the total amount of capital adequacy requirements at the level of the <i>financial conglomerate</i>.</p> <p>Rather than specifying a standard format for each <i>financial conglomerate</i> to use, each <i>financial conglomerate</i></p>		

Content of Report	Form (Note 1)	Frequency	Due Date
<p>Note 5</p>	<p><i>ate for which the appropriate regulator is the co-ordinator must discuss with the appropriate regulator the form of the information to be reported. This should mean that usual information management systems of the financial conglomerate can be used to the extent possible to generate and analyse the information required.</i></p> <p>When reviewing the <i>intra-group transactions</i>, the appropriate regulator will in particular monitor the possible risk of contagion in the <i>financial conglomerate</i>, the risk of a conflict of interest , the risk of circumvention of <i>sectoral rules</i>, and the level or volume of risks.</p>	<p>The frequency and due date will be as follows:</p> <p>(1) <i>banking and investment services conglomerate</i>: frequency is yearly with due date 45 <i>business days</i> after period end;</p> <p>(2) <i>insurance conglomerate</i>: frequency is yearly with due date four months after period end for the capital adequacy return and three months after period end for the report on compliance with GENPRU 3.1.35 R where it applies.</p>	<p>Note 6</p> <p>Adequate information must be added as a separate item to the relevant form for sectoral reporting.</p>



16.13 Reporting under the Payment Services Regulations

Application

16.13.1 G This section applies to *authorised payment institutions* and *small payment institutions* (see ■ SUP 16.1.1A D).

FCA

Purpose

16.13.2 G The purpose of this section is to give directions to *authorised payment institutions* and *small payment institutions* under regulation 82 (Reporting requirements) of the *Payment Services Regulations* in relation to:

FCA

- (1) the information in respect of their provision of *payment services* and their compliance with requirements imposed by or under Parts 2 to 6 of the *Payment Services Regulations* that they must provide to the *FCA*; and
- (2) the time at which and the form in which they must provide that information.

16.13.2A G The purpose of this section is also to set out the rules applicable to *authorised payment institutions* and *small payment institutions* in relation to complete and timely reporting and failure to submit reports.

FCA

Reporting requirement

16.13.3 D (1) An *authorised payment institution* or a *small payment institution* must submit to the *FCA* the duly completed return applicable to it as set out in column (2) of the table in ■ SUP 16.13.4D.

FCA

- (2) An *authorised payment institution* or a *small payment institution* must submit the return referred to in (1):
 - (a) in the format specified as applicable in column (3) of the table in ■ SUP 16.13.4D;
 - (b) at the frequency and in respect of the periods specified in column (4) of that table;
 - (c) by the due date specified in column (5) of that table; and
 - (d) by electronic means made available by the *FCA*.

16.13.3A D ■ SUP 16.3.11 R (Complete reporting) and ■ SUP 16.3.13 R (Timely reporting) also apply to *authorised payment institutions* and *small payment institutions* as if

FCA

a reference to *firm* in these rules were a reference to *authorised payments institutions* and *small payment institutions*.

16.13.3B

FCA

R

■ SUP 16.3.14 R (Failure to submit reports) also applies to *authorised payment institutions* and *small payment institutions* as if a reference to *firm* in this rule were a reference to *authorised payments institutions* and *small payment institutions*.

16.13.4

FCA

D

The table below sets out the format, reporting frequency and due date for submission in relation to regulatory returns that apply to *authorised payment institutions* and *small payment institutions*.

(1)	(2)	(3)	(4)	(5)
Type of firm	Return	Format	Reporting Frequency	Due date
<i>Authorised Payment Institution</i>	Authorised Payment Institution Capital Adequacy Return	FSA056 (Note 1)	Annual (Note 2)	30 <i>business days</i> (Note 3)
<i>Small Payment Institution</i>	Payment Services Directive Transactions	FSA057 (Note 4)	Annual (Note 5)	1 month (Note 3)
Note 1	When submitting the completed return required, the <i>authorised payment institution</i> must use the format of the return set out in SUP 16 Annex 27A D. Guidance notes for the completion of the return are set out in SUP 16 Annex 27B G.			
Note 2	This reporting frequency is calculated from an <i>authorised payment institution's accounting reference date</i> .			
Note 3	The due dates are the last day of the periods given in column (5) of the table above following the relevant reporting frequency period set out in column (4) of the table above.			
Note 4	When submitting the completed return required, the <i>small payment institution</i> must use the format of the return set out in SUP 16 Annex 28A D. Guidance notes for the completion of the return are set out in SUP 16 Annex 28B G.			
Note 5	This reporting frequency is calculated from 31 December each calendar year.			



16.14 Client money and asset return

Application

16.14.1
FCA

R This section applies to a *CASS large firm* and a *CASS medium firm*.

Purpose

16.14.2
FCA

G The purpose of the *rules* and *guidance* in this section is to ensure that the *FCA* receives regular and comprehensive information from a *firm* which is able to hold *client money* and *safe custody assets* on behalf of its *clients*.

Report

16.14.3
FCA

- R**
- (1) Subject to (3), a *firm* must submit a completed *CMAR* to the *FCA* within 15 *business days* of the end of each month.
 - (2) In this *rule* month means a calendar month and
 - SUP 16.3.13 R (4) does not apply.
 - (3) A *firm* which changes its 'CASS firm type' and notifies the *FCA* that it is a *CASS medium firm* or a *CASS large firm* in accordance with ■ CASS 1A.2.9 R is not required to submit a *CMAR* in respect of the month in which the change to its 'CASS firm type' takes effect in accordance with ■ CASS 1A.2.12 R, unless it was a *firm* to which the requirement in (1) applied immediately prior to that change taking effect.

16.14.4
FCA

- R** For the purposes of the *CMAR*:
- (1) *client money* is that to which the *client money rules* in ■ CASS 7 apply; and
 - (2) *safe custody assets* are those to which the *custody rules* in ■ CASS 6 apply but only in relation to the holding of *financial instruments* (in the course of *MiFID business*) , the *safeguarding and administration of assets (without arranging)* (in the course of business that is not *MiFID business*) , *acting as trustee or depositary of an AIF* and *acting as trustee or depositary of a UCITS*.

16.14.5

FCA

G

For the avoidance of doubt, the effect of ■ SUP 16.14.4 R is that the following are to be excluded from any calculations which the CMAR requires :

- (1) any *client money* held by the *firm* in accordance with ■ CASS 5;
- (2) any *safe custody assets* in respect of which the *firm* is merely *arranging safeguarding and administration of assets* in accordance with ■ CASS 6; and
- (3) any *client money* or *safe custody assets* in respect of which the *firm* merely has a *mandate* in accordance with ■ CASS 8.

Method of submission

16.14.6

FCA

R

A CMAR must be submitted by electronic means made available by the FCA.



16.15 Reporting under the Electronic Money Regulations

Application

16.15.1
FCA

G This section applies to *electronic money issuers* that are not *credit institutions* (see **■** SUP 16.1.1B D).

Purpose

16.15.2
FCA

G The purpose of this section is to give directions to the *electronic money issuers* referred to in **■** SUP 16.1.1B D under regulation 49 (Reporting requirements) of the *Electronic Money Regulations* in relation to:

- (1) the information in respect of their issuance of *electronic money* and provision of *payment services* and their compliance with requirements imposed by or under Parts 2 to 5 of the *Electronic Money Regulations* that they must provide to the *FCA*; and
- (2) the time at which and the form in which they must provide that information.

16.15.3
FCA

G The purpose of this section is also to set out the rules applicable to these types of *electronic money issuers* in relation to complete and timely reporting and, where relevant, the failure to submit reports.

Reporting requirement

16.15.4
FCA

D An *electronic money issuer* that is not a *credit institution* must submit to the *FCA*:

- (1) the duly completed return applicable to it as set out in column (2) of the table in **■** SUP 16.15.8 D; and
- (2) the return referred to in (1):
 - (a) in the format specified as applicable in column (3) of the table in **■** SUP 16.15.8 D;
 - (b) at the frequency and in respect of the periods specified in column (4) of that table;
 - (c) by the due date specified in column (5) of that table; and
 - (d) by electronic means made available by the *FCA* where necessary.

16.15.5 **D** ■ SUP 16.4.5 R (Annual Controllers Report) and ■ SUP 16.5.4 R (Annual Close Links Reports) apply to an *authorised electronic money institution* as if a reference to *firm* in these rules were a reference to an *authorised electronic money institution*.
FCA

16.15.6 **D** ■ SUP 16.3.11 R (Complete reporting) and ■ SUP 16.3.13 R (Timely reporting) apply to an *authorised electronic money institution* and a *small electronic money institution* as if a reference to *firm* in these rules were a reference to an *authorised electronic money institution* and a *small electronic money institution*.
FCA

16.15.7 **R** ■ SUP 16.3.14 R (Failure to submit reports) also applies to an *authorised electronic money institution* and a *small electronic money institution* as if a reference to *firm* in these rules were a reference to an *authorised electronic money institution* and a *small electronic money institution*.
FCA

16.15.8 **D** The table below sets out the format, reporting frequency and due date for submission in relation to regulatory returns that apply to *electronic money issuers* that are not *credit institutions*.
FCA

(1)	(2)	(3)	(4)	(5)
Type of <i>electronic money issuer</i>	Return	Format	Reporting Frequency	Due date (Note 4)
<i>Authorised electronic money institution</i> (Note 1)	Balance sheet	FSA059	Half yearly (Note 3)	30 <i>business days</i>
	Income statement	FSA060	Half yearly (Note 3)	30 <i>business days</i>
	Capital requirements	FSA061	Half yearly (Note 3)	30 <i>business days</i>
	Safeguarding	FSA062	Half yearly (Note 3)	30 <i>business days</i>
	Supplementary information	FSA063	Half yearly (Note 3)	30 <i>business days</i>
	<i>Annual report and accounts</i>	No standard format	Annual (Note 3)	80 <i>business days</i>
<i>Small electronic money institutions</i> (Note 2)	Return	FSA064	Half yearly (note 5)	30 <i>business days</i>
	Total electronic money outstanding @ 31st December	FSA065	Annual (Note 5)	1 month
	<i>Annual report and accounts</i>	No standard format	Annual (Note 5)	80 <i>business days</i>
	(a) the Post Office Limited	<i>Average outstanding electronic money</i>	No standard format	Half yearly (Note 6)
(b) the Bank of England, the ECB and the na-				

(1)	(2)	(3)	(4)	(5)
Type of <i>electronic money issuer</i>	Return	Format	Reporting Frequency	Due date (Note 4)
tional central banks of <i>EEA States</i> other than the <i>United Kingdom</i> (c) Government departments and local authorities (d) <i>credit unions</i> (e) municipal banks (f) the National Savings Bank				
Note 1	When submitting the completed returns required, the <i>authorised electronic money institution</i> must use the format of the returns set out in SUP 16 Annex 30A D to SUP 16 Annex 30E D.			
Note 2	When submitting the completed returns required, the <i>small electronic money institution</i> must use the format of the returns set out in SUP 16 Annex 30F D to SUP 16 Annex 30G D.			
Note 3	Where the <i>authorised electronic money institution's</i> reporting frequency is half yearly or annual, this field is calculated from the <i>authorised electronic money institution's accounting reference date</i> .			
Note 4	The due dates for returns are the last day of the periods given in column (5) of the table above following the relevant reporting frequency period set out in column (4) of the table above.			
Note 5	The reporting frequency in relation to FSA065 is calculated from 31 December each calendar year. Otherwise, where the <i>small electronic money institution's</i> reporting frequency is half yearly or annual, this field is calculated from the <i>small electronic money institution's accounting reference date</i> .			
Note 6	This is calculated from 31 December each calendar year.			

16.16 Prudent valuation reporting

Application

16.16.1 **R** This section applies to a *UK bank*, a *UK designated investment firm* or a *full-scope IFPRU investment firm* which meets the condition in **■ SUP 16.16.2 R**.

FCA **PRA**

16.16.2 **R** The condition referred to in **■ SUP 16.16.1 R** is that, on its last *accounting reference date*, the *firm* had balance sheet positions measured at fair value which, on a gross basis (the sum of the absolute value of each of the assets and liabilities), exceeded £3 billion.

FCA **PRA**

Purpose

- 16.16.3** **G**
- (1) The purpose of this section is to set out the requirements for a *firm* specified in **■ SUP 16.16.1 R** to report the outcomes of its prudent valuation assessments to the *appropriate regulator* and to do so in a standard format.
 - (2) The purpose of collecting this data on the prudent valuation assessments made by a *firm* is to assist the *appropriate regulator* in assessing the capital resources of *firms*, to enable the *appropriate regulator* to gain a wider understanding of the nature and sources of measurement uncertainty in fair-valued financial instruments, and to enable comparison of the nature and level of that measurement uncertainty across *firms* and over time.

FCA **PRA**

[Note: articles 24 and 105 of the *EU CRR*]

Reporting requirement

- 16.16.4** **R**
- (1) **■** A *firm* to which this section applies must submit to the *appropriate regulator* quarterly (on a calendar year basis and not from a *firm's accounting reference date*), within six weeks of each quarter end, a Prudent Valuation Return in respect of its fair-value assessments in the format set out in **■ SUP 16 Annex 31A R**.
 - (2) A PRA-authorized person to which this section applies must submit the report via electronic mail to prudentvaluationreturns@bankofengland.co.uk or via post or hand delivery to Regulatory Data Group, Statistics and Regulatory Data Division (HO5 A-B), Bank of England, Threadneedle Street,

FCA **PRA**

London EC2R 8AH; or via fax to the Regulatory Data Group of the Bank of England (020 7601 3334)

16.16.5

PRA

R

Where a *firm* to which ■ SUP 16.16.4 R applies is a member of a *consolidation group*, the *firm* must comply with ■ SUP 16.16.4 R:

- (1) on an individual consolidation basis if the *firm* has an individual consolidation permission, or on an unconsolidated basis if the *firm* does not have an individual consolidation permission ; and
- (2) separately, on the basis of the consolidated financial position of the *consolidation group*. (*Firms'* attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all *firms* in the *group*.)

16.16.5A

FCA

R

Where a *firm* to which ■ SUP 16.16.4 R applies is a member of a *FCA consolidation group*, the *firm* must comply with ■ SUP 16.16.4 R:

- (1) on a solo-consolidation basis if the *firm* has an individual consolidation/solo consolidation permission, or on an unconsolidated basis if the *firm* does not have an individual consolidation/solo consolidation permission; and
- (2) separately, on the basis of the consolidated financial position of the *FCA consolidation group*. (*Firms'* attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all *firms* in the *group*.)

16.17 Remuneration reporting

Purpose

16.17.1

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FCA PRA

The purpose of this section is to ensure that the *appropriate regulator* receives regular and comprehensive information about *remuneration* in a standard format to assist it to benchmark *remuneration* trends and practices and to collect *remuneration* information on *high earners*. It also takes account of the Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority's Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive*.

Interpretation

16.17.2

R

FCA PRA

In this section "UK lead regulated group" means a *UK consolidation group* that is headed either by an *EEA parent institution* or by an *EEA parent financial holding company*.

Remuneration Benchmarking Reporting Requirements

16.17.3

R

PRA

- (1) A *firm* to which this *rule* applies must submit a Remuneration Benchmarking Information Report to the *PRA* annually.
- (2) The *firm* must complete that report in the format set out in
 - SUP 16 Annex 33A R.
- (3) The *firm* must submit that report to the *PRA* within four months of the *firm's accounting reference date*.
- (4) A *firm* that:
 - (a) is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year;
 - (b) is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded to all *employees* in the UK lead regulated group in the last completed financial year.

- (5) The *firm* must complete the report in the currency of its annual audited accounts.
- (6) A *firm* to which this *rule* applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this *rule* came into effect.
- (7) This *rule* applies to:
- (a) a *building society*;
 - (b) a *bank*;
 - (c) a *designated investment firm*; and
 - (d) an *overseas firm* that:
 - (i) is not an *EEA firm*;
 - (ii) has its head office outside the *EEA*; and
 - (iii) would be a *bank, building society* or a *designated investment firm*, if it had been a *UK domestic firm*, had carried on all of its business in the United Kingdom and had obtained whatever authorisations for doing so as are required under the Act.

that

- (e) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*;

and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.

- (8) This *rule* also applies to:
- (a) a *building society*;
 - (b) a *bank*;
 - (c) a *designated investment firm*; and
 - (d) an *overseas firm* that:
 - (i) is not an *EEA firm*;
 - (ii) has its head office outside the *EEA*; and;
 - (iii) would be a *bank, building society* or a *designated investment firm*, if it had been a *UK domestic firm*, had carried on all of its business in the United Kingdom and

had obtained whatever authorisations for doing so as are required under the Act.

that:

- (e) is part of a UK lead regulated group;

and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.

- (9) In this rule "total assets" means

- (a) in relation to a *bank, building society or designated investment firm, its*, total assets as set out in its balance sheet on the relevant *accounting reference date*; and
- (b) in relation to an *overseas firm*, the total assets of the *overseas firm* as set out in its balance sheet on the relevant *accounting reference date* that cover the activities of the branch operation in the *United Kingdom*.

High Earners Reporting Requirements

16.17.4

FCA PRA

R

- (1) A *firm* to which this *rule* applies must submit a High Earners Report to the *appropriate regulator* annually.
- (2) The *firm* must submit that report to the *appropriate regulator* within four months of the end of the *firm's accounting reference date*.
- (3) A *firm* that is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the *EEA*.
- (4) A *firm* that is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* who mainly undertook their professional activities within the *EEA* at:
- (a) the *EEA parent institution* or *EEA parent financial holding company* of the UK lead regulated group; and
- (b) each *subsidiary* of the UK lead regulated group that has its registered office (or, if it has no registered office, its head office) in an *EEA State*; and

- (c) each *branch* of the UK lead regulated group that is established or operating in an *EEA State*.
- (5) The *firm* must complete a separate template, in the format set out in ■ SUP 16 Annex 34A R, for each *EEA State* in which there is a *high earner*. Those templates together form the report.
- (6) *High earners* who carried out their professional activities in an *EEA State* should be classified under that *EEA State*.
- (7) *High earners* who carried out their professional activities in more than one *EEA State* should be classified under the *EEA State* where they mainly undertook their professional activities.
- (8) [deleted]
- (9) The information in the report must be denominated in euros determined, if necessary, by reference to the conversion rate table specified from time to time by the European Banking Authority as applicable to that year's High Earners Report.
- (10) This *rule* applies to a *bank, building society* and an *investment firm* that:
 - (a) is not a *IFPRU limited licence firm* or a *IFPRU limited activity firm*; and
 - (b) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*.
- (11) This *rule* also applies to a *bank, building society* and an *investment firm* that:
 - (a) is not a *IFPRU limited licence firm* or a *IFPRU limited activity firm*; and
 - (b) is part of a UK lead regulated group.
- (12) This *rule* also applies to a *IFPRU limited licence firm* or a *IFPRU limited activity firm*:
 - (a) that is part of a UK lead regulated group; and
 - (b) where that UK lead regulated group contains either:
 - (i) a *bank, building society* or an *investment firm* that is not an *IFPRU limited licence firm* or an *IFPRU limited activity firm*; or
 - (ii) an *overseas firm* that;
is not an *EEA firm*;

has its head office outside the *EEA*; and

would be a *bank, building society* or an *investment firm* that is not a *IFPRU limited licence firm* or *IFPRU limited activity firm*, if it had been a *UK domestic firm*, had carried on all of its business in the *UK* and had obtained whatever authorisations for doing so as are required under the *Act*.

(13) This *rule* also applies to an *overseas firm* that:

- (a) is not an *EEA firm*;
- (b) has its head office outside the *EEA*;
- (c) would be a *bank, building society* or an *investment firm* that is not a *IFPRU limited licence firm* or *IFPRU limited activity firm*, if it had been a *UK domestic firm*, had carried on all of its business in the *UK* and had obtained whatever authorisations for doing so as are required under the *Act*,

and either

- (d) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*; or
- (e) is part of a *UK lead regulated group*.

16.17.5

FCA PRA

G

Firms' attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all *firms* in a *group*.

16.18 AIFMD reporting

Application

16.18.1
FCA

G

This section applies to the following types of *AIFM* in line with ■ SUP 16.18.2 G:

- (1) a *full-scope UK AIFM*;
- (2) a *small authorised UK AIFM*;
- (3) a *small registered UK AIFM*;
- (4) an *above-threshold non-EEA AIFM marketing in the UK*; and
- (5) a *small non-EEA AIFM marketing in the UK*.

16.18.2
FCA

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Type of AIFM	Rules	Directions	Guidance	AIFMD level 2 regulation
<i>full-scope UK AIFM</i>	FUND 3.4 (Reporting obligation to the FCA) and SUP 16.18.5 R			Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)
<i>small authorised UK AIFM</i>	SUP 16.18.6 R			Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)
<i>small registered UK AIFM</i>		SUP 16.18.7 D		Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)
<i>above-threshold non-EEA AIFM marketing in the UK</i>			SUP 16.18.8 G	Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)

Type of AIFM	Rules	Directions	Guidance	AIFMD level 2 regulation
<i>small non-EEA AIFM marketing in the UK</i>		SUP 16.18.9 D		Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)

Purpose

16.18.3

FCA

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This section specifies the end dates for reporting periods for *AIFMs* and the reporting period for *small AIFMs* for the types of *AIFM* to whom this section applies. Although article 110 of the *AIFMD level 2 regulations* (Reporting to competent authorities) (as replicated in ■ SUP 16.18.4 EU) applies certain reporting requirements directly to *AIFMs*, it does not specify the end dates for reporting periods for an *AIFM* and, for *small AIFMs*, it does not specify the reporting period. Therefore, *competent authorities* are required to specify these requirements.

Article 110 of the AIFMD level 2 regulation

16.18.4



Reporting to competent authorities

1. In order to comply with the requirements of the second subparagraph of Article 24(1) and of point (d) of Article 3(3) of Directive 2011/61/EU, an AIFM shall provide the following information when reporting to competent authorities:

- (a) **the main instruments in which it is trading, including a breakdown of financial instruments and other assets, including the AIF's investment strategies and their geographical and sectoral investment focus;**
- (b) **the markets of which it is a member or where it actively trades;**
- (c) **the diversification of the AIF's portfolio, including, but not limited to, its principal exposures and most important concentrations.**

The information shall be provided as soon as possible and not later than one month after the end of the period referred to in paragraph 3. Where the AIF is a fund of funds this period may be extended by the AIFM by 15 days.

2. For each of the EU AIFs they manage and for each of the AIFs they market in the Union, AIFMs shall provide to the competent authorities of their home Member State the following information in accordance with Article 24(2) of Directive 2011/61/EU:

- (a) **the percentage of the AIF's assets which are subject to special arrangements as defined in Article 1(5) of this Regulation arising from their illiquid nature as referred to in point (a) of Article 23(4) of Directive 2011/61/EU;**
- (b) **any new arrangements for managing the liquidity of the AIF;**

Reporting to competent authorities

- (c) **the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;**
 - (d) **the current risk profile of the AIF, including:**
 - (i) **the market risk profile of the investments of the AIF, including the expected return and volatility of the AIF in normal market conditions;**
 - (ii) **the liquidity profile of the investments of the AIF, including the liquidity profile of the AIF's assets, the profile of redemption terms and the terms of financing provided by counterparties to the AIF;**
 - (e) **information on the main categories of assets in which the AIF invested including the corresponding short market value and long market value, the turnover and performance during the reporting period; and**
 - (f) **the results of periodic stress tests, under normal and exceptional circumstances, performed in accordance with point (b) of Article 15(3) and the second subparagraph of Article 16(1) of Directive 2011/61/EU.**
3. **The information referred to in paragraphs 1 and 2 shall be reported as follows:**
- (a) **on a half-yearly basis by AIFMs managing portfolios of AIFs whose assets under management calculated in accordance with Article 2 in total exceed the threshold of either EUR 100 million or EUR 500 million laid down in points (a) and (b) respectively of Article 3(2) of Directive 2011/61/EU but do not exceed EUR 1 billion, for each of the EU AIFs they manage and for each of the AIFs they market in the Union;**
 - (b) **on a quarterly basis by AIFMs managing portfolios of AIFs whose assets under management calculated in accordance with Article 2 in total exceed EUR 1 billion, for each of the EU AIFs they manage, and for each of the AIFs they market in the Union;**
 - (c) **on a quarterly basis by AIFMs which are subject to the requirements referred to in point (a) of this paragraph, for each AIF whose assets under management, including any assets acquired through use of leverage, in total exceed EUR 500 million, in respect of that AIF;**
 - (d) **on an annual basis by AIFMs in respect of each unleveraged AIF under their management which, in accordance with its core investment policy, invests in non-listed companies and issuers in order to acquire control.**

Reporting to competent authorities

4. By way of derogation from paragraph 3, the competent authority of the home Member State of the AIFM may deem it appropriate and necessary for the exercise of its function to require all or part of the information to be reported on a more frequent basis.
5. AIFMs managing one or more AIFs which they have assessed to be employing leverage on a substantial basis in accordance with Article 111 of this Regulation shall provide the information required under Article 24(4) of Directive 2011/61/EU at the same time as that required under paragraph 2 of this Article.
6. AIFMs shall provide the information specified under paragraphs 1, 2 and 5 in accordance with the pro-forma reporting template set out in the Annex IV.
7. In accordance with point (a) of Article 42(1) of Directive 2011/61/EU, for non-EU AIFMs, any reference to the competent authorities of the home Member State shall mean the competent authority of the Member State of reference.

[Note: Article 110 of the *AIFMD level 2 regulation*]

Reporting periods and end dates

- 16.18.5 FCA R The reporting period of a *full-scope UK AIFM* must end on the following dates:
- (1) for *AIFMs* that are required to report annually, on 31 December each calendar year;
 - (2) for *AIFMs* that are required to report half-yearly, on 30 June and 31 December in each calendar year; and
 - (3) for *AIFMs* that are required to report quarterly, on 31 March, 30 June, 30 September and 31 December in each calendar year.
- 16.18.6 FCA R A *small authorised UK AIFM* must report annually and its reporting period must end on 31 December in each calendar year.
- 16.18.7 FCA D A *small registered UK AIFM* must report annually and its reporting period must end on 31 December in each calendar year.
- 16.18.8 FCA G In accordance with regulation 59(3)(a) of the *AIFMD UK regulation*, an *above-threshold non-EEA AIFM* that is *marketing* in the UK is required to comply with the implementing provisions of the *AIFMD UK regulation* that apply to a *full-scope UK AIFM* and relate to articles 22 to 24 *AIFMD* in so far as such provisions are relevant to the *AIFM* and the *AIF*. Therefore, such an *AIFM* should comply with the provisions in ■ SUP 16.18.5 R that are applicable to a *full-scope UK AIFM*.
- 16.18.9 FCA D A *small non-EEA AIFM marketing* in the UK must report annually and its reporting period must end on 31 December in each calendar year.

16.18.10

FCA

G

All periods in this section should be calculated by reference to London time.

Annual questionnaire for authorised professional firms

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Annual Questionnaire for Authorised Professional Firms -
Forms/sup/sup_chapter16_annex9_20140401.pdf

Retail Mediation Activities Return ('RMAR')

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Retail Mediation Activities Return ('RMAR') - SUP Chapter 16 Annex 18A R

Notes for Completion of the Retail Mediation Activities Return ('RMAR')

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Notes for Completion of the Retail Mediation Activities Return ('RMAR') - SUP Chapter 16 Annex 18b G

Notes for completion of the Mortgage Lenders & Administrators Return ('MLAR')

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

*Notes for Completion of the Mortgage Lenders and Administrators Return ('MLAR')*Forms/sup/sup_chapter16_annex19bg_20140401.pdf

Products covered by the reporting requirement in SUP 16.11

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Products covered by the reporting requirement in SUP 16.11 - Sup Chapter 16 Annex 20 G

Reporting Fields

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Reporting Fields - Forms/sup/sup_chapter16_annex21r_20140401.pdf

Data items for SUP 16.12

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

Data items for SUP 16.12 Forms/sup/sup_chapter16_annex24r_20140401.pdf

Guidance notes for data items in SUP 16 Annex 24R

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for data items in SUP 16 Annex 24R - Forms/sup/sup_chapter16_annex25g_20140401.pdf

Data Items relating to Consumer Credit activities

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

SUP 16 Annex 38A

Notes for completion of Data Items relating to Consumer Credit activities

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

SUP 16 Annex 38B

Table 1: CRD activities	Part II RAO Activities	Part III RAO Investments
3. Financial leasing		
4. Money transmission services		
5. Issuing and administering means of payment (eg credit cards, travellers' cheques and bankers' drafts)		
6. Guarantees and commitments		
7. Trading for own account or for account of customers in:	Article 14, 21, 25 (see Note 1), 64	Article 77, 78, 80, 83-85, 89
(a) money market instruments	Article 14, 21, 25, 64	Article 83-85, 89
(b) foreign exchange	Article 14, 21, 25, 64	Article 83-85, 89
(c) financial futures and options	Article 14, 21, 25, 64	Article 83-85, 89
(d) exchange and interest rate instruments	Article 14, 21, 25, 64	Article 76-81, 89
(e) transferable securities		
8. Participation in share issues and the provision of services relating to such issues	Article 14, 21, 25, 53, 64	Article 76-81, 89
9. Advice to undertakings on capital structure, industrial strategy and related questions and advice and services relating to mergers and the purchase of undertakings	Article 14, 21, 25, 53, 64	Article 76-80, 83-85, 89
10. Money broking	Article 25, 64	Article 77, 78, 89
11. Portfolio management and advice	Article 14, 21, 25, 37, 53, 64	Article 76-81, 83-85, 89
12. Safekeeping and administration of securities	Article 40, 45, 64	Article 76-81, 83-85, 89
13. Credit reference services		
14. Safe custody services		
15. Issuing electronic money	Article 9B	Article 74A

Note 1: The services and activities provided for in Sections A and B of Annex I of *MiFID* when referring to the *financial instruments* provided for in Section C of Annex I of that Directive are subject to mutual recognition according to the CRD from 1 January 2013. See the table at SUP App 3.9.5 G below for mapping of *MiFID investment services and activities*. For further details relating to this residual category, please see the "CRD" section of the passporting forms entitled "Notification of intention to establish a branch in another EEA State" and "Notification of intention to provide cross border services in another EEA State".

Table Services set out in Annex I to MiFID

Table 2: <i>MiFID investment services and activities</i>	Part II RAO Investments	Part III RAO Investments
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<i>A MiFID investment services and activities</i>		
1.	Reception and transmission of orders in relation to one or more financial instruments	Article 25 Article 76-81, 83-85, 89
2.	Execution of orders on behalf of clients	Article 14, 21 A Article 76-81, 83-85, 89
3.	Dealing on own account	Article 14 Article 76-81, 83-85, 89
4.	Portfolio management	Article 37 (14, 21, 25 - see Note 1) Article 76-81, 83-85, 89
5.	Investment advice	Article 53 Article 76-81, 83-85, 89
6.	Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	Article 14, 21 Article 76-81, 83-85, 89
7.	Placing of financial instruments without a firm commitment basis	Article 21, 25 Article 76-81, 83-85, 89
8.	Operation of Multilateral Trading Facilities	Article 25D (see Note 2) Article 76-81, 83-85, 89
Ancillary services		
Part II RAO Activities		Part III RAO Investments
1.	Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management	Article 40, 45, 64 Article 76-81, 83-85, 89
2.	Granting credits or loans to an investor to allow him to carry out a transaction in one or more of the relevant instruments where the firm granting the credit or loan is involved	
3.	Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings	Article 14, 21, 25, 53, 64 Article 76-80, 83-85, 89
4.	Foreign exchange services where these are connected with the provision of investment services	Article 14, 21, 25, 53, 64 Article 83-85, 89
5.	Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments	Article 53, 64 Article 76-81, 83-85, 89
6.	Services related to underwriting	Article 25, 53, 64 Article 76-81, 83-85, 89

7. Investment services and activities as well as ancillary services of the type included under Section A or B of Annex I related to the underlying of the derivatives included under Section C 5, 6, 7 and 10-where these are connected to the provision of investment or ancillary services. Article 14, 21, 25, 25D, 37, 53, 64 Article 83 and 84

Note 1. A *firm* may also carry on these other activities when it is *managing investments*.

Note 2. A *firm* operating an *MTF* under article 25D does not need to have a *permission* covering other *regulated activities*, unless it performs other *regulated activities* in addition to *operating an MTF*.

App 3.9.5A **G**

FCA

Activities set out in article 6(2) to (4) of AIFMD

Table 2ZA: AIFMD activities		Part II RAO Activities	Part III RAO Investments
1.	<i>AIFM management functions.</i>	Article 51ZC	N/A (activity relates to property of any kind)
2.	Management of portfolios of investments, including those owned by pension funds and institutions for occupational retirement in accordance with article 19(1) of Directive 2003/41/EC, in accordance with mandates given by investors on a discretionary client-by-client basis (Note 2).	Articles 14, 21, 25, 37, 40 (arranging only), 64	Articles 76 to 81, 83 to 85, 89
3.	Investment advice (Note 2).	Articles 53, 64	Articles 76 to 81, 83 to 85, 89
4.	Safe-keeping and administration in relation to <i>shares</i> or <i>units</i> of collective investment undertakings.	Articles 40, 45, 64	Articles 76 to 81, 83 to 85, 89
5.	Reception and transmission or orders in relation to <i>financial instruments</i> .	Articles 25(1), 64	Articles 76 to 81, 83 to 85, 89

Note 1. See FUND 1.4.2 R to FUND 1.4.4 R for further information in relation to the activities that *full-scope UK AIFMs* are able to perform.

Note 2. See FUND 1.4.5 G for the position with respect to assets which are not *financial instruments*.

App 3.9.6 **G**

FCA

Table Activities set out in Article 6(2) and (3) of the UCITS Directive

Table 2A: UCITS Directive activities	Part II RAO Activities	Part III RAO Investments
1. The management of UCITS in the form of unit trusts / common funds or of investment companies; this includes the function mentioned in Annex II of the <i>UCITS Directive</i> (see Note 2).	Articles 14, 21, 25, 37, 51, 53, 64 OR Article 51ZA	Articles 76-81, 83-85, 89 OR N/A (activity relates to property of any kind) (Note 3)
2. Managing portfolios of investments, including those owned by pension funds, in accordance with mandates given by investors on a discretionary, client-by-client basis, where such portfolios include one or more of the instruments listed in Section C of Annex I to <i>MiFID</i> .	Articles 14, 21, 25, 37, 40 (arranging only), 64	Articles 76-81, 83-85, 89
3. Investment advice concerning one or more of the instruments listed in Section C of Annex I to <i>MiFID</i> .	Articles 53, 64	Articles 76-81, 83-85, 89
4. Safekeeping and administration services in relation to units of collective investment undertakings.	Articles 40, 45, 64	Articles 76-81, 83-85, 89

Note 1. A *UCITS management company* can only be authorised to carry on the non-core services set out in rows (3) and (4) of Table 2A if it is also *authorised* to carry on the activity set out in row (2) of the table (see [COLL 6.9.9 R](#)).

Note 2. The functions set out in Annex 2 to the *UCITS Directive* are:

1. Investment management.
2. Administration:
 - a. legal and fund management accounting services;
 - b. customer inquiries;
 - c. valuation and pricing (including tax returns);
 - d. regulatory compliance monitoring;
 - e. maintenance of unit-holder register;
 - f. distribution of income;
 - g. unit issues and redemptions;
 - h. contract settlements (including certificate dispatch);
 - i. record keeping.
3. Marketing.

Note 3. The *regulated activity* of *managing a UCITS* may be carried on for property of any kind (article 4(2) of the *regulated activities order*). However, the *scheme property* of a *UCITS scheme* is limited to certain types of property, in line with [COLL 5](#) (Investment and borrowing powers).

App 3.9.7 G
FCA PRA

Table Activities set out in Article 2(3) of the IMD

Table 2B: Insurance Mediation Directive Activities		Part II RAO Activities	Part III RAO Investments
1.	Introducing, proposing or carrying out other work preparatory to the conclusion of contracts of insurance.	Articles 25, 53 and 64	Articles 75, 89 (see Note 1)
2.	Concluding contracts of insurance	Articles 21, 25, 53 and 64	Articles 75, 89
3.	Assisting in the administration and performance of contracts of insurance, in particular in the event of a claim.	Articles 39A, 64	Articles 75, 89

Note 1. Rights to or interests in *life policies* are *specified investments* under Article 89 of the *Regulated Activities Order*, but rights to or interests in *general insurance contracts* are not.

3.10 Mapping of Insurance Directives to the Regulated Activities Order

Introduction

App 3.10.1 G
FCA PRA

The *guidance* in Table 3 describes in broad outline the relationship between:

- (1) the insurance-related *regulated activities* specified in the *Regulated Activities Order*; and
- (2) the activities within the scope of the *Insurance Directives*

App 3.10.2 G
FCA PRA

This is a guide only and should not be used as a substitute for legal advice in individual cases.

Table 3: Insurance Directive activities		Part II RAO Activities	Part III RAO Investments
1. Non-life Insurance Directive activities			
1.	Taking up and carrying on direct non-life insurance business	Article 10	Article 75
2.	Classes 1 to 18 of direct non-life insurance business in Point A of the Annex to the First Directive		Corresponding paragraphs 1 to 18 of Schedule 1, Part I
2. Consolidated Life Directive activities			
1.	Taking up and carrying on direct life insurance business	Article 10	Article 75
2.	Classes I to IX of direct life insurance business in the Annex 1 to the Consolidated Life Directive		Corresponding paragraphs I to IX of Schedule 1, Part II

Meaning of contract of insurance

App 3.10.3 **G**

FCA **PRA**

The meaning of *contract of insurance* is set out in article 3(1) of the *Regulated Activities Order* (Interpretation). It does not include benefit-in-kind funeral plans, which are specified in article 60 of the *Regulated Activities Order* (plans covered by insurance or trust arrangements). Such funeral plans (to the extent that they are insurance) are also excluded from the *Insurance Directives*. It covers some contracts which might not otherwise be viewed as insurance in the *United Kingdom* (for example, contracts of guarantee). These contracts are also governed by the *Insurance Directives*. For the purpose of the *Regulated Activities Order*, a *contract of insurance* includes a contract of reinsurance as well as a contract of direct insurance.

The Insurance Directives

App 3.10.4 **G**

FCA **PRA**

Article 1 of the *First Non-Life Directive* and article 2 of the *Consolidated Life Directive* provides that the Directives "concern the taking up and pursuit of the self-employed activity of direct insurance". By contrast, article 10 of the *Regulated Activities Order* (Effecting and carrying out contracts of insurance) also covers reinsurance.

App 3.10.5 **G**

FCA **PRA**

Articles 2, 3 and 4 of the *First Non-Life Directive* and article 3 of the *Consolidated Life Directive* set out certain exclusions by reference to:

- (1) types of insurance;
- (2) types of insurer;
- (3) particular conditions under which insurance activities are carried out.
- (4) annual income; and
- (5) particular identified institutions.

App 3.10.6 **G**

FCA **PRA**

Some of the exclusions referred to in mirror exclusions in the *Regulated Activities Order*. So, the exclusion for breakdown insurance in article 2(3) of the *First Non-Life Directive* is matched by a slightly narrower exclusion in article 12 of the *Regulated Activities Order* (Breakdown insurance). The separate treatment of benefit-in-kind funeral plans under the *Regulated Activities Order* (see ■ SUP App 3.10.4 G) is matched by their exclusion on a slightly wider basis in article 3(5) of the *Consolidated Life Directive*. Other requirements from these Directives are also excluded from regulation by the *Exemption Order*.

App 3.10.7 **G**

FCA **PRA**

Most of the exclusions under the Directives, however, are not excluded from being *regulated activities*. For example, article 3 of the *Consolidated Life Directive* and article 3 of the *Non-Life Directive* exclude certain mutual associations whose annual contribution income falls below a defined threshold. In the *United Kingdom*, these include certain smaller *friendly societies* commonly referred to as "*non-directive friendly societies*". The activities of such societies are regulated under the *Act*, on a "lighter basis" than the activities of other insurers.

Territorial scope of the Regulated Activities Order and the Directives

App 3.10.8 **G**

FCA **PRA**

Under the *Act* and the *Regulated Activities Order*, the activities of *effecting* and *carrying out contracts of insurance* are treated as being carried on in the *United Kingdom* on the basis of legal tests under which the location of the risk is only one factor. If the risk is located in the *United Kingdom*, then (other relevant factors being taken into account) the activity will, in the vast majority of cases, also be viewed as carried on in the *United Kingdom*. There are exceptions,

however, and overseas insurers may insure risks in the *United Kingdom* without carrying on business here and so without requiring to be regulated (although the *financial promotion* regime may apply). By contrast, under the Directives, the responsibility, as between *EEA States*, for regulating the conduct of passported insurance services is determined by reference to the location of the risk or commitment, as defined in article 1 of the *Consolidated Life Directive* and article 2 of the *Second Non-Life Directive*.

App 3.10.9 G
FCA PRA

So, the effect of App 3.12.1 is that an insurer may be carrying on *insurance business* in the *United Kingdom* which is to be treated as a *regulated activity* under article 10 to the *Regulated Activities Order* (Effecting and carrying out contracts of insurance) in circumstances where the risks covered are treated as located in another *EEA State*. In that event, the *insurer* is required by Schedule 3 to the *Act* to passport into the State concerned and may be subject to conduct of business requirements in that State (see ■ SUP 13.10 (Applicable provisions)).

App 3.10.10 G
FCA PRA

An *insurer* authorised in another *EEA State* who is insuring *UK* risks and so passports on a services basis under the *Insurance Directives* into the *United Kingdom* (see), may not be carrying on a *regulated activity* in the *United Kingdom*. But, if it passports into the *United Kingdom*, it will qualify for *authorisation* under paragraph 12 of Schedule 3 to the *Act* (Firms qualifying for authorisation). Where this is the case, the *insurer* will be subject to conduct of business requirements in the *United Kingdom* (see ■ SUP 13A.6 (Which rules will an incoming EEA firm be subject to?)).

Activities carried on by incoming EEA firms in connection with insurance business.

App 3.10.11 G
FCA PRA

Although the *Insurance Directives* are concerned with the *regulated activities* of *effecting* and *carrying out contracts of insurance*, an *incoming EEA firm* passported under the *Insurance Directives* will be entitled to carry on certain other *regulated activities* without the need for *top-up permission*. This is where the *regulated activities* are carried on for the purposes of or in connection with the *incoming EEA Firm's insurance business*. These *regulated activities* may include:

- (1) *dealing in investments as principal;*
- (2) *dealing in investments as agent;*
- (3) *arranging (bringing about) deals in investments;*
- (4) *making arrangements with a view to transactions in investments;*
- (5) *managing investments;*
- (6) *safeguarding and administering investments;*
- (7) *advising on investments;*
- (8) *agreeing to carry on a regulated activity of the above kind.*

App 3.10.12 G
FCA PRA

Financial promotion

The *financial promotion* regime under section 21 of the *Act* (Restrictions on financial promotion) may also apply to *EEA insurance undertakings* regardless of whether they carry on a *regulated activity* in the *United Kingdom* or passport into the *United Kingdom*.

App 3.10.13 G

PRA

Position of EEA insurers carrying out both direct and reinsurance business

The *Insurance Directives* do not apply to the authorisation to carry on *reinsurance*. But, the *Insurance Directives* do not prevent *insurance undertakings* authorised under those Directives from carrying out *reinsurance* as well as direct insurance business. Article 13(2) of the *First Non-Life Directive* and article 10(2) of the *Consolidated Life Directive* state that financial supervision of *insurance undertakings* "shall include verification, with respect to the *insurance undertaking's* entire business, of its state of solvency, of the establishment of technical provisions and of the assets covering them". On that basis, an *insurance undertaking* authorised in another *EEA State* which carries on a mixed direct insurance and *reinsurance* business, and is, therefore, subject to the requirements of the Directives, will generally be treated as satisfying the conditions laid down by an *EU* instrument relating to the carrying on of the *regulated activity* of *effecting* or *carrying out contracts of insurance*. This is for the purpose of paragraph 3 of Schedule 4 to the *Act* (Exercise of treaty rights). The *insurance undertaking* will, therefore, generally be able to qualify for *permission* as a *Treaty firm* for its *reinsurance* business if it follows the procedure provided for by Schedule 4 (see ■ SUP 13A.3.4 G to ■ SUP 13A.3.11 G (Treaty Firms)). This will be in addition to the *insurance undertaking* being an *EEA firm* under Schedule 3 of the *Act* for its direct insurance business.

Supervision

SUP TP 1 Transitional provisions

FCA PRA

1 Transitional provisions applying to the Supervision manual only

Definitions for these transitional provisions, additional to those in the *Glossary*, are provided at paragraph 16 of the table.

FCA PRA

(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
1	SUP 3.3.2 R (1)	R	A <i>firm</i> will not contravene SUP 3.3.2 R (1), if the office of auditor is filled at <i>commencement</i> . The auditor filling the office at that time will be deemed to be appointed under SUP 3.3.2 R.	From <i>commencement</i>	<i>Commencement</i>
2	SUP 3.9 and SUP 3.10	R	Expired		
3	SUP 3.9.4 R	R		Expired	
3A	SUP 3.10	R		Expired	
3B	SUP 3.10.6 R, SUP 3.10.7 R	G	Expired		
3C	SUP 3.10	R		Expired	
4	SUP 4.3.1 R (1) and SUP 4.4.1 R (1)	R	A <i>firm</i> will not contravene SUP 4.3.1 R (1) or SUP 4.4.1 R (1) to the extent that the office of <i>actuarial function holder</i> , <i>with-profits actuary</i> or <i>appropriate</i>	From <i>commencement</i>	<i>Commencement</i>

(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
			<i>actuary</i> is filled by an <i>actuary</i> appointed on or before 31 December 2004, provided that that <i>actuary</i> was appointed in accordance with the statutory requirements, or the requirements of the <i>regulatory system</i> , in force at that time.		
4A	SUP 4	R	Anything done before 31 December 2004 for the purposes of an amended provision in SUP 4 has effect as if done under that provision.	From 31 December 2004	31 December 2004
4B	[deleted]				
4BA	SUP 4.3.16AR(3) and SUP 4.3.16AR(4)	R	The <i>rules</i> apply in respect of each financial year commencing on or after 1 January 2005.	From 31 December 2004	31 December 2004
4C	[deleted]				
4D	[deleted]				
4E	[deleted]				
5	SUP 4.3.3 R	R	If a <i>firm's actuary</i> has been appointed by a <i>previous regulator</i> under statutory or contractual powers and remains in office immediately before <i>commencement</i> , that appointment will be deemed to have been made under SUP 4.3.3 R, but on the terms of the actual appointment.	From <i>commencement</i>	<i>Commencement</i>
6	SUP 8.6.1 G	R	Expired		
6A[FCA]	SUP 9.4	G		From 19 July 2001	21 June 2001
			(1) If a <i>person</i> acts in accordance with individual written guidance:		

(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
				(a) given to him by any <i>previous regulator</i> (or body whose functions were assumed by a <i>previous regulator</i>);		
				(b) relating to any pre-commencement provision; and		
				(c) in the circumstances contemplated by that guidance;		
			then the <i>FCA</i> will proceed on the footing that the <i>person</i> has complied with the aspects of any provision in or under the <i>Act</i> (including a <i>rule</i> or <i>guidance</i> in the <i>Handbook</i>) to which the guidance relates if:			
				(d) that provision is substantially similar to the pre-commencement provision in relation to the matter with which the guidance is concerned;		
				(e) the guidance was current immediately be-		

(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
				fore commencement; and		
			(f)	the guidance has not been superseded.		
			(2)	SUP 9.4.2 G - SUP 9.4.4 G are relevant for individual guidance in (1) in the same way as for individual written <i>guidance</i> given by the <i>FCA</i> .		
			(3)	References to "individual written guidance" in (1) and (2) include a written concession from a pre-commencement provision which is substantially similar to <i>guidance</i> in the <i>Handbook</i> .		
8	SUP 10.13.6 R	R	Expired			
8A	SUP 10.4.1 R	R	(1) An application made under section 60 of the <i>Act</i> received before 31 October 2007 will be taken to relate to the <i>controlled function</i> existing at the date of determination.		From 1 November 2007	From 1 November 2007
			(2) The <i>controlled functions</i> CF 13 (<i>finance function</i>), CF 14 (<i>risk assessment function</i>) and CF 15 (<i>internal audit function</i>) are subsumed in the new <i>controlled function</i> CF 28 (<i>systems and controls function</i>) to the extent that they fall		On 1 November 2007	On 1 November 2007

(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
			within the description of the <i>systems and controls function</i> .		
			(3) The <i>controlled functions</i> CF 16 (<i>significant management (designated investment business) function</i>), CF 17 (<i>significant management (other business operations) function</i>), CF 18 (<i>significant management (insurance underwriting) function</i>), CF 19 (<i>significant management (financial resources) function</i>) and CF 20 (<i>significant management (settlements) function</i>) are subsumed in the new <i>controlled function</i> CF 29 (<i>significant management function</i>) to the extent that they fall within the description of the <i>significant management function</i> .	On 1 November 2007	On 1 November 2007
			(4) The <i>controlled functions</i> CF 21 (<i>investment adviser function</i>), CF 22 (<i>investment adviser (trainee) function</i>), CF 23 (<i>corporate finance adviser function</i>), CF 24 (<i>pension transfer specialist function</i>), CF 25 (<i>adviser on syndicate participation at Lloyd's function</i>), CF 26 (<i>customer trading function</i>) and CF 27 (<i>investment management function</i>) are subsumed in the new <i>controlled function</i> CF 30 (<i>customer function</i>) to the extent that they fall within the description of the <i>customer function</i> .	On 1 November 2007	On 1 November 2007
8B		G	(1) The effect of TP 8AR is that if immediately prior to 1		

(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
			<p>November 2007 a <i>person</i> was an <i>approved person</i> in relation to any of the <i>controlled functions</i> to be subsumed into the <i>systems and controls function</i> the original grant of approval by the <i>FSA</i> will remain valid in relation to the <i>systems and controls function</i> and no new approval to perform that <i>controlled function</i> will be required.</p>		
			<p>(2) The effect of TP 8AR is that if immediately prior to 1 November 2007 a <i>person</i> was an <i>approved person</i> in relation to any of the <i>controlled functions</i> to be subsumed into the <i>significant management function</i> the original grant of approval by the <i>FSA</i> will remain valid in relation to the <i>significant management function</i> and no new approval to perform that <i>controlled function</i> will be required.</p>		
			<p>(3) The effect of TP 8AR is that if immediately prior to 1 November 2007 a <i>person</i> was an <i>approved person</i> in relation to any of the <i>controlled functions</i> to be subsumed into the <i>customer function</i> the original grant of approval by the <i>FSA</i> will remain valid in relation to the <i>customer function</i> and no new approval to perform controlled function will be required.</p>		

(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
8C		G	<p><i>Firms</i> are reminded of their obligation under SUP 10.13.16 R to notify the <i>FSA</i> if the <i>firm</i> becomes aware of information which would be reasonably material to the continuing assessment of an <i>approved person's</i> fitness and propriety and in particular their competence to perform a function.</p>		
8D	<p>SUP 10.13.6 R (Ceasing to perform a controlled function) and SUP 10.13.3 D (Moving within a firm)</p>	R	<p>The obligation to submit Form C or Form E does not apply in relation to a person who:</p> <p>(a) ceases to perform a <i>controlled function</i> because that <i>controlled function</i> ceases to exist on 1 February 2007; or</p> <p>(b) performs a function which falls within the description of a different <i>controlled function</i> after 1 November 2007 as a result of TP 8AR.</p>	<p>From 1 February 2007 in relation to the <i>sole trader function</i> and 1 November 2007 in all other cases.</p>	<p>From 1 February 2007 in relation to the <i>sole trader function</i> and 1 November 2007 in all other cases.</p>
8E	<p>SUP 10.6.4 R (2)</p>	R	<p>(1) This <i>rule</i> deals with a <i>person</i> (a "director") who would otherwise have been performing the <i>director function</i> for a <i>firm</i> under SUP 10.6.4 R (2) on 6 August 2009 but who was not otherwise performing the <i>director function</i> for that <i>firm</i> at that date. This <i>rule</i> only applies if he was not approved at that date to perform the <i>director function</i> for that <i>firm</i>.</p> <p>(2) Between the dates in column (5), the functions described in SUP 10.6.4 R (2) are</p>	<p>6 August 2009 to 6 February 2010</p>	<p>6 February 2010</p>

(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
			<p>not treated as forming part of the <i>director function</i> as respects that <i>firm</i> and that director unless they also fall under SUP 10.6.4 R (1).</p> <p>(3) If this transitional <i>rule</i> has not already expired under column (5), this rule comes to an end as respects that director and that <i>firm</i> if and when an application is made for the director to perform the <i>director function</i> for that <i>firm</i> and that application is granted.</p>		
8F	SUP 10.6.8 R(1)(b)	R	<p>(1) This <i>rule</i> deals with a <i>person</i> (a "<i>non-executive director</i>") who would otherwise have been performing the <i>non-executive director function</i> for a <i>firm</i> under SUP 10.6.8 R (1)(b) on 6 August 2009 but who was not otherwise performing the <i>non-executive director function</i> for that <i>firm</i> at that date. This <i>rule</i> only applies if he was not approved at that date to perform the <i>non-executive director function</i> for that <i>firm</i>.</p> <p>(2) Between the dates in column (5), the functions described in SUP 10.6.8 R (1)(b) are not treated as forming part of the <i>non executive director function</i> as respects that <i>firm</i> and that <i>non executive director</i> unless they also fall under SUP 10.6.8 R (1)(a).</p>	6 August 2009 to 6 February 2010	6 February 2010

(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
			<p>(3) If this transitional <i>rule</i> has not already expired under column (5), this <i>rule</i> comes to an end as respects that <i>non executive director</i> and that <i>firm</i> if and when an application is made for the <i>non executive director</i> to perform the <i>non-executive director function</i> for that <i>firm</i> and that application is granted.</p>		
8G	SUP 10.9.1 R (2)	R	<p>(1) This <i>rule</i> deals with a <i>person</i> (a "proprietary trader") who would otherwise have been performing the <i>significant management function</i> for a <i>firm</i> under SUP 10.9.10 R (1A) on 6 August 2009 but who was not otherwise performing the <i>significant management function</i> for that <i>firm</i> at that date. This <i>rule</i> only applies if he was not approved at that date to perform the <i>significant management function</i> for that <i>firm</i>.</p> <p>(2) Between the dates in column (5), the functions described in SUP 10.9.10 R (1A) are not treated as forming <i>significant management function</i> part of the as respects the <i>firm</i> and that proprietary trader unless they also fall under SUP 10.9.10 R (1).</p> <p>(3) If this transitional <i>rule</i> has not already expired under column (5), this <i>rule</i> comes to an end as respects that proprietary trader and that <i>firm</i> if and when</p>	6 August 2009 to 6 February 2010	6 February 2010

(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
			<p>an application is made for the proprietary trader to perform the <i>significant management function</i> for that <i>firm</i> and that application is granted.</p>		
8H	SUP 10.1.7 R (1)	R	<p>(1) This <i>rule</i> deals with the application of the <i>director function</i> under SUP 10.1.7 R (1) to a <i>person</i> (a "director") who would otherwise have been performing the <i>director function</i> on 6 August 2009 in an <i>overseas firm</i> which maintains an establishment in the <i>United Kingdom</i> from which <i>regulated activities</i> are carried on (or would have been doing so but for a <i>waiver</i>).</p> <p>(2) Between the dates in column (5), the functions described in SUP 10.1.7 R (1) are not treated as forming part of the <i>director function</i> as respects that establishment in the <i>United Kingdom</i>, and that director.</p> <p>(3) If this transitional rule has not already expired under column (5), this <i>rule</i> comes to an end as respects that director and that establishment in the <i>United Kingdom</i>, if and when an application is made for the director to perform the <i>director function</i> for that establishment in the <i>United Kingdom</i> and that application is granted.</p>	6 October 2009 to 6 February 2010	6 February 2010

(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
8I	SUP 10.1.7 R (2)	R	<p>(1) This <i>rule</i> deals with the application of the <i>non-executive director function</i> under SUP 10.1.7 R (2) to a <i>person</i> (a "non-executive director") who would otherwise have been performing the <i>non-executive director function</i> on 6 August 2009 in an <i>overseas firm</i> which maintains an establishment in the <i>United Kingdom</i> from which <i>regulated activities</i> are carried on (or would have been doing so but for a <i>waiver</i>).</p> <p>(2) Between the dates in column (5), the functions described in SUP 10.1.7 R (2) are not treated as forming part of the <i>non-executive director function</i> as respects that establishment in the <i>United Kingdom</i>, and that non-executive director.</p> <p>(3) If this transitional rule has not already expired under column (5), this <i>rule</i> comes to an end as respects that non-executive director and that establishment in the <i>United Kingdom</i>, if and when an application is made for the non-executive director to perform the <i>non-executive director function</i> for that establishment in the <i>United Kingdom</i> and that application is granted.</p>	6 October 2009 to 6 February 2010	6 February 2010
8J	SUP 10.1.7 R (5)	R	<p>(1) This <i>rule</i> deals with the application of the <i>systems and controls function</i> under</p>	6 October 2009 to 6 February 2010	6 February 2010

(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
			<p>SUP 10.1.7 R (5) to <i>persons</i> who would otherwise have been performing the <i>systems and controls function</i> on 6 August 2009 in an <i>overseas firm</i> which maintains an establishment in the <i>United Kingdom</i> from which <i>regulated activities</i> are carried on (or would have been doing so but for a <i>waiver</i>).</p> <p>(2) Between the dates in column (5), the functions described in SUP 10.1.7 R (5) are not treated as forming part of the <i>systems and controls function</i> as respects that establishment in the <i>United Kingdom</i> and that person.</p> <p>(3) If this transitional rule has not already expired under column (5), this <i>rule</i> comes to an end as respects that person and that establishment in the <i>United Kingdom</i>, if and when an application is made for that person to perform the <i>systems and controls function</i> for that establishment in the <i>United Kingdom</i> and that application is granted.</p>		
8K	SUP 10.1.13 R to SUP 10.1.14 R	R	(1) This <i>rule</i> deals with the extension of the <i>significant management function</i> through the amendment to SUP 10.1.13 R (Incoming EEA firms: passported activities from a branch) and SUP 10.1.14 R (Incoming EEA firms etc with	1 May 2011 to 31 October 2011	1 November 2011

(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
			<p>top-up permission activities from a UK branch) by the Controlled Functions (Amendment) Instrument 2010 as amended by the Controlled Functions (Amendment No 2) Instrument 2011.</p> <p>(2) This <i>rule</i> applies to a <i>person</i> who would otherwise have been performing the <i>significant management function</i> with respect to a <i>firm</i> immediately before the first date in column (5) if the extension described in (1) had been in force then.</p> <p>(3) The functions that would otherwise have formed part of the <i>significant management function</i> because of the extension described in (2), as respects that <i>person</i> and that <i>firm</i>, are not treated as forming part of <i>significant management function</i>.</p> <p>(4) If this transitional <i>rule</i> has not already expired under column (5), this <i>rule</i> comes to an end as respects that <i>person</i> and that <i>firm</i> if and when an application is made for the person to perform the <i>significant management function</i> for that <i>firm</i> and that application is granted.</p> <p>(5) If the <i>FSA</i> has received a completed application for that <i>person</i> to perform the <i>significant management function</i> no later than three months after the</p>		

(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
			<p>first date in column (5) and that application has not been finally decided by the time that the transitional period in column (5) would otherwise have come to an end, that transitional period is extended until the application has been finally decided.</p> <p>(6) An application for a <i>person</i> to perform a <i>controlled function</i> is finally decided on the earliest of the following dates:</p> <p>(a) when the application is withdrawn;</p> <p>(b) when the <i>FSA</i> grants approval;</p> <p>(c) where the <i>FSA</i> has refused the application and the matter is not referred to the <i>Tribunal</i>, on the date on which the right to refer the matter to the <i>Tribunal</i> expires;</p> <p>(d) where the <i>FSA</i> has refused the application and the matter is referred to the <i>Tribunal</i>, when the reference is determined by the <i>Tribunal</i> and the time for bringing an appeal has expired;</p> <p>(e) if the application is determined by the court, when the court makes that determination.</p>		

(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
8L		G	<p>SUP TP 1 8KR provides a period in which applications can be made. It says that if an application for approval is still being processed at the end of the transitional period, the <i>person</i> is still able to carry on performing the function while the approval is being processed. However, this only applies if the application for approval is made within a specified period. If the application is made later than that there is a risk that the application will not have been decided before the end of the transitional period, in which case the <i>person</i> will have to stop carrying out the function.</p>		
8M [FCA]	SUP 10A.14.24 R	R	<p>This rule applies to <i>complaints</i> upheld on or after 31 December 2012.</p>	From 31/12/2012	31/12/2012
9	<p>SUP 12.5.5 R SUP 12.5.7 R</p>	R	Expired		
9A	SUP 15.8.4 G	R		From 13 February 2004 to 13 February 2007	13 February 2004
			<p>(1) Subject to (2), SUP 15.8.4 G does not apply to a UCITS management company which became authorised before 13 February 2004.</p>		
			<p>(2) Paragraph (1) does not apply in relation to any UK firm which</p>		

(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
			<p>exercises an EEA right under the UCITS Directive (in which event the rule applies in relation to acts of delegation occurring on or after the date on which the firm begins to exercise such rights).</p>		
9B	SUP 12.5	R	<p>A firm conducting designated investment business need not amend its written contract with an appointed representative (appointed before 15 January 2004) to take account of amendments to SUP 12.5 coming into force between 30 June 2004 and 30 June 2005, until 30 June 2005 or the date on which the contract is next updated (whichever is earlier).</p>	From 30 June 2004 until 30 June 2005, that is, 12 months.	Commencement, and as amended with effect from 30 June 2004
10	SUP 16.4.5 R SUP 16.5.5 G	R	Expired		
10A	SUP 16.4 SUP 16.5	R	<p>SUP 16.4 (Annual controllers report) and SUP 16.5 (Annual close links report) do not apply to a firm with permission to carry on only insurance mediation activity, mortgage mediation activity, or both.</p>	<p>(1) in respect of mortgage mediation activities, 31 October 2004 - 31 March 2005;</p> <p>(2) in respect of insurance mediation activities, 14 January 2005</p>	1 April 2005

(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
				- 31 March 2005,	
11	SUP 16.6 SUP 16.7 SUP 16.8	R	Expired		
12	SUP 16.7.7 R; SUP 16.7.9 R, SUP 16.7.11 R, SUP 16.7.16 R, SUP 16.7.24 R, SUP 16.7.26 R, SUP 16.7.35 R, SUP 16.7.44 R, SUP 16.7.46 R, SUP 16.7.48 R, SUP 16.7.57 R	R	Expired		
12A			[deleted]		
12B	SUP 16.7.54 R; SUP 16.7.76 R SUP 16.7.79 R SUP 16.7.80 R	R	(1) Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a half-yearly basis, and the <i>firm</i> has:	From 1 April 2005	1 April 2005
			(a)	annual income of less than £5m but more than	

(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
				£60,000 in total from <i>insurance mediation activity, mortgage mediation activity</i> and its <i>permitted activities</i> as a <i>personal investment firm</i> , and	
			(b)	an <i>accounting reference date</i> which	
			(i)	falls between 31 December 2004 and 31 March 2005; or	
			(ii)	falls between 30 June 2005 and 30 September 2005	
				this must be read as a reference to providing the first return in accordance with SUP TR 12CR.	
			(2)	Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the	

(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
			<i>RMAR</i> on a half-yearly basis, and the <i>firm</i> has:		
			(a) annual income of less than £5m but more than £60,000 in total from <i>insurance mediation activity, mortgage mediation activity</i> and its <i>permitted activities</i> as a <i>personal investment firm</i> , and		
			(b) an <i>accounting reference date</i> which is not within (1)(b);		
			the first return must cover the <i>firm's</i> first full financial half-year which starts on or after 1 April 2005 and be submitted 30 <i>business days</i> after period end.		
			(3) Where a <i>firm</i> is carrying on <i>regulated activities</i> before 1 April 2005 and is required under a <i>rule</i> in SUP 16.7 to submit information using the MLAR, the first return must cover the <i>firm's</i> first full financial quarter which starts on or after this date and be submitted		

(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
				20 <i>business days</i> after period end.	
			(4)	Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a half-yearly basis, and the <i>firm</i> has:	
			(a)	annual income of less than £60,000 in total from <i>insurance mediation activity</i> , <i>mortgage mediation activity</i> and its <i>permitted activities</i> as a <i>personal investment firm</i> , and	
			(b)	an <i>accounting reference date</i> which falls between 31 December 2004 and 30 December 2005,	
				the relevant <i>rule</i> must be read as requiring the first return to be provided in accordance with SUP TR 12DR.	
			(5)	Where a rule in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a quarterly	

(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
			basis, and the firm has an <i>accounting reference date</i> which falls between 31 December 2004 and 30 December 2005 the relevant <i>rule</i> must be read as requiring the first return to be provided with SUP TR 14B.					
12C		R	If SUP TR 12B R (1) - (3) applies, the <i>firm's</i> first return must be provided as follows:					
			<i>Accounting reference date</i>	Reporting period starts	Reporting period ends	Return to be provided		
			Between 30 June 2005 and 30 September 2005	1 April 2005	<i>Accounting reference date</i> within 2005	30 <i>business days</i> after period end.		
			31 December 2004	1 April 2005	30 June 2005	30 <i>business days</i> after the period end		
			Between 1 January 2005	1 April 2005	6 months after the <i>accounting</i>	30 <i>business days</i> after period end		

(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
			and 31 March 2005		<i>ing reference date within 2005</i>			
12D		R	(1)	If SUP TR 12BR (4)SUP TR 12BR (4) applies, the <i>firm's</i> first return must be provided as follows:				
			<i>Accounting reference date</i>	Re- port- ing peri- od starts	Re- port- ing peri- od ends	Return to be provided		
			31 December 2004	1 April 2005	30 June 2005	30 <i>business days</i> after period end (Note 1)		
			Between 1 January 2005 and 31 March 2005	1 April 2005	6 months after the <i>accounting reference date</i> within 2005	30 <i>business days</i> after period end (Note 1)		
			Between 1	the day fol-	6 months after	30 <i>business days</i> af-		

(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
			April 2005 and 29 June 2005	following the <i>accounting reference date</i> within 2005	the <i>accounting reference date</i> within 2005	ter period end (Note 1)		
			Between 30 June 2005 and 29 September 2005	1 April 2005	<i>Accounting reference date</i> within 2005	30 <i>business days</i> after period end		
			Between 30 September 2005 and 30 December 2005	The day after 6 months preceding the <i>accounting reference date</i> within 2005	<i>Accounting reference date</i> within 2005	30 <i>business days</i> after period end		

(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
12E		R	(2)	If SUP TR 12BR (4) applies, the <i>firm's</i> second return must be provided as follows:				
			<i>Accounting reference date</i>	<i>Reporting period starts</i>	<i>Reporting period ends</i>	<i>Return to be provided</i>		
			Between 30 June 2005 and 29 September 2005	the day following the <i>accounting reference date</i> within 2005	6 months after the <i>accounting reference date</i> within 2005	30 <i>business days</i> after period end (Note 1)		
12F	SUP 16.7.77 R	R	A <i>mortgage administrator</i> or <i>mortgage lender</i> must submit an annual report and audited accounts annually, 3 months after the <i>firm's accounting reference date</i>				31 October 2004 - 31 March 2005	1 April 2005
12G	SUP 16.7.7 R; SUP 16.7.9 R; SUP 16.7.11 R; SUP 16.7.16 R; SUP 16.7.20 R; SUP 16.7.24 R;	R	(1) Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a half yearly basis the relevant <i>rule</i> must be read as requiring the first return to be provided				From 1 January 2007 - 31 December 2007	1 January 2007

(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							
	SUP 16.7.26 R; SUP 16.7.28 R; SUP 16.7.35 R; SUP 16.7.57 R; SUP 16.7.62 R; SUP 16.7.65 R; SUP 16.7.73 R;		in accordance with SUP TR 12HR. (2) Where a <i>firm</i> is carrying on <i>regulated activities</i> on or before 1 January 2007 and is required under a <i>rule</i> in SUP 16.7 to submit information using the <i>MLAR</i> , the first return must cover the <i>firm's</i> first full financial quarter which starts on or after this date and be submitted 20 <i>business days</i> after period end.									
12H		R	If SUP TR 12G R (1) applies, the <i>firm's</i> first return must be provided as follows:									
			<table border="1"> <thead> <tr> <th data-bbox="592 1158 699 1518"><i>Accounting reference date</i> (dates inclusive)</th> <th data-bbox="699 1158 778 1518"><i>Reporting period starts</i></th> <th data-bbox="778 1158 885 1518"><i>Reporting period ends</i></th> <th data-bbox="885 1158 1002 1518"><i>Return to be provided</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="592 1518 699 2024">Between 1 January and 31 March</td> <td data-bbox="699 1518 778 2024">The day after the <i>accounting reference date</i> within 2007</td> <td data-bbox="778 1518 885 2024">6 months after the <i>accounting reference date</i> within 2007</td> <td data-bbox="885 1518 1002 2024">30 <i>business days</i> after period end.</td> </tr> </tbody> </table>	<i>Accounting reference date</i> (dates inclusive)	<i>Reporting period starts</i>	<i>Reporting period ends</i>	<i>Return to be provided</i>	Between 1 January and 31 March	The day after the <i>accounting reference date</i> within 2007	6 months after the <i>accounting reference date</i> within 2007	30 <i>business days</i> after period end.	
<i>Accounting reference date</i> (dates inclusive)	<i>Reporting period starts</i>	<i>Reporting period ends</i>	<i>Return to be provided</i>									
Between 1 January and 31 March	The day after the <i>accounting reference date</i> within 2007	6 months after the <i>accounting reference date</i> within 2007	30 <i>business days</i> after period end.									

(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
			Between 1 April and 30 June	1 January 2007	<i>Accounting reference date</i> within 2007	30 <i>business days</i> after period end.		
			Between 1 July and 30 September	The day after 6 months preceding the <i>accounting reference date</i> within 2007	<i>Accounting reference date</i> within 2007	30 <i>business days</i> after period end.		
			Between 1 October and 31 December	1 January 2007	6 months before the <i>accounting reference date</i> within 2007	30 <i>business days</i> after period end.		

(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
12I	SUP 16.7.54 R	R	Until 6 September 2006, an <i>authorised professional firm</i> will not contravene SUP 16.7.54 R if it submits to the FSA the annual questionnaire that was contained in SUP 16 Annex 9 R immediately prior to 6 July 2006.	6 July 2006 - 6 September 2006	6 July 2006
12J	(1) SUP 16.7.24 R, SUP 16.7.25 R and 16.7.25A R, SUP 16.7.27 R and 16.7.27A R	R	A <i>securities and futures firm</i> that is a <i>BIPRU investment firm</i> is not required to submit the Annual Reporting Statement, the Annual Reconciliation and the Consolidated Supervision Return under SUP 16.7.25 R and SUP 16.7.27 R (as appropriate).	1 January 2007 to 31 December 2007	<i>Commencement</i> and 1 January 2007
	(2) SUP 16.7.35 R, SUP 16.7.36 R and SUP 16.7.36A R	R	An <i>investment management firm</i> that is a <i>BIPRU investment firm</i> is not required to submit the Annual Financial Return, the Consolidated Supervision Return and the Consolidated Financial Resources Return under SUP 16.7.36 R.	1 January 2007 to 31 December 2007	<i>Commencement</i> and 1 January 2007
	(3) SUP 16.7.67 R, SUP 16.7.68 R and SUP 16.7.68A R	R	A <i>UCITS investment firm</i> is not required to submit the Annual Financial Return and the Consolidated Supervision Return under SUP 16.7.68 R.	1 January 2007 to 31 December 2007	13 February 2004 and 1 January 2007
	(4) SUP 16.7.76 R, SUP 16.7.77 R and SUP 16.7.77A R	R	A <i>personal investment firm</i> that is a <i>BIPRU investment firm</i> is not required to submit the Consolidated Supervision Return under SUP 16.7.77 R.	1 January 2007 to 31 December 2007	1 April 2005 and 1 January 2007

(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
	(5) SUP 16.7.16 R and SUP 16.7.17 R	R	A <i>building society</i> will not be required to submit reports MFS1, MFS1 Supp, MFS2 and QFS2 for reporting dates after 1 January 2008	From 1 January 2008	<i>Commencement</i>
12K	SUP 16.7.7 R, SUP 16.7.8 R, SUP 16.7.9 R, SUP 16.7.10 R, SUP 16.7.11 R, SUP 16.7.12 R, SUP 16.7.16 R, SUP 16.7.17 R, SUP 16.7.24 R, SUP 16.7.25 R, SUP 16.7.26 R, SUP 16.7.27 R, SUP 16.7.28 R, SUP 16.7.29 R, SUP 16.7.35 R, SUP 16.7.36 R, SUP 16.7.54 R, SUP 16.7.54A R, SUP 16.7.57 R, SUP 16.7.58 R, SUP 16.7.62 R, SUP 16.7.63 R, SUP 16.7.65 R, SUP 16.7.66 R. SUP 16.7.73 R, SUP 16.7.74 R, SUP 16.7.75 R, SUP 16.7.76 R and SUP 16.7.77 R,	R	Solely in respect of information regarding any <i>reversion activity</i> or <i>home purchase activity</i> required to be reported in the <i>RMAR</i> and <i>MLAR</i> , a <i>firm</i> :	1 April 2007 to 31 December 2008	<i>Commencement</i>
			(1) is not required to include such information in respect of the applicable reporting periods (as set out in		

(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
			the relevant provisions in SUP 16.7) ending before 1 October 2007;		
			(2) must include such information in respect of reporting periods ending on or after 1 October 2007;		
			(3) must include such information under existing mortgage headings (for the <i>RMAR</i>) or loan headings (for the <i>MLAR</i>) as set out in the guidance in SUP 16 Annex 18B G and SUP 16 Annex 19B G respectively.		
12L	(1) SUP 16.7.7 R, SUP 16.7.8 R, SUP 16.7.8A R, SUP 16.7.16 R, SUP 16.7.17 R, SUP 16.7.17A R, SUP 16.7.24 R, SUP 16.7.25 R, SUP 16.7.25A R, SUP 16.7.26 R, SUP 16.7.27 R, SUP 16.7.27A R, SUP 16.7.30 R, SUP 16.7.35 R, SUP 16.7.36 R, SUP 16.7.36AR, SUP 16.7.67R, SUP	R	Except to the extent required by a transitional provision in TP12M, a <i>BIPRU firm</i> will not be required to report under these rules in respect of reporting dates after 31 December 2007, but will instead report under SUP 16.12.	1 January 2008 to 1 April 2009	1 January 2008

(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
	16.7.68R, SUP 16.7.68AR, SUP 16.7.76R, SUP 16.7.77R, SUP 16.7.77AR				
	(2) SUP 16.7.9 R, SUP 16.7.10 R	R	Except to the extent required by a transitional provision in TP12M, an <i>EEA Bank</i> , other than one with <i>permission</i> for <i>cross border services</i> only, will not be required to report under these rules in respect of reporting dates after 31 December 2007 but will instead report under SUP 16.12.5 R.	1 January 2008 to 1 April 2009	1 January 2008
	(3) SUP 16.12.11 R, SUP 16.7.12 R	R	Except to the extent required by a transitional provision in TP12M, a <i>bank</i> established outside the <i>EEA</i> will not be required to report under these rules in respect of reporting dates after 31 December 2007 but will instead report under SUP 16.12.5 R.	1 January 2008 to 1 April 2009	1 January 2008
	(4) SUP 16.7.62R SUP 16.12.5 R, SUP 16.7.63R	R	A <i>credit union</i> will not be required to report under these rules in respect of reporting dates after 31 December 2007 but will instead report under SUP 16.12.5R.	1 January 2008 to 1 April 2009	1 January 2008
	(5) [deleted]				

(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
	(6) SUP 16.7.82R, SUP 16.7.83R	R	<p>(1) A <i>firm</i> that is a member of a <i>financial conglomerate</i>:</p> <p>(a) that is at the head of an <i>FSA regulated EEA financial conglomerate</i>; or</p> <p>(b) whose <i>Part IV permission</i> contains a relevant <i>requirement</i>; will not be required to report under these rules in respect of reporting dates after 31 December 2007 but will instead report under SUP 16.12.32R and SUP 16.12.33R.</p> <p>(2) In (1)(b), a relevant <i>requirement</i> is one as set out in SUP 16.7.82R (2).</p>	1 January 2008 to 1 April 2009	1 January 2008
	(7) [deleted]				
12M [FCA] [PRA]	(1)[deleted]				
	(2) [deleted]				
	(3) [deleted]				
	(4) [deleted]				
	(5) [deleted]				
	(6) [deleted]				
	(7) [deleted]				
	(8) [deleted]				
	(9) [deleted]				
	(10) [deleted]				
	(11)[deleted]				
	(12)[deleted]				

(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
	(13)[deleted]				
	(14)[deleted]				
	(15)[deleted]				
	(16)[deleted]				
	(17)[deleted]				
	(18) [deleted] [deleted]				
	(19)				
	(20) [deleted]				
	(20A) SUP 16.12.22A R	R	(1) Where a <i>firm</i> is required under SUP 16.12.22A R to submit information on <i>adviser charges</i> in Section K of the RMAR or <i>consultancy charges</i> in Section L of the RMAR the <i>firm</i> is not required to report information collected prior to 31 December 2012. (2) The first reporting period for Section K or Section L of the RMAR begins on the first day of the <i>firm's</i> first full reporting period (as specified in SUP 16.12) after 31 December 2012.	31/12/2012 to 30/06/2013	31/12/2012
	(21) [deleted]				
12N	(1) SUP 16.7.36 R	R	(1) Subject to (2), SUP 16.7.36 R does not apply from 6 April 2007 to 30 August 2008 to an <i>investment management firm</i> which:	6 April 2007 to 30 August 2008	6 April 2007

(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
			(a)	was not a <i>firm</i> before 6 April 2007; and		
			(b)	carries on only the activity of <i>establishing, operating or winding up a personal pension scheme</i> .		
			(2)	Notwithstanding (1), a <i>firm</i> described in (1) with an <i>accounting reference date</i> of between 6 April 2007 and 30 August 2008 (inclusive) must submit a copy of its annual accounts to the <i>FSA</i> in accordance with SUP 16.7.36 R, unless (3) applies. The annual accounts must give a true and fair view of the state of affairs of the <i>firm</i> and of the <i>firm's</i> profit or loss.		
120	(1)	[deleted]				
	(2) SUP 16.7.24 R, SUP 16.7.25 R, SUP 16.7.27 R	R	A <i>securities and futures firm</i> which is either		1 November 2007 to 31 December 2008	<i>Commencement</i> and 1 November 2007
			(1)	an <i>exempt CAD firm</i> , or		
			(2)	an <i>exempt BIPRU commodity firm</i> to which the require-		

(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
			ments of <i>IPRU(INV)</i> Chapter 3 apply		
			is not required to submit the Annual Reporting Statement and the Annual Reconciliation under SUP 16.7.25 R and SUP 16.7.27 R (as appropriate).		
	(3) SUP 16.7.35 R, SUP 16.7.36 R	R	An <i>investment management firm</i> which is an <i>exempt CAD firm</i> is not required to submit the Annual Financial Return under SUP 16.7.36 R.	1 November 2007 to 31 December 2008	<i>Commencement</i> and 1 November 2007
	(4) SUP 16.7.67 R, SUP 16.7.68 R	R	A <i>UCITS firm</i> which is an <i>exempt CAD firm</i> is not required to submit an Annual Financial Return under SUP 16.7.68R, Note 3.	1 November 2007 to 31 December 2008	13 February 2004 and 1 November 2007
	(5) SUP 16.12.11R, SUP 16.12.12R	R	An <i>exempt BIPRU commodity firm</i> that does not meet the conditions in <i>BIPRU TP 16</i> is not required to submit FSA008 for reporting dates prior to 30 June 2008.	1 January 2008 to 29 June 2008	1 January 2008
12P	(1) SUP 16.7.20R, SUP 16.7.21R, SUP 16.7.21AR, SUP 16.7.21BR, SUP 16.7.26R, SUP 16.7.27R, SUP 16.7.28R,	R	Except to the extent required by a transitional provision in TP 12Q, a <i>firm</i> , other than a <i>BIPRU firm</i> , will not be required to report under these rules in respect of reporting dates after 31 December 2007, but will instead report under SUP 16.12.	1 January 2008 to 31 March 2009	1 January 2008

(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
	SUP 16.7.29R, SUP 16.7.30R, SUP 16.7.35R, SUP 16.7.36R, SUP 16.7.54R, SUP 16.7.54AR, SUP 16.7.55R, SUP 16.7.56R, SUP 16.7.57R, SUP 16.7.58R, SUP 16.7.67R, SUP 16.7.68R, SUP 16.7.76R, SUP 16.7.77R				
12Q	(1) SUP 16.12.11R	R	<i>Firms in Regulated Activity Group 3:</i>	1 January 2008 to 30 August 2008	1 January 2008
			(1) are not required to submit the following data items for reporting dates falling prior to 31 August 2008: FSA029 FSA030		

(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
			FSA031 FSA032 FSA033 FSA034 FSA035 FSA036 FSA037 FSA039 FSA040		
			(2) are instead required to report as set out TP 12Q (5).		
	(2) SUP 16.12.14R	R	<i>Firms in Regulated Activity Group 4:</i>	1 January 2008 to 30 August 2008	1 January 2008
			(1) are not required to submit the following data items for reporting dates falling prior to 31 August 2008: FSA029 FSA030 FSA031 FSA032 FSA033		

(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
			FSA034 FSA035 FSA036 FSA037 FSA038 FSA039 FSA040 FSA041 FSA042		
			(2) are instead required to report as set out TP 12N (1), TP 12Q (5) or TP 12R (1).		
	(3) SUP 16.12.19R	R	<i>Firms in Regulated Activity Group 6:</i>	1 January 2008 to 30 August 2008	1 January 2008
			(1) are not required to submit the following data items for reporting dates falling prior to 31 August 2008: FSA029 FSA030 FSA031 FSA032 FSA033		

(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
			FSA034 FSA035 FSA036 FSA037 FSA039 FSA040		
			(2) are instead required to report as set out TP 12Q (5).		
	(4) SUP 16.12.25R	R	<i>Firms in Regulated Activity Group 8:</i>	1 January 2008 to 30 August 2008	1 January 2008
			(1) are not required to submit the following data items for reporting dates falling prior to 31 August 2008: FSA029 FSA030 FSA031 FSA032 FSA033 FSA034 FSA035 FSA036		

(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
			<p>FSA037</p> <p>FSA039</p> <p>FSA040</p>		
			(2) are instead required to report as set out TP 12Q (5).		
	(5) SUP 16.12.11R, SUP 16.12.14R , SUP 16.12.19R, SUP 16.12.25R	R	(1) <i>A securities and futures firm</i> that is:	1 January 2008 to 30 August 2008	1 January 2008
			(a) not a <i>BIPRU firm</i> , an <i>exempt CAD firm</i> or an <i>exempt BIPRU commodity firm</i> must submit the quarterly reporting statement in the manner and to the timescales set out in SUP 16.7.27R, and SUP 16.7.31R to SUP 16.7.34G;		
			(b) an <i>exempt CAD firm</i> must submit the quarterly reporting statement in the		

(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
				manner and to the timescales set out in SUP 16.7.27R, and SUP 16.7.31R to SUP 16.7.34G;		
			(c)	an <i>exempt BIPRU commodity firm</i> (to which the requirements of IPRU(INV) Chapter 3 apply) must submit the quarterly reporting statement in the manner and to the timescales set out in SUP 16.7.27R, and SUP 16.7.31R to SUP 16.7.34G;		
			(2)	except in the case of an <i>investment management firm</i> that is not a <i>BIPRU firm</i> , is not an <i>exempt CAD firm</i> and is authorised by the FSA after 5 April 2007, an <i>investment management firm</i> that is:		
			(a)	neither a <i>BIPRU firm</i> nor an <i>exempt CAD firm</i> must submit the		

(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
				quarterly financial return in the manner and to the timescales set out in SUP 16.7.36R to SUP 16.7.38R;		
			(b)	an <i>exempt CAD firm</i> must submit the quarterly financial return in the manner and to the timescales set out in SUP 16.7.36R to SUP 16.7.38R, and FSA043 in the manner and to the timescale set out in SUP 16.7.36BR;		
			(3)	a <i>UCITS firm</i> :		
			(a)	other than an <i>exempt CAD firm</i> must submit the Quarterly Financial Return in the manner and to the timescales set out in SUP 16.7.68R and SUP 16.7.69R;		
			(b)	that is an <i>exempt CAD firm</i> must submit the Quarterly Financial Return in		

(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
				the manner and to the timescales set out in SUP 16.7.68R and SUP 16.7.69R and FSA043 in the manner and to the timescale set out in SUP 16.7.68BR; and		
			(4)	a <i>firm</i> that satisfies the criteria in SUP 16.7.76R and is:		
			(a)	neither a <i>BIPRU investment firm</i> nor an <i>exempt CAD firm</i> must submit the RMAR and MLAR in the manner and to the timescales set out in SUP 16.7.77R;		
			(b)	that is an <i>exempt CAD firm</i> must submit the RMAR and MLAR in the manner and to the timescales set out in SUP 16.7.77R and FSA043 in the manner and to the timescale set out in SUP 16.7.77BR.		

(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
12R	(1)		[deleted]		
	(2) SUP 16.12.11R	R	An <i>exempt BIPRU commodity firm</i> that, at the reporting date for large exposures <i>data item</i> FSA008, satisfies the conditions of BIPRU TP 16 is not required to submit FSA008 for that reporting date.	30 June 2008 to 31 December 2010	30 June 2008
12S	(1) SUP 16.12.15, SUP 16.12.16, SUP 16.12.17	R	In the case of an <i>exempt BIPRU commodity firm</i> that is subject to the requirements of <i>IPRU(INV)</i> Chapter 3, it is required to submit the capital adequacy <i>data item</i> FSA033 in the manner and to the frequency and timescales set out for <i>firms</i> other than <i>BIPRU firms</i> that are subject to <i>IPRU(INV)</i> Chapter 3 in SUP 16.12.15R to SUP 16.12.17R.	1 January 2009 to 31 December 2010	1 January 2009
12T	SUP 16.12.5 R to SUP 16.12.7 R; SUP 16.12.10 R to SUP 16.12.17 R; SUP 16.12.22 R to SUP 16.12.27 R	R	(1) This <i>rule</i> deals with:	As set out in column (4)	As set out in column (4)
			(a) the date (the "start date") on which the requirements (the "new requirements") relating to <i>data items</i> FSA047 to FSA055 (inclusive) (the "new <i>data items</i> ") made by the Supervi-		

(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
			<p>sion Manual (Integrated Regulatory Reporting of Liquidity for Banks, Building Societies and Investment Firms) Instrument 2009 (the "instrument") begin;</p>		
			<p>(b) the date on which the requirements relating to <i>data items</i> FSA010 and FSA013 end; and</p>		
			<p>(c) the date on which the changes in the requirements relating to <i>data item</i> FSA011 made by the instrument take effect.</p>		
			<p>(2) The start date for reporting on a solo basis for a <i>firm</i> that as at 30 November 2009 or, as the case may be, 1 December 2009, or as the case may be, 30 November 2009 and 1 June 2010, falls into one of the classes covered by BIPRU TP 26.2 (Transitional rules for quantitative aspects of BIPRU 12 that apply to all <i>firms</i> to which BIPRU 12 applies) is the day immediately following the last day on which that transitional provision is in</p>		

(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
				force as specified in column (5) of BIPRU TP 26.2.	
			(3)	The start date for reporting on a solo basis for other <i>firms</i> (other than a <i>non-ILAS BIPRU firm</i>) is 1 December 2009.	
			(4)	The reporting period for the first report on a solo basis for <i>non-ILAS BIPRU firms</i> ends on 31 December 2010.	
			(5)	Reporting on the basis of a <i>defined liquidity group</i> applies for all reporting periods beginning on or after 1 November 2010.	
			(6)	For a <i>firm</i> falling into paragraph (2), the following start dates apply to the following <i>data items</i> .	
				(a) The date for <i>data items</i> FSA047, FSA048 and FSA052 is 1 June 2010.	
				(b) The date for data items FSA050, FSA051, FSA053 and FSA054 is 1 November 2010.	
			(7)	For a <i>firm</i> falling into paragraph (3), the fol-	

(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
			<p>lowing start dates apply to the following <i>data items</i>.</p>		
			<p>(a) The date for <i>data items</i> FSA047 and FSA048 is 1 December 2009.</p>		
			<p>(b) The date for <i>data item</i> FSA052 is 1 June 2010.</p>		
			<p>(c) The date for <i>data items</i> FSA050, FSA051, FSA053 and FSA054 is 1 November 2010.</p>		
			<p>(8) If the start date under paragraphs (6) or (7) (taking into account paragraph (9)) falls before the start date in paragraphs (2) or (3), the dates in paragraphs (2) or (3) apply. However if the start date in paragraphs (6) or (7) (taking into account paragraph (9)) fall after the dates in paragraphs (2) or (3), the start dates in paragraphs (6) or (7) apply.</p>		
			<p>(9) If the start date for a new <i>data item</i> occurs part of the way through what would have been a reporting period for that <i>data</i></p>		

(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
			<p><i>item</i> under SUP 16.12 if the relevant part of SUP 16.12 had been in force, the first reporting period for that <i>data item</i> begins on the first day ("the first day") of what would have been that reporting period (as specified in SUP 16.12), even though the first day falls before the start date. The time for submission of the <i>data item</i> and the length of the reporting period are calculated as if the new requirements relating to that <i>data item</i> had been in force from the first day.</p>		
			(10) (a) The requirements relating to <i>data items</i> FSA010 and FSA013 are as follows.		
			(b) If a <i>firm</i> does not fall into <i>RAG 1</i> as at 30 November 2009, it does not have to submit these <i>data items</i> .		
			(c) Otherwise, the last reporting period for the <i>data item</i> concerned ends on the first date when the start date for that <i>firm</i> in relation to both <i>data item</i> FSA047 and FSA048 has occurred. That last		

(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
			reporting period for <i>data item</i> FSA010 or FSA013 is shortened accordingly if necessary.		
			(d) Any notes in SUP 16.12 relating to those <i>data items</i> continue in force as long as required by (a) to (c).		
			(11) The changes to <i>data item</i> FSA011 only take effect with respect reporting periods beginning on or after the commencement date for those changes as specified in the instrument (1 October 2010).		
12U	SUP 16.12.5 R to SUP 16.12.7 R; SUP 16.12.10 R to SUP 16.12.17 R; SUP 16.12.22 R to SUP 16.12.27 R	G	The effect of paragraph 12T is that a <i>firm</i> which becomes an <i>ILAS BIPRU firm</i> or <i>non-ILAS BIPRU firm</i> after 1 December 2009 and before the end of the transitional period which would otherwise have applied will be expected to comply with the requirements listed in column (2) from the date on which it becomes either an <i>ILAS BIPRU firm</i> or a <i>non-ILAS BIPRU firm</i> (as the case may be). However such a <i>firm</i> does have the benefit of the delayed start dates as specified in paragraphs (4), (5) and (7) of paragraph 12T.		

(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
12V	SUP 16.12.5 R to SUP 16.12.7 R; SUP 16.12.10 R to SUP 16.12.17 R; SUP 16.12.22 R to SUP 16.12.27 R	G	An example of how paragraph 12T(6) and (9) work is as follows. Say that the start date for a <i>firm</i> under paragraph 12T(2) is 1 June 2010. If the <i>firm</i> reports <i>data item</i> FSA047 weekly, the first reporting period for that <i>data item</i> starts on Saturday 29 May 2010 and ends on Friday 4 June 2010. It has to be submitted to the <i>FSA</i> by 2200 on Monday 7 June.		
12W [PRA]	SUP 16.12.5 R to SUP 16.12.7 R	R	If BIPRU TP 30.4 R (Liquidity floor for certain banks) applies to a <i>firm</i> the regulatory intervention point mentioned in that <i>rule</i> is added to the list in paragraph (a) of the definition of <i>firm-specific liquidity stress</i> in the case of that <i>firm</i> for as long as BIPRU TP 30.4 R applies to it.	For as long as BIPRU TP 30.4 R applies to the <i>firm</i>	At the end of period set out in column (5)
12X	SUP 16.12.5 R to SUP 16.12.7 R	R	(1) This <i>rule</i> deals with the effect of the abolition of <i>data item</i> FSA044 by the Liquidity Standards (Miscellaneous Amendments) Instrument 2010 and of changes to the definition of <i>DLG by default</i> made by that instrument.	See column 4	See column 4
			(2) The abolition of that <i>data item</i> does not have effect in relation to a <i>firm's</i> reporting period for that <i>data item</i> that has begun but not ended as at 1 January 2011.		

(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
			(3) The changes to the definition of <i>DLG by default</i> do not have effect in relation to the reporting period of a <i>firm</i> that has begun but not ended as at 1 November 2010.		
12Y [FCA]	SUP 16.12.15 R but only in so far as it relates to FIN069 (Capital adequacy), FSA039 (Client money and client assets) and FIN070 (Information on P2P agreements)	R	The <i>rule</i> listed in column (2) does not apply to an <i>operator of an electronic system in relation to lending</i> .	From 1 April 2014 to 30 September 2014	1 April 2014
12Z [FCA]	SUP 16.12.15 R but only in so far as it relates to <i>annual report and accounts</i> , FSA029 (Balance sheet), FSA030 (Income statement) and FIN069 (Capital adequacy)	R	The <i>rule</i> listed in column (2) does not apply to an <i>operator of an electronic system in relation to lending</i> who holds an <i>interim permission</i> .	Indefinitely	1 April 2014
13	SUP 16.8	R	In Forms 1R(1) to (3) in SUP 16 Annex 6 R , for any <i>life policy</i> promoted before <i>commencement</i> , a reference to "direct offer financial promotion" must be read as a refer-	From <i>commencement</i> for 6 years	<i>Commencement</i>

(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								
			ence to "direct offer advertisement", as defined in the rule-book of the <i>PIA</i> at the time the <i>policy</i> was promoted.										
13A	(1) SUP 3.1.2 R	R	In relation to an <i>investment management firm</i> which carries on only the activity of <i>establishing, operating or winding up a personal pension scheme</i> and which is authorised by the <i>FSA</i> after 6 April 2007, SUP 3.9 will not apply to the <i>firm's</i> auditor.	6 April 2007 to 31 December 2008	6 April 2007								
13B	[deleted]												
14	SUP 16.8	R	SUP 16.8 does not apply to an <i>insurer</i> (including a <i>friendly society</i>) which was not a member of the <i>PIA</i> immediately before <i>commencement</i> .	From <i>commencement</i> for 6 years	<i>Commencement</i>								
14A	SUP 16.11.7 R	R	Until 1 July 2006, a <i>firm</i> will not contravene SUP 16.11.7 R if it does not complete the data reporting field 'Advice at the point of sale' (see SUP 16 Annex 21 R).	1 April 2005 - 30 June 2006	1 April 2005								
14B		R	If SUP TR 12B R (5) applies, the <i>firm's</i> first return must be provided as follows:										
			<table border="1"> <thead> <tr> <th data-bbox="587 1621 699 1874"><i>Accounting reference date</i></th> <th data-bbox="699 1621 783 1874"><i>Reporting period starts</i></th> <th data-bbox="783 1621 884 1874"><i>Reporting period ends</i></th> <th data-bbox="884 1621 1007 1874"><i>Return to be provided</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="587 1874 699 2045">31 December 2004</td> <td data-bbox="699 1874 783 2045">1 April 2005</td> <td data-bbox="783 1874 884 2045">30 June 2005</td> <td data-bbox="884 1874 1007 2045">30 <i>business days</i> af-</td> </tr> </tbody> </table>	<i>Accounting reference date</i>	<i>Reporting period starts</i>	<i>Reporting period ends</i>	<i>Return to be provided</i>	31 December 2004	1 April 2005	30 June 2005	30 <i>business days</i> af-		
<i>Accounting reference date</i>	<i>Reporting period starts</i>	<i>Reporting period ends</i>	<i>Return to be provided</i>										
31 December 2004	1 April 2005	30 June 2005	30 <i>business days</i> af-										
			31 December 2004	1 April 2005	30 June 2005	30 <i>business days</i> af-							

(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
						ter period end		
			Between 1 January 2005 and 31 March 2005	1 April 2005	6 months after the accounting reference date within 2005	30 business days after period end (Note 2)		
			Between 1 April 2005 and 29 June 2005	The day following the accounting reference date within 2005	3 months after the accounting reference date within 2005	30 business days after period end (Note 2)		
			Between 30 June 2005 and 29 September 2005	1 April 2005	Accounting reference date within 2005	30 business days after period end (Note 2)		

(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
			Between 30 September 2005 and 30 December 2005	The day after 6 months preceding the accounting date within 2005	3 months preceding the accounting date within 2005	30 business days after period end (Note 3)		
14C	16.10.4	R	A firm whose accounting reference date falls between 1 April 2005 and 30 June 2005 (inclusive) need not comply with SUP 16.10.4 R until its accounting reference date in 2006.				1 April 2005-30 June 2005	1 April 2005
14D	16.11.3	R	The report under SUP 16.11.3 R (1) for the quarter 1 April to 30 June 2005, together with the report for the quarter 1 July to 30 September 2005 must be submitted within 20 business days after the end of the 1 July-30 September 2005 quarter.				1 April 2005-30 June 2005	1 April 2005
15			[deleted]					
15A	Rules in SUP 20	R	Expired					
15B	Transitional rule SUP 15A	G	Expired					

(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
15C	The Supervision manual (SUP)		<p>A regulated sale and rent back firm need not comply with the rules in this sourcebook to the extent that they carry on regulated sale and rent back activity, provided that within a period of 3 months after submitting an application for interim authorisation in accordance with article 32 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order (SI 2009/1342), and every 6 months after such date until 30 June 2010, they provide to the FSA for the relevant period the following information:</p> <p>(a) management accounts for the firm, including a balance sheet, profit/loss statement and management report;</p> <p>(b) details of the firm's funding arrangements; and</p> <p>(c) where the firm is a SRB agreement provider, the number of regulated sale and rent back agreements it has entered into in that period, distinguishing between direct sales (both advised and non-advised) and indirect sales (advised and non-advised).</p>	1 July 2009 to 30 June 2010	1 July 2009
15D	SUP 16	R	A regulated sale and rent back firm need not comply with the rules in SUP 16 to the extent that they carry on regulated sale and rent back activity. A	30 June 2010 to 29 June 2011	30 June 2010

(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
			<p><i>regulated sale and rent back firm</i> must instead:</p> <p>(a) within a period of 3 months from becoming authorised (for previously <i>unauthorised persons</i>); or</p> <p>(b) according to their existing reporting schedules (for <i>firms</i> that previously held an interim authorisation or interim variation of permission in accordance with article 32 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order (SI 2009/1342) or hold a <i>Part IV permission</i> to carry on <i>regulated sale and rent back activity</i> as a result of having made a variation of permission application that has been approved by the <i>FSA</i>);</p> <p>and every 6 months after such date until 30 June 2011 (unless otherwise advised by the <i>FSA</i>), provide to the <i>FSA</i> for the relevant period the following information:</p> <p>(i) management accounts for the <i>firm</i>, including a balance sheet, profit/loss statement and management report;</p> <p>(ii) details of the <i>firm's</i> funding arrangements; and</p> <p>(iii) where the <i>firm</i> is a <i>SRB agreement provider</i>, the num-</p>		

(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
			<p>ber of <i>regulated sale and rent back agreements</i> it has entered into in that period, distinguishing between direct and indirect sales.</p> <p>If a <i>firm</i> does not submit a complete report by the date on which it is due in accordance with this transitional provision, the <i>firm</i> must pay an administrative fee of £250.</p>		
16	Paragraphs 1 to 15	R		From <i>commencement</i>	<i>Commencement</i>
			In these transitional provisions:		
			(1) "pre-commencement provision" means a provision repealed or revoked by or under the <i>Act</i> or a rule or guidance of the <i>firm's previous regulator</i> , including (where the context permits) any relevant provision which it replaced before <i>commencement</i> ; and		
			(2) "substantially similar" means substantially similar in purpose and effect.		
17	SUP 20.4.4 R (4)	R	The periodic fee modification set out in SUP 20.4.4 R (4) does not apply to the A.2, A.18 and A.19 activity groups until 1 April 2005.	From 31 October 2004 to 31 March 2005	1 April 2002

(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
	SUP	G	GEN contains some technical transitional provisions that apply throughout the <i>Handbook</i> and which are designed to ensure a smooth transition at <i>commencement</i> . These include transitional provisions relevant to record keeping and notification rules.	From commencement of the relevant provision in SUP	Various dates

Note 1 = The return need not provide data for sections A, B, C, D, E of the RMAR.

Note 2 = Sections A, B, C, D, E of the RMAR should be reported for the 3 months to the reporting end date.

Note 3 = This should only cover sections A, B, C, D, E of the RMAR

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1	R	(1)	A firm may, in the written contract with its <i>introducer appointed representative</i> , extend the scope of appointment to include:
		(a)	receiving and forwarding to an <i>insurer</i> or <i>insurance intermediary</i> an application by a <i>customer</i> for a <i>connected travel insurance contract</i> together with any associated documentation; and
		(b)	receiving <i>client money</i> from a <i>customer</i> in respect of a <i>connected travel insurance contract</i> , and holding that <i>client money</i> .
		(2)	The extension of the scope of the appointment must apply only where the receipt of an application or of <i>client money</i> results from documentation given to a <i>customer</i> , where the deadline for submission of this documentation to the publishers for publishing was on or before 15 November 2008.

	(3)	This <i>rule</i> applies until 31 December 2009.
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7 Client assets report

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook provision: coming into force
1	The <i>rules and guidance</i> in SUP 3.10	R	In relation to an auditor of a <i>firm</i> whose client assets report period ends on or before 29 September 2011, that auditor may comply with SUP 3.10 as it was in force on 31 May 2011.	From 1 June 2011	1 June 2011
2	The <i>rules and guidance</i> in SUP 3.11	R	In relation to a <i>firm</i> whose client assets report period ends on or before 29 September 2011, the <i>rules and guidance</i> to which column (2) refers do not apply.	From 1 June 2011	1 June 2011

FCA

8 AIFMD

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
1	The changes to SUP 16.12 set out in Annex M of the Alternative Investment Fund Managers Directive Instrument 2013, other than those relating to FSA041 and Annex D of the Capital Requirements Directive IV (AIFMD and UCITS Consequential Amendments) Instruments 2013.	R	<p>(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annexes listed in column (2) do not apply and, therefore, the provisions in SUP 16.12 amended by that Annex will continue to apply as they were in force as at 21 July 2013.</p> <p>(2) The conditions are: (a) the <i>firm</i> falls within regulation 73(1) of the <i>AIFMD UK regulation</i>; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i>.</p>	From 22 July 2013 until 21 July 2014	22 July 2013
2	The changes to SUP 16.12 set out in Annex M of the Alternative Investment Fund Managers Directive Instrument 2013, other than those re-	R	(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annexes listed in column (2) do not apply provided that:	From 22 July 2013 until 22 July 2014	22 July 2013

(1)	(2)	(3)	(4)	(5)	(6)
	<p>Material to which the transitional provision applies</p>		<p>Transitional provision</p>	<p>Transitional provision: date in force</p>	<p>Handbook provisions: coming into force</p>
	<p>lating to FSA041 and Annex D of the Capital Requirements Directive IV (AIFMD and UCITS Consequential Amendments) Instruments 2013.</p>		<p>(a) for a <i>firm</i> which is an existing <i>firm</i> on 21 July 2013, it continues to comply with the requirements applicable to that <i>firm</i> on 21 July 2013; or</p> <p>(b) for a <i>firm</i> that was not an existing <i>firm</i> on 21 July 2013, it complies with the requirements applicable to a <i>firm</i> that was establishing, operating or winding up a regulated collective investment scheme on 21 July 2013 (with the exception of FSA042 if the firm does not <i>manage a UCITS</i>).</p> <p>(2) The conditions are that the <i>firm</i> has a <i>Part 4A permission</i> to (a) <i>manage an AIF</i>;</p>		

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
and/or (b) <i>manage a UCITS</i> .					

FCA

9 Credit-related regulated activities

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provisions	Transitional provision: dates in force	Handbook provision coming into force
1	The changes to SUP 16.11 and SUP 16.12 set out in Annex I of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014	R	The changes effected by the Annex listed in column (2) to SUP 16.11 and SUP 16.12 do not apply until 1 October 2014.	1 April 2014 to 1 October 2014	1 April 2014
2	The changes to SUP 16.12 set out in Annex I of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014	G	The effect of (1) is that, for a <i>firm</i> with <i>permission</i> to carry on only a <i>credit-related regulated activity</i> , the reporting frequencies and submission deadlines for the <i>data items</i> in SUP 16.12.29C R are calculated from the <i>firm's</i> next <i>accounting reference date</i> that follows 1 October 2014. The first <i>data items</i> should cover the period from 1 October 2014 to the <i>accounting reference date</i> or the end of the first reporting period if the frequency is half-yearly.	1 April 2014 to 1 October 2014	1 April 2014
3	SUP 16.12	G	<i>Firms</i> are reminded that CONC 12.1.4 R further provides that (a) SUP 16 does not apply to a <i>firm</i> with only an <i>interim permission</i> ; and (b) SUP 16.11 and SUP 16.12 apply to a <i>firm</i> with an <i>interim permission</i> that is treated as a variation of <i>permission</i> for <i>credit-related regulated activ-</i>	1 April 2014 until interim permission ceases to have effect	1 April 2014

ity as if the changes effected by the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014 had not been made. So, if such a *firm* is granted *permission* to carry on (or is granted a variation to add to its *permission*) *credit-related regulated activity* (and an *interim permission* the firm was treated as having ceases to have effect) on a date after 1 October 2014, the reporting frequencies and submission deadlines for the *data items* in SUP 16.12.29C R are calculated by reference to the *firm's accounting reference date* that follows the date on which the notice of the grant of *permission* or the variation of *permission* under section 55V(5) of the *Act* takes effect. The first *data items* should cover the period from that date (not 1 October 2014) to the *accounting reference date* or the end of the first reporting period if the frequency is half-yearly.

Decision Procedure and Penalties Manual

Warning notices and decision notices under the Act and certain other enactments

FCA

Note: Third party rights and access to FCA material apply to the powers listed in this Annex where indicated by an asterisk * (see ■ DEPP 2.4)

Section of the Act	Description	Handbook reference	Decision maker
55X(1)(a) and(b)	when the FCA is proposing to grant an application for a Part 4A permission with a limitation or a requirement which was not applied for, or with a narrower description of regulated activity than that applied for	SUP 6	Executive procedures
55X(1)(c) and (d)	when the FCA is proposing to grant an application to vary a firm's Part 4A permission but, other than as part of the application, to restrict the Part 4A permission (either by imposing a limitation or requirement which was not applied for or by specifying a narrower description of regulated activity than that applied for)		Executive procedures
55X(1)(e)	when the FCA is proposing to exercise its power under section 55L(1) in connection with an application to the PRA for a Part 4A permission or the variation of a Part 4A permission		Executive procedures
55X(2)	when the FCA is proposing to refuse an application for a Part 4A permission		Executive procedures
55X(2)	when the FCA is proposing to refuse an application to vary a firm's Part 4A permission	SUP 6	Executive procedures
55X(2)	when the FCA is proposing to refuse an application to cancel a firm's Part 4A permission	SUP 6	Executive procedures
55X(2)	when the FCA is proposing to refuse an application for the variation of a requirement imposed under section 55L or for the imposition of a new requirement		RDC or executive procedures See DEPP 2.5.6 G
55X(4)(a)	when the FCA is deciding to grant an application for a Part 4A permission with a limitation or a requirement		RDC or executive procedures
55X(4)(b)	which was not applied for, or with a narrower description of regulated activity than that applied for		See DEPP 2.5.6 G
55X(4)(c)	when the FCA is deciding to grant an application to vary a firm's Part 4A permission but, other than as part of the application, to restrict the Part 4A permission	SUP 6	RDC or executive procedures
55X(4)(d)	(either by imposing a limitation or requirement which was not applied for or by specifying a narrower description of regulated activity than that applied for)		See DEPP 2.5.6 G

Section of the Act	Description	Handbook reference	Decision maker
55X(4)(e)	when the <i>FCA</i> is deciding to exercise its power under section 55L(1) in connection with an application to the <i>PRA</i> for a <i>Part 4A permission</i> or the variation of a <i>Part 4A permission</i>		<i>Executive procedures</i>
55X(4)(f)	when the <i>FCA</i> is deciding to refuse an application for a <i>Part 4A permission</i>		<i>RDC</i> or <i>executive procedures</i>
			See DEPP 2.5.5 G
55X(4)(f)	when the <i>FCA</i> is deciding to refuse an application to vary a <i>firm's Part 4A permission</i>	SUP 6	<i>RDC</i> or <i>executive procedures</i>
			See DEPP 2.5.6 G
55X(4)(f)	when the <i>FCA</i> is deciding to refuse an application to cancel a <i>firm's Part 4A permission</i>	SUP 6	<i>RDC</i> or <i>executive procedures</i>
			See DEPP 2.5.5 G
55X(4)(f)	When the <i>FCA</i> is deciding to refuse an application for the variation of a <i>requirement</i> imposed under section 55L or for the imposition of a new <i>requirement</i>		<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.6 G
55Z(1)	when the <i>FCA</i> is proposing or deciding to cancel a <i>firm's Part 4A permission</i> otherwise than at its request *		<i>RDC</i>
55Z(2)			
57(1)(3)	when the <i>FCA</i> is proposing or deciding to make a <i>prohibition order</i> against an individual*		<i>RDC</i>
58(3)(4)	when the <i>FCA</i> is proposing or deciding to refuse an application for the variation or revocation of a <i>prohibition order</i>		<i>RDC</i>
62(2)	when the <i>FCA</i> is proposing to refuse an application for approval of a <i>person</i> performing a <i>controlled function</i>	SUP 10	<i>Executive procedures</i>
62(3)	when the <i>FCA</i> is deciding to refuse an application for approval of a <i>person</i> performing a <i>controlled function</i>	SUP 10	<i>RDC</i> or <i>executive procedures</i>
			See DEPP 2.5.5 G
63(3)(4)	when the <i>FCA</i> is proposing or deciding to withdraw approval from an <i>approved person</i> *		<i>RDC</i>
63B(1)(3)	when the <i>FCA</i> is proposing or deciding to impose a penalty on a <i>person</i> under section 63A*		<i>RDC</i>
67(1)(4)	when the <i>FCA</i> is proposing or deciding to take action against an <i>approved person</i> by exercising the disciplinary powers conferred by section 66*		<i>RDC</i>
76(4)(5)	when the <i>FCA</i> is proposing or deciding to refuse an application for <i>listing</i> of securities	LR 2 and LR 3	<i>Executive procedures</i>

Section of the Act	Description	Handbook reference	Decision maker
78(10)/(11)(a)	when the <i>FCA</i> has suspended, on its own initiative, the <i>listing of securities</i> and is proposing or deciding to refuse an application by an issuer for cancellation of the suspension	LR 5	<i>Executive procedures</i>
78A(4)/(5)	When the <i>FCA</i> is proposing or deciding to refuse an application by the <i>issuer</i> of the <i>securities</i> for the discontinuance or suspension of the <i>listing</i> of the <i>securities</i>	LR 5	<i>Executive procedures</i>
78A(7)/(8)(a)	When the <i>FCA</i> has suspended the <i>listing of securities</i> on the application of the <i>issuer</i> of the <i>securities</i> and is proposing or deciding to refuse an application by the <i>issuer</i> for the cancellation of the suspension	LR 5	<i>Executive procedures</i>
87M(2)/(3)	when the <i>FCA</i> is proposing or deciding to publish a statement censuring an issuer of <i>transferable securities</i> , a <i>person</i> offering <i>transferable securities</i> to the public or a <i>person</i> requesting the admission of <i>transferable securities</i> to trading on a <i>regulated market</i>		RDC
88(4)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>person's</i> application for approval as a <i>sponsor</i>	LR 8	RDC
88(6)(a)			
88(8)(a)			
88(4)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>sponsor's</i> application for the suspension of an approval as a <i>sponsor</i>		<i>Executive procedures</i>
88(6)(a)			
88(8)(b)			
88(4)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>sponsor's</i> application for the withdrawal of the suspension of an approval as a <i>sponsor</i>		<i>Executive procedures</i>
88(6)(a)			
88(8)(c)			
88(4)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>sponsor's</i> application for the withdrawal or variation of a limitation, or other restriction on the services to which a <i>sponsor's</i> approval relates		RDC or <i>executive procedures</i>
88(6)(a)			See DEPP 2.5.11B G
88(8)(d)			
88(4)(aa)	when the <i>FCA</i> is proposing or deciding to impose limitations or restrictions on the services to which a <i>sponsor's</i> approval relates		RDC or <i>executive procedures</i>
88(6)(aa)			See DEPP 2.5.11A G
88(4)(b)	when the <i>FCA</i> is proposing or deciding to cancel a <i>sponsor's</i> approval as a <i>sponsor</i> otherwise than at the <i>sponsor's</i> request*		RDC
88(6)(b)			
88B(1)	when the <i>FCA</i> is proposing or deciding to take action against a <i>sponsor</i> by exercising the disciplinary powers conferred by section 88A*		RDC

Section of the Act	Description	Handbook reference	Decision maker
88B(5)			
89K(2)/(3)	when the <i>FCA</i> is proposing or deciding to publish a statement that an <i>issuer</i> of <i>securities</i> admitted to trading on a <i>regulated market</i> is failing or has failed to comply with an applicable transparency obligation		<i>RDC</i>
89P(5)(a)	when the <i>FCA</i> is proposing or deciding to refuse a person's application for approval as a <i>primary information provider</i>		<i>RDC</i>
89P(7)(a)			
89P(9)(a)			
89P(5)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>primary information provider's</i> application for the suspension of an approval as a <i>primary information provider</i>		<i>Executive procedures</i>
89P(7)(a)89P(9)(b)			
89P(5)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>primary information provider's</i> application for the withdrawal of the suspension of an approval as a <i>primary information provider</i>		<i>Executive procedures</i>
89P(7)(a)			
89P(9)(c)			
89P(5)(a)	when the <i>FCA</i> is proposing or deciding to refuse a <i>primary information provider's</i> application for the withdrawal or variation of a limitation or other restriction on the dissemination of <i>regulated information</i> to which a <i>primary information provider's</i> approval relates		<i>RDC</i> or <i>executive procedures</i>
89P(7)(a)			See DEPP 2.5.11D G
89P(9)(d)			
89P(5)(b)	when the <i>FCA</i> is proposing or deciding to impose <i>limitations</i> or other restrictions on the dissemination of <i>regulated information</i> to which a <i>primary information provider's</i> approval relates.		<i>RDC</i> or <i>executive procedures</i>
89P(7)(b)			See DEPP 2.5.11A G
89P(5)(c)	when the <i>FCA</i> is proposing or deciding to cancel a <i>person's</i> approval as a <i>primary information provider</i> otherwise than at the <i>primary information provider's</i> request		<i>RDC</i>
89P(7)(c)			
89R(1)	when the <i>FCA</i> is proposing or deciding to take action against a <i>primary information provider</i> by exercising the disciplinary powers conferred by section 89Q		<i>RDC</i>
89R(5)			
92(1)/(4)	when the <i>FCA</i> is proposing or deciding to take action against any person under section 91 for breach of Part 6 rules*		<i>RDC</i>
126(1)/ 127(1)	when the <i>FCA</i> is proposing or deciding to impose a sanction for <i>market abuse</i> *		<i>RDC</i>
131H(1)/ (4)	when the <i>FCA</i> is proposing or deciding to take action against a <i>person</i> under section 131G*		<i>RDC</i>
189(4)/(7)	when the <i>FCA</i> is proposing or deciding to object to a change in <i>control</i> following receipt of a <i>section 178 notice</i>	SUP 11	<i>Executive procedures</i>

Section of the Act	Description	Handbook reference	Decision maker
189(4)/(7)	when the <i>FCA</i> is proposing or deciding to approve a change in <i>control</i> with conditions, following receipt of a <i>section 178 notice</i>	SUP 11	<i>Executive procedures</i>
187(1)/(3) and 188(1)191A(4)/(6)	when the <i>FCA</i> is proposing or deciding to object to a <i>person</i> who has acquired or increased control without giving a <i>section 178 notice</i>	SUP 11	<i>Executive procedures</i>
191A(4)/(6)	when the <i>FCA</i> is proposing or deciding to object to a <i>person's control</i> on the basis of the matters in section 186	SUP 11	<i>Executive procedures</i>
191A(4)/(6)	when the <i>FCA</i> is proposing or deciding to object to a <i>person's control</i> on the grounds that he is in breach of a condition imposed under section 187	SUP 11	<i>Executive procedures</i>
192L(1)	when the <i>FCA</i> is proposing or deciding to take action against a qualifying parent undertaking by exercising the disciplinary powers conferred by section 192K*		RDC
192L(4)			
200(4)/(5)	when the <i>FCA</i> is proposing or deciding to refuse an application for variation or rescission of a requirement imposed on an <i>EEA incoming firm</i>		RDC or <i>executive procedures</i>
			See DEPP 2.5.6 G
207(1)/ 208(1)	when the <i>FCA</i> is proposing or deciding to publish a statement (under section 205) or impose a financial penalty (under section 206) or suspend a <i>permission</i> or impose a restriction in relation to the carrying on of a <i>regulated activity</i> (under section 206A) . This applies in respect of an <i>authorised person</i> , or an <i>unauthorised person</i> to whom section 404C applies.*		RDC
245(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an <i>authorisation</i> order declaring a <i>unit trust scheme</i> to be an <i>AUT</i>	COLL 2	RDC or <i>executive procedures</i>
			See DEPP 2.5.15 G
249	when the <i>FCA</i> is proposing or deciding to take action against an auditor by exercising the disciplinary powers conferred by section 249*		RDC
345B(1)/(4)			
252(1)/(4)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal to replace the <i>trustee</i> or <i>manager</i> of an <i>AUT</i>	COLL 2	<i>Executive procedures</i>
252A(4)(b)/(6)(a)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal by the <i>manager</i> of a <i>feeder UCITS</i> to make an alteration to the <i>trust deed</i> to enable the <i>feeder UCITS</i> to convert into a <i>UCITS scheme</i> which is not a <i>feeder UCITS</i>	COLL 11	<i>Executive procedures</i>
255(1)/(2)	when the <i>FCA</i> is proposing or deciding to make an order under section 254 revoking the <i>authorisation order</i> of an <i>AUT</i> *	None, but see Chapter 14 of the Regulatory Guide EG.	RDC
256(4)/(5)	when the <i>FCA</i> is proposing or deciding to refuse a request for the revocation of the <i>authorisation order</i> of an <i>AUT</i>		RDC

Section of the Act	Description	Handbook reference	Decision maker
260(1)/(2)	when the <i>FCA</i> , on an application to revoke or vary a direction under section 257, proposes or decides to refuse to revoke or vary the direction or proposes or decides to vary the direction otherwise than in accordance with the application		<i>RDC</i>
261G(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an <i>authorisation order</i> declaring a <i>scheme</i> to be an <i>ACS</i>	COLL 2	<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.15 G
261R(1)/(4)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal to replace the <i>depository</i> or <i>authorised contractual scheme manager</i> of an <i>ACS</i>	COLL 2	<i>Executive procedures</i>
261S(4)(b)/ (6)(a)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal by the <i>authorised contractual scheme manager</i> of an <i>ACS</i> which is a <i>feeder UCITS</i> to make an alteration to the <i>contractual scheme deed</i> to enable the <i>feeder UCITS</i> to convert into a <i>UCITS scheme</i> which is not a <i>feeder UCITS</i>	COLL 11	<i>Executive procedures</i>
261V(1)/(2)	when the <i>FCA</i> is proposing or deciding to make an order under section 261U revoking the <i>authorisation order</i> of an <i>ACS</i> *	None, but see Chapter 14 of the Regulatory Guide <i>EG</i> .	<i>RDC</i>
261W(4)/(5)	when the <i>FCA</i> is proposing or deciding to refuse a request for the revocation of the <i>authorisation order</i> of an <i>ACS</i>		<i>RDC</i>
261Z2(1)/(2)	when the <i>FCA</i> , on an application to revoke or vary a direction under section 261X, proposes or decides to refuse to revoke or vary the direction or proposes or decides to vary the direction otherwise than in accordance with the application		<i>RDC</i>
264(2)/ 265(4)	[deleted]		
269(1)/(2)	when the <i>FCA</i> , on an application under section 267(4) or (5) by an <i>operator</i> of a section 264 <i>recognised scheme</i> to revoke or vary a direction that the promotion of the <i>scheme</i> be suspended, proposes or decides to refuse the application or to vary the direction otherwise than in accordance with the application		<i>RDC</i>
276(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an order declaring a <i>collective investment scheme</i> to be a <i>recognised scheme</i> under section 272	COLL 9	<i>Executive procedures</i>
280(1)/(2)	when the <i>FCA</i> is proposing or deciding to revoke a section 272 order in respect of a <i>recognised scheme</i> *		<i>RDC</i>
301G(3)(b)/(5)	when the <i>FCA</i> is proposing or deciding to object to a proposed acquisition of a <i>UK RIE</i> following receipt of a section 301A notice .	REC 4.2C	<i>Executive procedures</i>

Section of the Act	Description	Handbook reference	Decision maker
301I(3)/(4)	when the <i>FCA</i> is proposing or deciding to object to a <i>person</i> who has acquired or increased <i>control</i> in a <i>UK RIE</i> without giving a section 301 notice	REC 4.2C	<i>Executive procedures</i>
301I(3)/(4)	when the <i>FCA</i> is proposing or deciding to object to a <i>person's</i> control in a <i>UK RIE</i> on the basis of the approval requirement in section 301F(4)	REC 4.2C	<i>Executive procedures</i>
312G(1)	when the <i>FCA</i> is proposing or deciding to take action against a <i>recognised investment exchange</i> by exercising the disciplinary powers conferred by sections 312E and 312F*		<i>RDC</i>
312H(1)			
313B(9)	[deleted]		
313B(10)/(11)	[deleted]		
313BB(5)/ 313BC(5)	when, upon the application of an institution, the <i>FCA</i> is proposing or deciding not to revoke a requirement imposed on an institution under section 313A or is proposing or deciding that a requirement imposed on a class of institutions under section 313A will continue to apply to the applicant	REC 4.2D	<i>Executive procedures</i>
313BD(5)/ 313BE(4)	when, upon the application of an <i>issuer</i> , the <i>FCA</i> is proposing or deciding not to revoke a requirement imposed on an institution or a class of institutions under section 313A or to revoke a requirement imposed on a class of institutions under section 313A in relation to the class apart from one or more specified members of it, or one or more specified members of the class only	REC 4.2D	<i>Executive procedures</i>
331(1)/(3)	when the <i>FCA</i> is proposing or deciding to make an order disapplying the exemption from the <i>general prohibition</i> under section 327*		<i>RDC</i>
331(7)/(8)	when the <i>FCA</i> is proposing or deciding to refuse an application for the variation or revocation of an order made under section 329*		<i>RDC</i>
345B(1)	when the <i>FCA</i> is proposing or deciding to disqualify an auditor or actuary from being the auditor of, or acting as an actuary for, any <i>authorised person</i> or class of <i>authorised person</i> or from being the auditor of any <i>AUT</i> , <i>ACS</i> or <i>ICVC</i> *		<i>RDC</i>
345B(4)			
345B(1)	when the <i>FCA</i> is proposing or deciding to disqualify an auditor from being the auditor of any <i>recognised investment exchange</i> or any class of <i>recognised investment exchange</i> *		<i>RDC</i>
345B(4)			
345B(1)	when the <i>FCA</i> is proposing or deciding to take action against an auditor or <i>actuary</i> by exercising the disciplinary powers conferred by sections 345(2)(c) or (d)*		<i>RDC</i>
345B(4)			
385(1)/ 386(1)	when the <i>FCA</i> is proposing or deciding to exercise the power under section 384(5) to require a <i>person</i> to pay restitution*		<i>RDC</i>

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Section of the Act	Description	Handbook reference	Decision maker
404A(8)(a)	In connection with a <i>consumer redress scheme</i> , when the <i>FCA</i> is proposing to make a determination of whether a failure by a relevant firm has caused (or may cause) loss or damage to a <i>consumer</i> , or what the redress should be in respect of the failure	CONRED	<i>Executive procedures</i>
404A(8)(a)	In connection with a <i>consumer redress scheme</i> , when the <i>FCA</i> is deciding to make a determination of whether a failure by a relevant firm has caused (or may cause) loss or damage to a <i>consumer</i> , or what the redress should be in respect of the failure	CONRED	<i>Executive procedures</i>
412B(2)/(3)	when the <i>FCA</i> is proposing/deciding to refuse to approve a relevant system as defined in section 412A(9) of the <i>Act</i>		<i>Executive procedures</i>
412B(4)/(5)	when the <i>FCA</i> is proposing/deciding to suspend or withdraw its approval in relation to a relevant system as defined in section 412A(9) of the <i>Act</i> *		<i>Executive procedures</i>
412B(8)/(9)	when the <i>FCA</i> is proposing/deciding to refuse an application to cancel the suspension of approval in relation to a relevant system as defined in section 412A(9) of the <i>Act</i> *		<i>Executive procedures</i>
Paragraph 15A(4) of Schedule 3	when the <i>FCA</i> is notifying an <i>EEA firm</i> wishing to manage a <i>UCITS scheme</i> and its <i>Home State regulator</i> that the <i>EEA firm</i> does not comply with the <i>fund application rules</i> , or is not authorised by its <i>Home State regulator</i> to manage the type of <i>collective investment scheme</i> for which <i>authorisation</i> is required, or has not provided the documentation required under article 20(1) of the <i>UCITS Directive</i>	SUP 13A See DEPP 2.5.16 G	<i>Executive procedures</i>
Paragraph 15A(5) of Schedule 3	[deleted]		
Paragraph 15B(2) (a) of Schedule 3	when the <i>FCA</i> is deciding not to withdraw a notice issued to an <i>EEA firm</i> wishing to manage a <i>UCITS scheme</i> and to its <i>Home State regulator</i> that the <i>EEA firm</i> does not comply with the <i>fund application rules</i> , or is not authorised by its <i>Home State regulator</i> to manage the type of <i>collective investment scheme</i> for which <i>authorisation</i> is required, or has not provided the documentation required under article 20(1) of the <i>UCITS Directive</i>	SUP 13A	<i>Executive procedures</i>
Paragraph 19(8)/(12) of Schedule 3	when the <i>FCA</i> is proposing or deciding to refuse to give a <i>consent notice</i> to a <i>UK firm</i> wishing to establish a <i>branch</i> under an <i>EEA right</i>	SUP 13	RDC

Section of the Credit Unions Act 1979	Description	Handbook reference	Decision maker
20	where the <i>FCA</i> is proposing to cancel or suspend the registration of a <i>credit union</i> or to petition for the winding up of a <i>credit union</i>		RDC

Articles of the Credit Unions (Northern Ireland) Order 1985	Description	Handbook reference	Decision maker
60(1), 61(1) and 63	where the <i>FCA</i> is proposing to consent to the Registrar of Credit Unions for Northern Ireland cancelling or suspending the registration of a <i>Northern Ireland credit union</i> , or petitioning for the winding up of a <i>Northern Ireland credit union</i>		<i>RDC</i>

Section of the Friendly Societies Act 1992	Description	Handbook reference	Decision maker
58A(1)(a)/(3)(a)	when the <i>FCA</i> is proposing or deciding to give a direction under section 54 or section 55 requiring a <i>friendly society</i> to take or refrain from taking steps where certain activities have become disproportionate to those of the <i>friendly society</i> group or, as the case may be, the society, or varying such a direction other than at the request of the society*	See DEPP 2.5.18 G (3)	<i>RDC</i>
58A(1)(b)/(3)(b)	when the <i>FCA</i> is proposing or deciding to give a direction under section 90 providing for a transfer of the engagements of a <i>friendly society</i> *		<i>RDC</i>
85(4A)	when the <i>FCA</i> , on an amalgamation between <i>friendly societies</i> each of which has a <i>Part 4A permission</i> , notifies the successor society of the terms of its <i>Part 4A permission</i>		<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.12 G

OEIC Regulations reference	Description	Handbook reference	Decision maker
Regulation 16(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an <i>authorisation order</i> in respect of a proposed <i>ICVC</i>	COLL 2	<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.15 G
Regulation 22(1)/(2)/(4)/(5)	when the <i>FCA</i> is proposing to refuse approval of (or, having given a <i>warning notice</i> , deciding to refuse) a proposal to replace the <i>depository</i> or <i>director</i> of an <i>ICVC</i> , or any other proposal or decision falling within regulation 21	COLL 2	<i>Executive procedures</i>
Regulation 22A(5)(b)/(8)(a)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal by an <i>ICVC</i> which is a <i>feeder UCITS</i> to make an alteration to its <i>instrument of incorporation</i> to enable it to convert into a <i>UCITS scheme</i> which is not a <i>feeder UCITS</i>	COLL 11	<i>Executive procedures</i>
Regulation 24(1)/(2)	when the <i>FCA</i> is proposing or deciding to revoke an <i>authorisation order</i> relating to an <i>ICVC</i> under regulation 23(1)*		<i>RDC</i>
Regulation 28(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application to revoke or vary a direction in accor-		<i>RDC</i>

OEIC Regulations reference	Description	Handbook reference	Decision maker
Paragraph 20 of Schedule 5	dance with a request under regulation 25(7) or to vary the direction in accordance with the application when the <i>FCA</i> is proposing or deciding to use the disqualification powers under section 249(1)*		<i>RDC</i>
Regulated Activities Order	Description	Handbook reference	Decision maker
Article 95(2)/(3)	when the <i>FCA</i> is proposing or deciding not to include, or to remove, an <i>appointed representative</i> from the <i>Register</i> *	SUP 12.4.10 G	<i>RDC</i>
Article 95(7)/(8)	when the <i>FCA</i> is proposing or deciding to refuse an application to revoke a determination not to include, or to remove, an <i>appointed representative</i> from the <i>Register</i> *	SUP 12.4.10 G	<i>RDC</i>
Payment Services Regulations	Description	Handbook reference	Decision maker
Regulations 9(7) and 14	when the <i>FCA</i> is proposing to refuse an application for authorisation as an <i>authorised payment institution</i> , or for registration as a <i>small payment institution</i> , or to impose a requirement, or to refuse an application to vary an authorisation		<i>Executive procedures</i>
Regulations 9(8)(a) and 14	when the <i>FCA</i> is deciding to refuse an application for authorisation as an <i>authorised payment institution</i> , or for registration of a <i>small payment institution</i> , or to impose a requirement, or to refuse an application to vary an authorisation		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 10(2) and 10(3)(a) and 14	when the <i>FCA</i> is proposing or deciding to either cancel an <i>authorised payment institution's</i> authorisation, or to cancel a <i>small payment institution's</i> registration, otherwise than at that institution's own request*		<i>RDC</i>
Regulation 24(2)	when the <i>FCA</i> is proposing to refuse to register an <i>EEA branch</i>		<i>Executive procedures</i>
Regulation 24(3)(a)	when the <i>FCA</i> is deciding to refuse to register an <i>EEA branch</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 24(2) and 24(3)(a)	when the <i>FCA</i> is proposing or deciding to cancel the registration of an <i>EEA branch</i> *		<i>RDC</i>
Regulation 29(9)	when the <i>FCA</i> is proposing to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i>

Payment Services Regulations	Description	Handbook reference	Decision maker
Regulation 29(10)(a)	when the <i>FCA</i> is deciding to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 30(2) and 30(3)(a)	when the <i>FCA</i> is proposing or deciding to remove an <i>agent</i> from the <i>Financial Services Register</i> otherwise than at the request of a <i>payment institution</i> *		<i>RDC</i>
Regulations 86(1) and 86(3)	when the <i>FCA</i> is proposing, or deciding, to impose a financial penalty*		<i>RDC</i>
Regulations 86(1) and 86(3)	when the <i>FCA</i> is proposing, or deciding, to publish a statement that a <i>payment service provider</i> has contravened the <i>Payment Services Regulations</i> *		<i>RDC</i>
Regulations 89(1) and 89(3)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution*		<i>RDC</i>
Regulation 121(7)	when the <i>FCA</i> is proposing to decide that it has not received the required information or that the required conditions are not met as concerns deemed authorisation		<i>Executive Procedures</i>
Regulation 121(8)	when the <i>FCA</i> is deciding that it has not received the required information or that the required conditions are not met as concerns deemed authorisation		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Schedule 4A paragraph 5(6)	when the <i>FCA</i> is proposing to refuse an application to vary the period, event or condition of a prohibition, or to remove a prohibition, or to vary or remove a restriction		<i>Executive procedures</i>
Schedule 4A paragraph 5(7)	when the <i>FCA</i> is deciding to refuse an application to vary the period, event or condition of a prohibition, or to remove a prohibition, or to vary or remove a restriction		<i>Executive procedures</i> , where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Schedule 5 paragraph 1	when the <i>FCA</i> is proposing or deciding to publish a statement that a relevant person has been knowingly concerned with a contravention of the <i>Payment Services Regulations</i> (Note 2)		<i>RDC</i>
Schedule 5 paragraph 1	when the <i>FCA</i> is proposing or deciding to impose a financial penalty against a relevant person (Note 3)		<i>RDC</i>
Notes:			

Payment Services Regulations	Description	Handbook reference	Decision maker
	(2) The <i>Payment Services Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.		
	(3) The <i>Payment Services Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.		

Regulated Covered Bonds Regulations 2008	Description	Handbook reference	Decision maker
Regulation 13(4)/(5)(a)	when the <i>FCA</i> is proposing or deciding to refuse an application under regulation 8	RCB 6	<i>Executive procedures</i>
Regulation 20(5)/(6)(a)	when the <i>FCA</i> is proposing or deciding not to approve a material change	RCB 6	<i>Executive procedures</i>
Regulation 25(5)/(6)(a)	when the <i>FCA</i> is proposing or deciding not to approve a change of ownership	RCB 6	<i>Executive procedures</i>
Regulation 32(1)(a)/(2)(a)	before the <i>FCA</i> gives a direction under regulation 30 or when it decides to make the direction	RCB 6	<i>Executive procedures</i>
Regulation 32(1)(b)/(2)(b)	before the <i>FCA</i> removes an <i>issuer</i> from the register of <i>issuers</i> under regulation 31 or when it decides to remove the <i>issuer</i> from the register of <i>issuers</i> *	RCB 6	<i>Executive procedures</i>
Regulation 35(1)/(3)	when the <i>FCA</i> is proposing or deciding to impose a penalty on a person under regulation 34*	RCB 6	<i>RDC</i>

Cross-Border Payments in Euro Regulations 2010	Description	Handbook reference	Decision maker
Regulations 7(1) and 7(3)	when the <i>FCA</i> is proposing or deciding to impose a financial penalty*		<i>RDC</i>
Regulations 7(1) and 7(3)	when the <i>FCA</i> is proposing or deciding to publish a statement that a <i>payment service provider</i> has contravened the <i>EU Cross-Border Regulation</i> *		<i>RDC</i>
Regulations 10(1) and 10(3)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution*		<i>RDC</i>
Schedule paragraph 1	when the <i>FCA</i> is proposing or deciding to publish a statement that a relevant person has been knowingly concerned with a contravention of the <i>EU Cross-Border Regulation</i> (Note 1)		<i>RDC</i>
Schedule paragraph 1	when the <i>FCA</i> is proposing or deciding to impose a financial penalty against a relevant person (Note 1)		<i>RDC</i>
Note:			

Cross-Border Payments in Euro Regulations 2010	Description	Handbook reference	Decision maker
(1) The <i>Cross-Border Payments in Euro Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.			

Electronic Money Regulations	Description	Handbook reference	Decision maker
Regulations 9(6) and 15	where the <i>FCA</i> is proposing to refuse an application for authorisation as an <i>authorised electronic money institution</i> , or for registration as a <i>small electronic money institution</i> , or impose a requirement, or refuse to vary an authorisation or registration		<i>Executive procedures</i>
Regulations 9(7)(a) and 15	when the <i>FCA</i> is deciding to refuse an application for authorisation as an <i>authorised electronic money institution</i> , or for registration as a <i>small electronic money institution</i> , or impose a requirement or refuse to vary an authorisation or registration		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 10(4), 10(5)(a) and 15	when the <i>FCA</i> is proposing or deciding to either cancel an <i>authorised electronic money institution's</i> authorisation, or to cancel a <i>small electronic money institution's</i> registration otherwise than at that institution's own request *		<i>RDC</i>
Regulations 11(6), 11(9), 11(10)(b) and 15	when the <i>FCA</i> is exercising its powers to vary an <i>electronic money institution's</i> authorisation or vary a <i>small electronic money institution's</i> registration on its own initiative		<i>RDC</i> or <i>Executive procedures</i> (Note 1)
Regulation 29(2)	when the <i>FCA</i> is proposing to refuse to register an <i>EEA branch of an authorised electronic money institution</i>		<i>Executive procedures</i>
Regulation 29(3)(a)	when the <i>FCA</i> is deciding to refuse to register an <i>EEA branch of an authorised electronic money institution</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulation 29(2) and Regulation 29(3)(a)	when the <i>FCA</i> is proposing or deciding to cancel the registration of an <i>EEA branch of an authorised electronic money institution*</i>		<i>RDC</i>
Regulation 34(9)	when the <i>FCA</i> is proposing to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i>
Regulation 34(10)(a)	when the <i>FCA</i> is deciding to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>

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Electronic Money Regulations	Description	Handbook reference	Decision maker
Regulations 35(2) and 35(3)(a)	when the <i>FCA</i> is proposing or deciding to remove an <i>agent</i> from the <i>Financial Services Register</i> otherwise than at the request of the <i>electronic money institution</i> *		<i>RDC</i>
Regulations 53(1) and 53(3)	when the <i>FCA</i> is proposing, or deciding, to publish a statement that an <i>electronic money issuer</i> has contravened the <i>Electronic Money Regulations</i> *		<i>RDC</i>
Regulations 53 (1) and 53 (3)	when the <i>FCA</i> is proposing or deciding, to impose a financial penalty *		<i>RDC</i>
Regulations 53(1) and 53(3)	When the <i>FCA</i> is proposing or deciding to suspend the authorisation of an <i>authorised electronic money institution</i> or registration of a <i>small electronic money institution</i> , or to limit or otherwise restrict the carrying on of <i>electronic money issuance or payment services</i> business by an <i>electronic money institution</i> *		<i>RDC</i>
Regulations 56(1) and 56(3)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution *		<i>RDC</i>
Regulation 74(7)	when the <i>FCA</i> is proposing to decide not to include a person on the register		<i>Executive procedures</i>
Regulation 74(8) (a)	when the <i>FCA</i> is deciding not to include a person on the register		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Schedule 2A paragraph 5(6)	when the <i>FCA</i> is proposing to refuse an application to vary the period, event or condition of a prohibition, or to remove a prohibition, or to vary or remove a restriction		<i>Executive procedures</i>
Schedule 2A paragraph 5(7)	when the <i>FCA</i> is deciding to refuse an application to vary the period, event or condition of a prohibition, or to remove a prohibition, or to vary or remove a restriction		<i>Executive procedures</i> , where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Schedule 3, paragraph 1	when the <i>FCA</i> is proposing or deciding to publish a statement that a relevant person has been knowingly concerned with a contravention of the <i>Electronic Money Regulations</i> (Note 2)		<i>RDC</i>
Schedule 3, paragraph 1	when the <i>FCA</i> is proposing or deciding to impose a financial penalty against a relevant person (Note 2)		<i>RDC</i>
Notes:			
(1) The <i>RDC</i> will take the decision to give the notice exercising the <i>FCA</i> 's own-initiative power if the action involves:			
(a) removing a type of activity from an authorisation or registration; or			

Electronic Money Regulations	Description	Handbook reference	Decision maker
	(b) refusing an application to include a type of activity in an authorisation or registration; or		
	(c) restricting a person from taking on new business, dealing with a particular category of customer or refusing an application to vary or cancel such a restriction; or		
	(d) imposing or varying a capital requirement, or refusing an application to vary or cancel such a requirement.		
	(2) The <i>Electronic Money Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.		

Recognised Auction Platforms Regulations 2011	Description	Handbook reference	Decision maker
Regulation 5A	where the <i>FCA</i> is proposing or deciding to publish a statement censuring an <i>RAP</i> , or to impose a financial penalty on an <i>RAP</i>	REC 2A.4	<i>RDC</i>

Alternative Investment Fund Managers Regulations 2013	Description	Handbook reference	Decision maker
Regulation 13(1)	where the <i>FCA</i> proposes to refuse an application for entry on the register of <i>small registered UK AIFMs</i>		<i>Executive procedures</i>
Regulation 13(2)(a)	where the <i>FCA</i> decides to refuse an application for entry on the register of <i>small registered UK AIFMs</i>		<i>Executive procedures</i> where no representations are made in response to a <i>warning notice</i> otherwise by the <i>RDC</i>
Regulation 18(1)	where the <i>FCA</i> proposes to revoke the registration of a <i>small registered UK AIFM</i> including, where applicable, its registration as a <i>EuSEF manager</i> or <i>EuVECA manager</i>		<i>RDC</i>
Regulation 18(2)(a)	where the <i>FCA</i> decides to revoke the registration of a <i>small registered UK AIFM</i> including where applicable its registration as a <i>EuSEF manager</i> or <i>EuVECA manager</i>		<i>RDC</i>
Regulation 25(2)	where the <i>FCA</i> proposes to disqualify an <i>external valuer</i>		<i>RDC</i>
Regulation 25(3)(a)	where the <i>FCA</i> decides to disqualify an <i>external valuer</i>		<i>RDC</i>

Alternative Investment Fund Managers Regulations 2013	Description	Handbook reference	Decision maker
Regulation 27(2)	where the <i>FCA</i> proposes to revoke approval given to a <i>full-scope UK AIFM</i> for the delegation of functions of portfolio or risk management		<i>Executive procedures</i>
Regulation 27(3)(a)	where the <i>FCA</i> decides to revoke approval given to a <i>full-scope UK AIFM</i> for the delegation of functions of portfolio management or risk management		<i>Executive procedures</i>
Regulation 56	where the <i>FCA</i> is proposing to revoke a <i>full-scope UK AIFM's</i> approval to market an <i>AIF</i> under regulation 54		<i>RDC</i>
Regulation 56	where the <i>FCA</i> is deciding to revoke a <i>full-scope UK AIFM's</i> approval to market an <i>AIF</i> under regulation 54		<i>RDC</i>
Regulation 62(2)	where the <i>FCA</i> proposes to revoke an <i>AIFM's</i> entitlement to market an <i>AIF</i>		<i>RDC</i>
Regulation 62(3)	where the <i>FCA</i> decides to revoke the entitlement of an <i>AIFM</i> to market an <i>AIF</i>		<i>RDC</i>
Regulation 71(1)(e)	where the <i>FCA</i> is proposing or deciding to publish a statement that an <i>unauthorised AIFM</i> has contravened the regulations or directly applicable <i>EuSEF regulation</i> or <i>EuVECA regulation</i>		<i>RDC</i>
Regulation 71(1)(f)	where the <i>FCA</i> is proposing or deciding to impose a financial penalty on an <i>unauthorised AIFM</i> that has contravened the regulations or directly applicable <i>EuSEF regulation</i> or <i>EuVECA regulation</i>		<i>RDC</i>

Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013	Description	Handbook reference	Decision maker
Regulation 24(1) and 24(6)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution*		<i>RDC</i>

Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013	Description	Handbook reference	Decision maker
Regulation 25(1) and 26(1)	when the <i>FCA</i> is proposing or deciding to publish a statement (under regulations 14 or 15) or impose a financial penalty (under regulation 16) or impose a restriction on permission (under regulation 17) or suspend or restrict an approval (under regulation 18)*		<i>RDC</i>

The Financial Services Act 2012 (Consumer Credit) Order 2013	Description	Handbook reference	Decision maker
Article 3(3)	when the <i>FCA</i> is proposing or deciding to take action against an <i>approved person</i> for being knowingly concerned in a contravention of a <i>CCA Requirement</i> by an <i>authorised person</i> , by exercising the disciplinary powers conferred by section 66*		<i>RDC</i>
Article 3(7)	when the <i>FCA</i> is proposing or deciding to publish a statement (under section 205) or impose a financial penalty (under section 206) or suspend a <i>permission</i> or impose a restriction in relation to the carrying on of a <i>regulated activity</i> (under section 206A) for the contravention of a <i>CCA Requirement</i> . This applies in respect of an <i>authorised person</i> , or an <i>unauthorised person</i> to whom section 404C applies*		<i>RDC</i>
Article 3(10)	when the <i>FCA</i> is proposing or deciding to exercise the power under section 384(5) to require a <i>person</i> to pay restitution in relation to the contravention of a <i>CCA Requirement</i> *		<i>RDC</i>

Supervisory notices

FCA

Section of the Act	Description	Handbook reference	Decision maker
55Y(4)	when the <i>FCA</i> is exercising its <i>own-initiative variation power</i> to vary a firm's <i>Part 4A permission</i>	SUP 7	<i>RDC</i> or <i>executive procedures</i>
55Y(7)			See DEPP 2.5.7 G
55Y(8)(b)			
55Y(4)	when the <i>FCA</i> is exercising its <i>own-initiative requirement power</i>		<i>RDC</i> or <i>executive procedures</i>
55Y(7)			See DEPP 2.5.7 G
55Y(8)(b)			
78(2)/(5)	when the <i>FCA</i> is proposing to discontinue or discontinues the <i>listing</i> of a security	LR 5	<i>RDC</i> or <i>executive procedures</i>
			See DEPP 2.5.9 G (4) and DEPP 2.5.10 G
78(2)/(5)	when the <i>FCA</i> is proposing to suspend or suspends the <i>listing</i> of a security	LR 5	<i>Executive procedures</i>
78A(2)/(8)(b)	when the <i>FCA</i> discontinues or suspends the <i>listing</i> of a security on the application of the <i>issuer</i> of the security	LR 5	<i>Executive procedures</i>
87O(2)/(5)	when the <i>FCA</i> is proposing or deciding to exercise or deciding to maintain, vary or revoke any of the powers in sections 87K or 87L in respect of an infringement of any applicable provision.	PR 5	<i>Executive procedures</i>
88F(2)/(5)/(6)(b)	when the <i>FCA</i> is proposing or deciding to take action to suspend, limit or restrict a <i>sponsor's</i> approval under section 88E		<i>Executive procedures</i>
89V(2)	when the <i>FCA</i> is proposing or deciding to take action to suspend, limit or restrict a <i>primary information provider's</i> approval under section 89U		<i>Executive procedures</i>
89V(5)			
89 V(6)(b)			
96C	when the <i>FCA</i> is proposing to suspend or suspends trading in a <i>financial instrument</i>	DTR	<i>Executive procedures</i>
137S(5)	when the <i>FCA</i> gives a direction under section 137S		<i>Executive procedures</i>
137S(8)(a)			

Section of the Act	Description	Handbook reference	Decision maker
191B(1)	when the <i>FCA</i> gives a <i>restriction notice</i> under section 191B		<i>Executive procedures</i>
197(3)/(6)/(7)(b)	when the <i>FCA</i> is exercising its power of intervention in respect of an <i>incoming firm</i>	SUP 14	<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.7 G and 2.5.7A G
259(3)/(8)/ (9) (b)	when the <i>FCA</i> is exercising its power to give or, on its own initiative, to vary a direction to the <i>manager</i> and <i>trustee</i> of an <i>AUT</i>	COLL	<i>RDC</i>
261Z1	when the <i>FCA</i> gives a direction under section 261X or section 261Z	COLL	<i>RDC</i>
268(3)/ (7)(a) or (9)(a) (as a result of (8)(b)/(13))	when the <i>FCA</i> is proposing or deciding to give or, on its own initiative, to vary a direction to the <i>operator</i> of a <i>recognised scheme</i>	COLL	<i>RDC</i>
282 (3)/(6)/ (7)(b)	when the <i>FCA</i> is exercising its power to give a direction to an <i>operator</i> , <i>trustee</i> or <i>depository</i> of a <i>recognised scheme</i>	COLL	<i>RDC</i>
301J(1)	when the <i>FCA</i> gives a <i>restriction notice</i> under section 301J		<i>Executive procedures</i>
321(2)/(5)	when the <i>FCA</i> is exercising its power to impose a requirement on a former underwriting member of Lloyd's		<i>RDC</i>

OEIC Regulations reference	Description	Handbook reference	Decision maker
Regulation 27	when the <i>FCA</i> is exercising its power to give or, on its own initiative, to vary a direction to an <i>ICVC</i> and its <i>depository</i>	COLL	<i>RDC</i>

Payment Services Regulations	Description	Handbook reference	Decision maker
11(6)	When the <i>FCA</i> is exercising its powers to vary a person's authorisation on its own initiative		<i>RDC</i> or <i>Executive procedures</i> See also DEPP 3.4 (Note 1)
11(9)			
11(10)(b)			
14			
Schedule 4A, paragraphs 1(1), 1(2), 2(2)(a), 2(2)(b), 2(3), 4(6) and 4(7)	when exercising its power to impose a prohibition or restriction, or to vary a restriction		<i>RDC</i> or <i>executive procedures</i> (Note 2) See also DEPP 3.4
Notes:			

Payment Services Regulations	Description	Handbook reference	Decision maker
	<p>(1) The RDC will take the decision to give a notice exercising the FCA's own initiative power if the action involves:</p> <p>(a) removing a type of activity from an authorisation or registration; or</p> <p>(b) refusing an application to include a type of activity in an authorisation or registration; or</p> <p>(c) restricting a person from taking on new business, dealing with a particular category of customer or refusing an application to vary or cancel such a restriction; or</p> <p>d) imposing or varying a capital requirement, or refusing an application to vary or cancel such a requirement.</p> <p>For all other types of action the decision to give a notice will be taken by FCA staff under <i>executive procedures</i>.</p> <p>(2) The RDC will take the decision to give a notice imposing a prohibition or imposing or varying a restriction under Schedule 4A paragraphs 1(1), 1(2), 2(2)(a), 2(2)(b), 2(3), 4(6) and 4(7). However, FCA staff under <i>executive procedures</i> will be the decision maker whenever a firm agrees not to contest the imposition of a prohibition or imposition or variation of a restriction.</p>		

Alternative Investment Fund Managers Regulations 2013	Description	Handbook reference	Decision maker
Regulation 22(4)	where the FCA is exercising its power on its <i>own initiative</i> to give or vary a direction under regulation 22(1) to a <i>small registered UK AIFM</i> , a <i>EuSEF manager</i> or <i>EuVECA manager</i>		RDC or <i>executive procedures</i> See DEPP 2.5.7 G to DEPP 2.5.8 G
Regulation 22(4)	where the FCA is exercising its power on its <i>own initiative</i> to give or vary a direction under regulation 22(2) to a <i>small registered UK AIFM</i> with its registered office in an <i>EEA State</i> other than the <i>UK</i> in accordance with article 19.3 of the <i>EuSEF regulation</i> or article 18.3 of the <i>EuVECA regulation</i>		RDC or <i>executive procedures</i> See DEPP 2.5.7 G to DEPP 2.5.8 G

Electronic Money Regulations	Description	Handbook reference	Decision maker
Schedule 2A, paragraphs 1(1), 1(2), 2(2)(a), 2(2)(b), 2(3), 4(6) and 4(7)	when exercising its power to impose a prohibition or restriction, or to vary a restriction		RDC or <i>executive procedures</i> (Note 1) See also DEPP 3.4
Notes:			

Electronic Money Regulations	Description	Handbook reference	Decision maker
<p>(1) The <i>RDC</i> will take the decision to give a notice imposing a prohibition or imposing or varying a restriction under Schedule 2A paragraphs 1(1), 1(2), 2(2)(a), 2(2)(b), 2(3), 4(6) and 4(7). However, <i>FCA</i> staff under <i>executive procedures</i> will be the decision maker whenever a <i>firm</i> agrees not to contest the imposition of a prohibition or imposition or variation of a restriction.</p>			
The Financial Services Act 2012 (Consumer Credit) Order 2013	Description	Handbook reference	Decision maker
<p>Article 3(6)</p>	<p>when the <i>FCA</i> is exercising its power of intervention in respect of an <i>incoming firm</i> by reference to the contravention or likely contravention of a <i>CCA Requirement</i></p>	<p>SUP 14</p>	<p><i>RDC</i> or <i>executive procedures</i></p> <p>See DEPP 2.5.7 G and DEPP 2.5.7A G</p>

Decision Procedure and Penalties Manual

Schedule 3 Fees and other required payments

Sch 3.1 G

FCA

There are no requirements for fees in *DEPP*.

Sch 3.2 G

FCA

The *FCA's* power to impose financial penalties is contained in:

- Section 63A (Power to impose penalties) of the *Act*
- Section 66 (Disciplinary powers) of the *Act*
- Section 88A (Disciplinary powers: contravention of s.88(3)(c) or (e)) of the *Act*
- Section 89Q (Disciplinary powers: contravention of s.89P(4)(b) or (d)) of the *Act*
- Section 91 (Penalties for breach of Part 6 Rules) of the *Act*
- Section 123 (Power to impose penalties in cases of market abuse) of the *Act*
- section 131G (Power to impose penalty or issue censure) of the *Act*
- Section 192K (Power to impose penalty or issue censure) of the *Act*
- Section 206 (Financial penalties) of the *Act*
- Section 249 (Disciplinary measures) of the *Act*
- Section 312F (Financial penalties) of the *Act*
- Section 345 (Disciplinary measures) of the *Act*
- Part III of Schedule 1ZA (The Financial Conduct Authority) to the *Act*
- the *Money Laundering Regulations*
- the *Transfer of Funds (Information on the Payer) Regulations 2007 (SI 2007/3298)*
- the *RCB Regulations*
- the *Payment Services Regulations*
- the *Cross-Border Payments in Euro Regulations*
- the *OTC derivatives, CCPs and trade repositories regulation*
- the *AIFMD UK regulation*
- the *Referral Fees Regulations*
- the *CCA Order*

Decision Procedure and Penalties Manual

Schedule 4 Powers Exercised

Sch 4.1 G

FCA

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the statements of policy in *DEPP*:

Section 63C (Statement of policy)

Section 69 (Statement of policy) (including as applied by paragraph 1 of Schedule 5 to the *Payment Services Regulations* and by paragraph 1 of the Schedule to the *Cross-Border Payments in Euro Regulations*)

Section 88C (Action under s.88A: statement of policy)

Section 89S (Action under s. 89Q: statement of policy)

Section 93(1) (Statement of policy)

Section 124(1) (Statement of policy)

Section 131J (Impositions of penalties under section 131G: statement of policy)

Section 139A (Power of the FCA to give guidance)

Section 169(9) (Investigations etc in support of overseas regulator) (including as applied by paragraph 3 of Schedule 5 to the *Payment Services Regulations*)

Section 192N (Imposition of penalties under section 192K: statement of policy)

Section 210(1) (Statements of policy) (including as applied by regulation 86(6) of the *Payment Services Regulations* and by paragraph 3 of the Schedule to the *Cross-Border Payments in Euro Regulations*)

Section 249 (Disciplinary measures)

Section 312J (Statement of policy)

Section 345D (Imposition of penalties on auditors or actuaries: statement of policy)

Section 395 (The Authority's procedures) (including as applied by paragraph 7 of Schedule 5 to the *Payment Services Regulations* and by paragraph 5 of the Schedule to the *Cross-Border Payments in Euro Regulations*)

Paragraph 16 (Penalties) of Schedule 1 (The Financial Services Authority)

Sch 4.2 G

FCA

The following additional powers and related provisions have been exercised by the *FCA* to make the statements of policy in *DEPP*:

Regulation 42 (Guidance) of the *RCB Regulations*

Regulation 44 (Warning notices and decision notices) of the *RCB Regulations*

Regulation 86 (Proposal to take disciplinary measures) of the *Payment Services Regulations*

Regulation 93 (Guidance) of the *Payment Services Regulations*

Regulation 14 (Guidance) of the *Cross-Border Payments in Euro Regulations*

Regulation 70 (Warning Notices, Decision Notices and Supervisory Notices) of the *AIFMD UK regulation*

Regulation 71 (Application of Act to unauthorised AIFs) of the *AIFMD UK regulation*

Regulation 29 (Statements of policy) of the *Referral Fees Regulations*

Regulation 30 (Application of Part 26 of the 2000 Act) of the *Referral Fees Regulations*

Article 3(11) (Application of provisions of FSMA 2000 in connection with failure to comply with the 1974 Act) of the *CCA Order*

Article 4 (Statement of policy) of the *CCA Order*

Dispute Resolution: Complaints

Chapter INTRO

Introduction

INTRO 1 Introduction

FCA

This part of the *FCA Handbook* sets out how *complaints* are to be dealt with by *respondents* (*firms, payment service providers, electronic money issuers, and VJ participants*) and the *Financial Ombudsman Service*.

It refers to relevant provisions in the *Act* and in transitional provisions made by the Treasury under the *Act*. It includes *rules* made by the *FCA* and rules made (and *standard terms* set) by *FOS Ltd* with the consent or approval of the *FCA*.

The powers to make rules (or set *standard terms*) relating to *firms, payment service providers, electronic money issuers, and VJ participants* derive from various legislative provisions; but the rules (and *standard terms*) have been co-ordinated to ensure that they are identical, wherever possible.

Chapter 1: Treating complainants fairly

■ **DISP 1** contains rules and guidance on how *respondents* should deal with *complaints* promptly and fairly, including *complaints* that could be referred to the *FOS*. Some of these rules also apply to certain *branches of firms* elsewhere in the *EEA* and certain *EEA firms* carrying out activities in the *United Kingdom* under the freedom to provide *cross border services*.

Chapters 2 - 4: The Financial Ombudsman Service

Chapters 2, 3 and 4 set out how the *Financial Ombudsman Service* (operated by *FOS Ltd*) considers unresolved *complaints*.

Chapter 2 sets out the scope of the *Financial Ombudsman Service's* two jurisdictions:

- the *Compulsory Jurisdiction*; and
- the *Voluntary Jurisdiction*.

The scope of the two jurisdictions is defined by: the type of activity to which the *complaint* relates; the place where the activity took place; the

eligibility of the complainant; and the time limits for referring a *complaint* to the *Financial Ombudsman Service*.

Chapter 3 sets out the procedures of the *Financial Ombudsman Service*, including consideration and determination of *complaints* and how the *Financial Ombudsman Service* deals with information received.

Chapter 4 sets out the terms under which *VJ participants* participate in the *Voluntary Jurisdiction*.

Appendix 1: FCA's guidance on handling mortgage-endowment complaints

This appendix contains the *FCA's guidance* to *firms* on handling *complaints* relating to mortgage endowments.

Appendix 3: FCA's rules and guidance on handling payment protection insurance complaints

This appendix sets out the approach which *firms* should use when handling *complaints* relating to the sale of *payment protection contracts*.

Financial Ombudsman Service fees

The rules on fees charged in respect of the *Financial Ombudsman Service* are in Chapter 5 of the Fees manual.

Chapter 1

Treating complainants fairly

1.1 Purpose and application

Purpose

1.1.1
FCA

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This chapter contains *rules* and *guidance* on how *respondents* should deal promptly and fairly with *complaints* in respect of business carried on from establishments in the *United Kingdom*, by certain *branches* of *firms* in the *EEA* or by certain *EEA firms* carrying out activities in the *United Kingdom* under the freedom to provide *cross border services*. It is also relevant to those who may wish to make a *complaint* or refer it to the *Financial Ombudsman Service*.

1.1.1A
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[Deleted]

1.1.1B
FCA

[Deleted]

1.1.1C
FCA

[Deleted]

1.1.1D
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[Deleted]

1.1.1E
FCA

[Deleted]

Background

1.1.2
FCA

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Details of how this chapter applies to each type of *respondent* are set out below. For this purpose, *respondents* include:

- (1) *persons* carrying on *regulated activities (firms)* , providing *payment services (payment service providers)* or providing *electronic money issuance services (electronic money issuers)* and which are covered by the *Compulsory Jurisdiction* ; and
- (2) [deleted]
- (3) *persons* who have opted in to the *Voluntary Jurisdiction (VJ participants)*.

Application to firms

1.1.3
FCA

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- (1) Subject to ■ DISP 1.1.5 R, this chapter applies to a *firm* in respect of *complaints* from *eligible complainants* concerning activities carried on from an establishment maintained by it or its *appointed representative* in the *United Kingdom*.

- (2) For *complaints* relating to the *MiFID business* of a *firm*, the *complaints handling rules* and the *complaints record rule*:
 - (a) apply to *complaints* from *retail clients* and do not apply to *complaints* from *eligible complainants* who are not *retail clients*;
 - (b) also apply in respect of activities carried on from a *branch* of a *UK firm* in another *EEA State*; and
 - (c) do not apply in respect of activities carried on from a *branch* of an *EEA firm* in the *United Kingdom*.
- (3) The *complaints data publication rules* do not apply in respect of activities carried on from a *branch* of an *EEA firm* in the *United Kingdom* or activities carried on by an *EEA firm* in the *United Kingdom* under the freedom to provide *cross border services*.
- (4) This chapter, except the *complaints data publication rules*, also applies to an *incoming EEA AIFM* for *complaints* from *eligible complainants* concerning *AIFM management functions* carried on for an *authorised AIF* under the freedom to provide *cross-border services*.

1.1.4

FCA

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Where a *firm* has outsourced activities to a *third party processor*,
 ■ DISP 1.1.3 R does not apply to the *third party processor* when acting as such, but applies to the *firm* which is taking responsibility for the acts and omissions of the *third party processor* in respect of the outsourced activities.

1.1.5

FCA

R

This chapter does not apply to:

- (1) [deleted]
- (2) [deleted]
- (3) an *authorised professional firm* in respect of expressions of dissatisfaction about its *non-mainstream regulated activities* ;
- (4) *complaints* in respect of *auction regulation bidding* ;
- (5) a *full-scope UK AIFM*, *small authorised UK AIFM* or an *incoming EEA AIFM*, for *complaints* concerning *AIFM management functions* carried on for a *closed-ended corporate AIF*; and
- (6) a *depository*, for *complaints* concerning activities carried on for:
 - (a) an *unauthorised AIF* which is not a *charity AIF*; or
 - (b) any *closed-ended corporate AIF*.

1.1.5-A FCA	G	References in ■ DISP 1.1.5 R to a <i>full-scope UK AIFM</i> and <i>small authorised UK AIFM</i> carrying on <i>AIFM management functions</i> for a <i>closed-ended corporate AIF</i> include <i>firms</i> that are <i>internally managed corporate AIFs</i> .
1.1.5A FCA	R	The <i>complaints reporting rules</i> and the <i>complaints data publication rules</i> do not apply to a <i>credit union</i>.
1.1.6 FCA	G	■ CREDS 9 sets out <i>rules</i> for <i>credit unions</i> in relation to reporting <i>complaints</i> .
1.1.6A FCA	G	In relation to a <i>credit union</i> , the nature, scale and complexity of the <i>credit union's</i> business should be taken into account when deciding the appropriate procedures to put in place for dealing with <i>complaints</i> .
1.1.7 FCA	R	This chapter applies to the <i>Society</i>, <i>members</i> of the <i>Society</i> and <i>managing agents</i>, subject to the <i>Lloyd's complaint rules</i>.
1.1.8 FCA	R	An <i>insurance intermediary</i>, that is not also an <i>insurer</i>, must have in place and operate appropriate and effective procedures for registering and responding to <i>complaints</i> from a <i>person</i> who is not an <i>eligible complainant</i>.
		[Note: article 10 of the <i>Insurance Mediation Directive</i>]
1.1.9	G	[deleted]
1.1.9A FCA	G	The scope of this sourcebook does not include: <ul style="list-style-type: none"> (1) a <i>complaint</i> about pre-commencement investment business which was regulated by a <i>recognised professional body</i> (those <i>complaints</i> will be handled under the arrangements of that professional body); or (2) a <i>complaint</i> about the administration of an <i>occupational pension scheme</i>, because this is not a <i>regulated activity</i> (<i>firms</i> should refer complainants to the Pensions Advisory Service rather than to the <i>Financial Ombudsman Service</i>).
1.1.10 FCA	R	In relation to a <i>firm's</i> obligations under this chapter, references to a <i>complaint</i> also include an expression of dissatisfaction which is capable of becoming a <i>relevant new complaint</i>, a <i>relevant transitional complaint</i> or a <i>relevant new credit-related complaint</i>.
		Application to payment service providers
1.1.10A FCA	R	This chapter (except the <i>complaints record rule</i>, the <i>complaints reporting rules</i> and the <i>complaints data publication rules</i>) applies to <i>payment service providers</i> in respect of <i>complaints</i> from <i>eligible complainants</i> concerning activities carried on from an establishment maintained by it or its <i>agent</i> in the <i>United Kingdom</i>.

1.1.10B

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FCA

- (1) In this sourcebook, the term *payment service provider* does not include *full credit institutions* (which are covered by this sourcebook as *firms*), but it does include *small electronic money institutions*.
- (2) Although *payment service providers* are not required to comply with the *complaints record rule*, it is in their interest to retain records of *complaints* so that these can be used to assist the *Financial Ombudsman Service* should this be necessary.

Application to electronic money issuers

1.1.10C

R

FCA

This chapter (except the *complaints record rule*, the *complaints reporting rules*, and the *complaints data publication rules*) applies to *electronic money issuers* in respect of *complaints* from *eligible complainants* concerning activities carried on from an establishment maintained by it or its *agent* in the *United Kingdom*.

1.1.10D

G

FCA

- (1) In this sourcebook, the term *electronic money issuer* does not include *credit institutions*, *credit unions* or municipal banks (which will be carrying on a *regulated activity* if they issue *electronic money* and will be covered by this sourcebook as *firms* in those circumstances), but it does include *small electronic money institutions* and *persons* who meet the conditions set out in regulation 75(1) or regulation 76(1) of the *Electronic Money Regulations*.
- (2) Although *electronic money institutions* are not required to comply with the *complaints record rule*, it is in their interest to retain records of *complaints* so that these can be used to assist the *Financial Ombudsman Service* should this be necessary.

Application to UCITS management companies

1.1.10E

R

FCA

For *complaints* related to *collective portfolio management* services of a *UK UCITS management company* for a *UCITS scheme* or an *EEA UCITS scheme*, ■ DISP 1.1.3R (1) applies, except where modified as follows:

- (1) the *consumer awareness rules*, *complaints handling rules* and *complaints record rule* apply in respect of *complaints* from *unitholders* rather than from *eligible complainants*; and
- (2) the *consumer awareness rules*, the *complaints handling rules* and the *complaints record rule*, as modified in (1), also apply where the services are provided from a *branch* in another *EEA State* (and any reference to *respondent* in the *consumer awareness rules* includes such a *branch*).

1.1.10F

R

FCA

For *complaints* related to *collective portfolio management* services of an *EEA UCITS management company* for a *UCITS scheme*, ■ DISP 1.1.3R (1) applies, except where modified as follows:

- (1) where the services are provided from a *branch* in the *United Kingdom*, the *consumer awareness rules*, *complaints handling*

rules and complaints record rule apply in respect of *complaints* from *unitholders* rather than from *eligible complainants*; and

- (2) this chapter, except the *consumer awareness rules, complaints handling rules, complaints record rule* and *complaints data publication rules*, also applies to an *EEA UCITS management company* providing services in the *United Kingdom* under the freedom to provide *cross border services*.

FSAVC Review

1.1.11

FCA

R

Where the subject matter of a *complaint* is subject to a review directly or indirectly under the terms of the policy statement for the review of specific categories of *FSAVC* business issued by the *FSA* on 28 February 2000, the *complaints resolution rules, the complaints time limit rules, the complaints record rule, the complaints reporting rules* and the *complaints data publication rules* will apply only if the *complaint* is about the outcome of the review.

Consumer redress schemes

1.1.11A

FCA

R

Where the subject matter of a *complaint* falls to be dealt with (or has properly been dealt with) under a *consumer redress scheme*, the *complaints resolution rules, the complaints time limits rules, the complaints record rule* and the *complaints reporting rules* do not apply.

Exemptions for firms, payment service providers and electronic money issuers

1.1.12

FCA

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- (1) A *firm, payment service provider* or *electronic money issuer* falling within the *Compulsory Jurisdiction* which does not conduct business with *eligible complainants* and has no reasonable likelihood of doing so, can, by written notification to the *FCA*, claim exemption from the *rules* relating to the funding of the *Financial Ombudsman Service*, and from the remainder of this chapter.
- (2) Notwithstanding (1):
- (a) the *complaints handling rules* and *complaints record rule* will continue to apply in respect of *complaints* concerning *MiFID business*; and
- (b) the *consumer awareness rules, the complaints handling rules* and the *complaints record rule* will continue to apply in respect of *complaints* concerning the provision of *collective portfolio management services*.
- (3) The exemption takes effect from the date on which the written notice is received by the *FCA* and will cease to apply when the conditions relating to the exemption no longer apply.

1.1.13 **G** ■ SUP 15.6 refers to and contains requirements regarding the steps that *firms* must take to ensure that information provided to the *FCA* is accurate and complete. Those requirements apply to information submitted to the *FCA* under this chapter.

FCA

Application to VJ participants

1.1.14 **R** [deleted]

1.1.15 **R** This chapter (except the *complaints record rule*, the *complaints reporting rules* and the *complaints data publication rules*) applies to *VJ participants* for *complaints* from *eligible complainants* as part of the *standard terms*.

FCA

1.1.16 **G** Although *VJ participants* are not required to comply with the *complaints record rule*, it is in their interest to retain records of *complaints* so that these can be used to assist the *Financial Ombudsman Service* should it be necessary.

FCA

1.1.17 **R** [deleted]

1.1.18 **G** [deleted]

Outsourcing of complaint handling

1.1.19 **G**

(1) This chapter does not prevent:

- (a) the use by a *respondent* of a third party administrator to handle or resolve *complaints* (or both); or
- (b) two or more *respondents* arranging a one-stop shop for handling or resolving *complaints* (or both) under a service level agreement.

(2) These arrangements do not affect *respondents'* obligations as set out in *DISP* or the provisions relating to *outsourcing* by a *firm* set out in ■ SYSC 8 and ■ SYSC 13.

FCA

1.1.20 **G** Further *guidance* on the application of this chapter is set out in the table in

FCA

■ DISP 1 Annex 2 G.

1.2 Consumer awareness rules

Publishing and providing summary details

1.2.1

FCA

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To aid consumer awareness of the protections offered by the provisions in this chapter, *respondents* must:

- (1) publish appropriate information regarding their internal procedures for the reasonable and prompt handling of *complaints*;
- (2) refer *eligible complainants* to the availability of this information:
 - (a) in relation to a *payment service*, in the information on out-of-court complaint and redress procedures required to be provided or made available under regulations 36(2)(e) (Information required prior to the conclusion of a single payment service contract) or 40 (Prior general information for framework contracts) of the *Payment Services Regulations*; or
 - (b) otherwise, in writing at, or immediately after, the point of sale; and
- (3) provide such information in writing and free of charge to *eligible complainants*:
 - (a) on request; and
 - (b) when acknowledging a *complaint*.

[Note: article 15 of the *UCITS Directive*]

[Deleted]

1.2.1A

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1.2.2

FCA

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Where the activity does not involve a sale, the obligation in ■ DISP 1.2.1 R (2)(b) shall apply at, or immediately after, the point when contact is first made with an *eligible complainant*.

Content of summary details

1.2.3

FCA

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These summary details should cover at least:

- (1) how the *respondent* fulfils its obligation to handle and seek to resolve relevant *complaints*; and
- (2) (where the *complaint* falls within the jurisdiction of the *Financial Ombudsman Service*) that, if the *complaint* is not resolved, the complainant may be entitled to refer it to the *Financial Ombudsman Service*.

1.2.4

FCA

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The summary details may be set out in a leaflet, and their availability may be referred to in contractual documentation.

Financial Ombudsman Service logo

1.2.5

FCA

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Respondents may also display or reproduce the *Financial Ombudsman Service* logo (under licence) in:

- (1) branches and sales offices to which *eligible complainants* have access; or
- (2) marketing literature or correspondence directed at *eligible complainants*;

provided it is done in a way which is not misleading.

1.2.5A

FCA

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■ DISP 1.2.5 G does not apply to a *branch* of a *UK UCITS management company* in another *EEA State*.

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1.2.22

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1.3 Complaints handling rules

1.3.1

FCA

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Effective and transparent procedures for the reasonable and prompt handling of *complaints* must be established, implemented and maintained by:

- (1) a *respondent*; and
- (2) a *branch* of a *UK firm* in another *EEA State*.

[Note: article 10 of the *MiFID implementing Directive* and article 6(1) of the *UCITS implementing Directive*]

1.3.1A

FCA

R

These procedures must ensure that a *complaint* may be made free of charge.

[Note: article 6(3) of the *UCITS implementing Directive*]

Procedures for UCITS management companies

1.3.1B

FCA

R

A *UK UCITS management company* must ensure that the procedures it establishes under ■ DISP 1.3.1 R for the reasonable and prompt handling of *complaints* require that:

- (1) there are no restrictions on *unitholders* exercising their rights in the event that the *UCITS* is authorised in an *EEA State* other than the *United Kingdom*; and
- (2) *unitholders* are allowed to file complaints in any of the official languages of the *Home State* of the *UCITS scheme* or *EEA UCITS scheme* or of any *EEA State* to which a notification has been transmitted by the *competent authority* of the *scheme's Home State* in accordance with article 93 of the *UCITS Directive*.

[Note: article 15 of the *UCITS Directive*]

1.3.2

FCA

G

These procedures should:

- (1) allow *complaints* to be made by any reasonable means; and
- (2) recognise *complaints* as requiring resolution.

1.3.2A

FCA

G

These procedures should, taking into account the nature, scale and complexity of the *respondent's* business, ensure that lessons learned as a result of determinations by the *Ombudsman* are effectively applied in future *complaint* handling, for example by:

- (1) relaying a determination by the *Ombudsman* to the individuals in the *respondent* who handled the *complaint* and using it in their training and development;
- (2) analysing any patterns in determinations by the *Ombudsman* concerning *complaints* received by the *respondent* and using this in training and development of the individuals dealing with *complaints* in the *respondent*; and
- (3) analysing guidance produced by the *FCA*, other relevant regulators and the *Financial Ombudsman Service* and communicating it to the individuals dealing with *complaints* in the *respondent*.

1.3.3

FCA

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In respect of *complaints* that do not relate to *MiFID business*, a *respondent* must put in place appropriate management controls and take reasonable steps to ensure that in handling *complaints* it identifies and remedies any recurring or systemic problems, for example, by:

- (1) analysing the causes of individual *complaints* so as to identify root causes common to types of *complaint*;
- (2) considering whether such root causes may also affect other processes or products, including those not directly complained of; and
- (3) correcting, where reasonable to do so, such root causes.

1.3.3A

FCA

[Deleted]

1.3.3B

FCA

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The processes that a *firm* should have in place in order to comply with ■ DISP 1.3.3 R may include, taking into account the nature, scale and complexity of the *firm's* business including, in particular, the number of *complaints* the *firm* receives:

- (1) the collection of management information on the causes of *complaints* and the products and services *complaints* relate to, including information about *complaints* that are resolved by the *firm* by close of business on the *business day* following its receipt;
- (2) a process to identify the root causes of *complaints* (■ DISP 1.3.3 R (1));
- (3) a process to prioritise dealing with the root causes of *complaints*;
- (4) a process to consider whether the root causes identified may affect other processes or products (■ DISP 1.3.3 R (2));
- (5) a process for deciding whether root causes discovered should be corrected and how this should be done (■ DISP 1.3.3 R (3));

- (6) regular reporting to the *senior personnel* where information on recurring or systemic problems may be needed for them to play their part in identifying, measuring, managing and controlling risks of regulatory concern; and
- (7) keeping records of analysis and decisions taken by *senior personnel* in response to management information on the root causes of *complaints*.

1.3.4
FCA

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In respect of *complaints* that relate to *MiFID business*, a *firm* should put in place appropriate management controls and take reasonable steps, in the same way as for *complaints* that do not relate to *MiFID business* (see ■ DISP 1.3.3 R and ■ DISP 1.3.3B G), in order to detect and minimise any risk of compliance failures (■ SYSC 6.1) and to comply with *Principle 6* (Customers' interests).

1.3.5

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[deleted]

1.3.6
FCA

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Where a *firm* identifies (from its *complaints* or otherwise) recurring or systemic problems in its provision of, or failure to provide, a financial service, it should (in accordance with *Principle 6* (Customers' interests) and to the extent that it applies) consider whether it ought to act with regard to the position of *customers* who may have suffered detriment from, or been potentially disadvantaged by, such problems but who have not complained and, if so, take appropriate and proportionate measures to ensure that those *customers* are given appropriate redress or a proper opportunity to obtain it. In particular, the *firm* should:

- (1) ascertain the scope and severity of the consumer detriment that might have arisen; and
- (2) consider whether it is fair and reasonable for the *firm* to undertake proactively a redress or remediation exercise, which may include contacting *customers* who have not complained.

1.3.7
FCA

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- (1) A *firm* must appoint an individual at the *firm*, or in the same *group* as the *firm*, to have responsibility for oversight of the *firm's* compliance with ■ DISP 1.
- (2) The individual appointed must be carrying out a *FCA governing function* at the *firm* or in the same *group* as the *firm*.

1.3.8
FCA

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Firms are not required to notify the name of the individual to the *FCA* or the *Financial Ombudsman Service* but would be expected to do so promptly on request. There is no bar on a *firm* appointing different individuals to have the responsibility at different times where this is to accommodate part-time or flexible working.

1.4 Complaints resolution rules

1.4.1

FCA

R

Once a *complaint* has been received by a *respondent*, it must:

- (1) investigate the *complaint* competently, diligently and impartially, obtaining additional information as necessary;
- (2) assess fairly, consistently and promptly:
 - (a) the subject matter of the *complaint*;
 - (b) whether the *complaint* should be upheld;
 - (c) what remedial action or redress (or both) may be appropriate;
 - (d) if appropriate, whether it has reasonable grounds to be satisfied that another *respondent* may be solely or jointly responsible for the matter alleged in the *complaint*;

taking into account all relevant factors;

- (3) offer redress or remedial action when it decides this is appropriate;
- (4) explain to the complainant promptly and, in a way that is fair, clear and not misleading, its assessment of the *complaint*, its decision on it, and any offer of remedial action or redress; and
- (5) comply promptly with any offer of remedial action or redress accepted by the complainant.

1.4.2

FCA

G

Factors that may be relevant in the assessment of a *complaint* under ■ DISP 1.4.1 R (2) include the following:

- (1) all the evidence available and the particular circumstances of the *complaint*;
- (2) similarities with other *complaints* received by the *respondent*;
- (3) relevant *guidance* published by the FCA, other relevant regulators, the *Financial Ombudsman Service* or *former schemes*; and

		(4) appropriate analysis of decisions by the <i>Financial Ombudsman Service</i> concerning similar <i>complaints</i> received by the <i>respondent</i> (procedures for which are described in ■ DISP 1.3.2A G).
1.4.3 FCA	G	The <i>respondent</i> should aim to resolve <i>complaints</i> at the earliest possible opportunity, minimising the number of unresolved <i>complaints</i> which need to be referred to the <i>Financial Ombudsman Service</i> .
1.4.3A FCA		[Deleted]
1.4.3B FCA		[Deleted]
1.4.4 FCA	R	Where a <i>complaint</i> against a <i>respondent</i> is referred to the <i>Financial Ombudsman Service</i>, the <i>respondent</i> must cooperate fully with the <i>Financial Ombudsman Service</i> and comply promptly with any settlements or awards made by it.
1.4.5 FCA	G	■ DISP App 1 contains <i>guidance to respondents</i> on the approach to assessing financial loss and appropriate redress where a <i>respondent</i> upholds a <i>complaint</i> concerning the sale of an endowment policy for the purposes of repaying a <i>mortgage</i> .
1.4.6 FCA FCA	G	■ DISP App 3 sets out the approach which <i>respondents</i> should use in assessing <i>complaints</i> relating to the sale of <i>payment protection contracts</i> and determining appropriate redress where a <i>complaint</i> is upheld.
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1.5 Complaints resolved by close of the next business day

1.5.1

FCA

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The following *rules* do not apply to a *complaint* that is resolved by a *respondent* by close of business on the *business day* following its receipt:

- (1) the *complaints time limit rules*;
- (2) the *complaints forwarding rules*;
- (3) the *complaints reporting rules*;
- (4) the *complaints record rule*, if the *complaint* does not relate to *MiFID business* or *collective portfolio management services* for a *UCITS scheme* or an *EEA UCITS scheme*; and
- (5) the *complaints data publication rules*.

1.5.2

FCA

G

Complaints falling within this section are still subject to the *complaint resolution rules*.

1.5.3

FCA

G

For the purposes of this section:

- (1) a *complaint* received on any day other than a *business day*, or after close of business on a *business day*, may be treated as received on the next *business day*; and
- (2) a *complaint* is resolved where the complainant has indicated acceptance of a response from the *respondent*, with neither the response nor acceptance having to be in writing

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1.6 Complaints time limit rules

Keeping the complainant informed

1.6.1

FCA

R

On receipt of a *complaint*, a *respondent* must:

- (1) send the complainant a prompt written acknowledgement providing early reassurance that it has received the *complaint* and is dealing with it; and
- (2) ensure the complainant is kept informed thereafter of the progress of the measures being taken for the *complaint's* resolution.

Final or other response within eight weeks

1.6.2

FCA

R

The *respondent* must, by the end of eight weeks after its receipt of the *complaint*, send the complainant:

- (1) a 'final response', being a written response from the *respondent* which:
 - (a) accepts the *complaint* and, where appropriate, offers redress or remedial action; or
 - (b) offers redress or remedial action without accepting the *complaint*; or
 - (c) rejects the *complaint* and gives reasons for doing so; and which:
 - (d) encloses a copy of the *Financial Ombudsman Service's* standard explanatory leaflet; and
 - (e) informs the complainant that if he remains dissatisfied with the *respondent's* response, he may now refer his *complaint* to the *Financial Ombudsman Service* and must do so within six months; or
- (2) a written response which:
 - (a) explains why it is not in a position to make a *final response* and indicates when it expects to be able to provide one;

- (b) informs the complainant that he may now refer the *complaint* to the *Financial Ombudsman Service*; and
- (c) encloses a copy of the *Financial Ombudsman Service* standard explanatory leaflet.

1.6.3 G [deleted]

Complainant's written acceptance

1.6.4 R ■ DISP 1.6.2 R does not apply if the complainant has already indicated in writing acceptance of a response by the *respondent*, provided that the response:

FCA

- (1) informed the complainant how to pursue his *complaint* with the *respondent* if he remains dissatisfied; and
- (2) referred to the ultimate availability of the *Financial Ombudsman Service* if he remains dissatisfied with the *respondent's* response.

1.6.5 R [deleted]

1.6.6 R [deleted]

1.6.6A G The information regarding the *Financial Ombudsman Service* required to be provided in responses sent under the *complaints* time limit rules (■ DISP 1.6.2 R and ■ DISP 1.6.4 R) should be set out prominently within the text of those responses.

FCA

Speed and quality of response

1.6.7 G It is expected that within eight weeks of their receipt, almost all *complaints* to a *respondent* will have been substantively addressed by it through a *final response* or response as described in ■ DISP 1.6.4 R.

FCA

1.6.8 G When assessing a *respondent's* response to a *complaint*, the *FCA* may have regard to a number of factors, including, the quality of response, as against the *complaints resolution rules*, as well as the speed with which it was made.

FCA



1.7 Complaints forwarding rules

1.7.1
FCA

R

A *respondent* that has reasonable grounds to be satisfied that another *respondent* may be solely or jointly responsible for the matter alleged in a *complaint* may forward the *complaint*, or the relevant part of it, in writing to that other *respondent*, provided it:

- (1) does so promptly;
- (2) informs the complainant promptly in a *final response* of why the *complaint* has been forwarded by it to the other *respondent*, and of the other *respondent's* contact details; and
- (3) where jointly responsible for the fault alleged in the *complaint*, it complies with its own obligations under this chapter in respect of that part of the *complaint* it has not forwarded.

Dealing with a forwarded complaint

1.7.2
FCA

R

When a *respondent* receives a *complaint* that has been forwarded to it under ■ DISP 1.7.1 R, the *complaint* is treated for the purposes of *DISP* as if made directly to that *respondent*, and as if received by it when the forwarded *complaint* was received.

1.7.3
FCA

G

On receiving a forwarded *complaint*, the standard time limits will apply from the date on which the *respondent* receives the forwarded *complaint*.

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1.8 Complaints time barring rule

1.8.1

FCA

R

If a *respondent* receives a *complaint* which is outside the time limits for referral to the *Financial Ombudsman Service* (see ■ DISP 2.8) it may reject the complaint without considering the merits, but must explain this to the complainant in a *final response* in accordance with ■ DISP 1.6.2 R and indicate that the *Ombudsman* may waive the time limits in exceptional circumstances.

 1.9 Complaints record rule

1.9.1

FCA

R

A *firm*, including, in the case of *MiFID business* or *collective portfolio management* services for a *UCITS scheme* or an *EEA UCITS scheme*, a *branch* of a *UK firm* in another *EEA state*, must keep a record of each *complaint* received and the measures taken for its resolution, and retain that record for:

- (1) at least five years where the *complaint* relates to *MiFID business* or *collective portfolio management* services for a *UCITS scheme* or an *EEA UCITS scheme*; and
- (2) three years for all other *complaints*;

from the date the *complaint* was received.

[Note: article 10 of the *MiFID implementing Directive* and article 6(2) of the *UCITS implementing Directive*]

1.9.2

FCA

G

The records of the measures taken for resolution of *complaints* may be used to assist with the collection of management information pursuant to ■ DISP 1.3.3BG (1) and regular reporting to the *senior personnel* pursuant to ■ DISP 1.3.3BG (6).

1.10 Complaints reporting rules

1.10.1

FCA

R

- (1) Unless (2) applies, twice a year a *firm* must provide the *FCA* with a complete report concerning *complaints* received from *eligible complainants*.
- (2) If a *firm* has *permission* to carry on only *credit-related regulated activities* and has revenue arising from *credit-related regulated activities* that is less than or equal to £5,000,000 a year, the *firm* must provide the *FCA* with a complete report concerning *complaints* received from *eligible complainants* once a year.
- (3) The report required by (1) and (2) must be set out in the format in ■ DISP 1 Annex 1 R.
- (4) Paragraphs (1) and (2) do not apply to a *firm* with only a *limited permission* unless that *firm* is a *not-for-profit debt advice body* that at any point in the last 12 *months* has held £1 million or more in *client money* or as the case may be, projects that it will hold £1million or more in *client money* in the next 12 *months*.

1.10.1-A

FCA

G

A *firm* with only a *limited permission* to whom ■ DISP 1.10.1 R (1) and ■ DISP 1.10.1 R (2) do not apply is required to submit information to the *FCA* about the number of complaints it has received in relation to credit-related activities under the reporting requirements in ■ SUP 16.12 (see, in particular, *data item* CCR007 in ■ SUP 16.12.29C R). A *firm* with *limited permission* to whom ■ DISP 1.10.1 R (1) and ■ DISP 1.10.1 R (2) do not apply is also subject to the complaints data publication rules in ■ DISP 1.10A.

Forwarded complaints

1.10.1A

FCA

R

A *firm* must not include in the report a *complaint* that has been forwarded in its entirety to another *respondent* under the complaints forwarding rules.

1.10.1B

FCA

G

Where a *firm* has forwarded to another *respondent* only part of a *complaint* or where two *respondents* may be jointly responsible for a *complaint*, then the *complaint* should be reported by both *firms*.

1.10.1C

FCA

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Joint reports

Firms that are part of a *group* may submit a joint report to the FCA . The joint report must contain the information required from all *firms* concerned and clearly indicate the *firms* on whose behalf the report is submitted. The requirement to provide a report, and the responsibility for the report, remains with each *firm* in the *group*.

1.10.1D

FCA

G

Not all the *firms* in the *group* need to submit the report jointly. *Firms* should only consider submitting a joint report if it is logical to do so, for example, where the *firms* have a common central *complaints* handling team and the same *accounting reference date* and are all subject to the same reporting frequencies and submission deadlines.

Information requirements

1.10.2

FCA

R

Part A of ■ DISP 1 Annex 1 R requires (for the relevant reporting period) information about:

- (1) the total number of *complaints* received by the *firm* ;
- (2) the total number of *complaints* closed by the *firm*:
 - (a) within four weeks or less of receipt;
 - (b) more than four weeks and up to eight weeks of receipt; and
 - (c) more than eight weeks after receipt;
- (3) the total number of *complaints*:
 - (a) upheld by the *firm* in the reporting period; and
 - (b) outstanding at the beginning of the reporting period; and
- (4) the total amount of redress paid in respect of *complaints* during the reporting period.

1.10.2-A

FCA

R

Part B of ■ DISP 1 Annex 1 R requires (for the relevant reporting period) information about:

- (1) the total number of *complaints* received by the *firm*;
- (2) the total number of *complaints* closed by the *firm*;
- (3) the total number of *complaints*:
 - (a) upheld by the *firm* in the reporting period; and
 - (b) outstanding at the beginning of the reporting period; and
- (4) the total amount of redress paid in respect of *complaints* during the reporting period.

1.10.2A

FCA

R

- (1) Twice a year a *firm* must provide the *FCA* with a complete report concerning *complaints* received from *eligible complainants* about matters relating to the *retail investment activities* carried out by its *retail investment advisers*. The report must be set out in the format in ■ DISP 1 Annex 1C R.
- (2) ■ DISP 1 Annex 1C R requires (for the relevant reporting period) information about:
 - (a) the total number of *complaints* received by the *firm* about matters relating to the *retail investment activities* carried out by its *retail investment advisers*;
 - (b) the total number of *complaints* closed by the *firm* about matters relating to the *retail investment activities* carried out by its *retail investment advisers*;
 - (c) the total number of *complaints* upheld by the *firm* about matters relating to the *retail investment activities* carried out by its *retail investment advisers*; and
 - (d) the total amount of redress paid in respect of *complaints* upheld during the reporting period about matters relating to the *retail investment activities* carried out by its *retail investment advisers*.
- (3) For the purpose of ■ DISP 1 Annex 1C R *retail investment adviser* information must be reported by Individual Reference Number (IRN).

1.10.3

FCA

G

For the purpose of ■ DISP 1.10.2 R , ■ DISP 1.10.2A R and ■ DISP 1.10.2A R, when completing the return, the *firm* should take into account the following matters.

- (1) If a *complaint* could fall into more than one category, the *complaint* should be recorded in the category which the *firm* considers to form the main part of the *complaint*.
- (2) Under ■ DISP 1.10.2 R (3)(a) or ■ DISP 1.10.2A R, a *firm* should report any *complaint* to which it has given a response which upholds the *complaint*, even if any redress offered is disputed by the complainant. For this purpose, 'response' includes a response under the complainant's written acceptance rule (■ DISP 1.6.4 R) and a *final response*. Where a *complaint* is upheld in part or where the *firm* does not have enough information to make a decision yet chooses to make a goodwill payment to the complainant , a *firm* should treat the *complaint* as upheld for reporting purposes. However, where a *firm* rejects a *complaint*, yet chooses to make a goodwill payment to the complainant, the *complaint* should be recorded as 'rejected'.
- (3) If a *firm* reports on the amount of redress paid under ■ DISP 1.10.2 R (4), ■ DISP 1.10.2A R (4) or ■ DISP 1.10.2A R, redress should be interpreted to include an amount paid, or cost borne, by the *firm*, where a cash value can be readily identified, and should include:

- (a) amounts paid for distress and inconvenience;
- (b) a free transfer out to another provider which transfer would normally be paid for;
- (c) goodwill payments and goodwill gestures;
- (d) interest on delayed settlements;
- (e) waiver of an excess on an insurance policy; and
- (f) payments to put the consumer back into the position the consumer should have been in had the act or omission not occurred.

- (4) If a *firm* reports on the amount of redress paid under ■ DISP 1.10.2 R (4), ■ DISP 1.10.2A R (4) or ■ DISP 1.10.2A R, the redress should not, however, include repayments or refunds of premiums which had been taken in error (for example where a *firm* had been taking, by direct debit, twice the actual premium amount due under a policy). The refund of the overcharge would not count as redress.

[Note: See ■ SUP 10A.14.24 R for the ongoing duty to notify *complaints* about matters relating to the *retail investment activities* of a *retail investment adviser*].

1.10.4

FCA

R

Unless ■ DISP 1.10.4A R applies, the relevant reporting periods are:

- (1) the six *months* immediately following a *firm's accounting reference date*; and
- (2) the six *months* immediately preceding a *firm's accounting reference date*.

1.10.4A

FCA

R

If a *firm* has *permission* to carry on only *credit-related regulated activities* and has revenue arising from *credit-related regulated activities* that is less than or equal to £5,000,000 a year, the relevant reporting period is the year immediately following the *firm's accounting reference date*.

1.10.5

FCA

R

Reports are to be submitted to the *FCA* within 30 *business days* of the end of the relevant reporting periods through, and in the electronic format specified in, the *FCA Complaints Reporting System* or the appropriate section of the *FCA* website.

1.10.6

FCA

R

If a *firm* is unable to submit a report in electronic format because of a systems failure of any kind, the *firm* must notify the *FCA*, in writing and without delay, of that systems failure.

1.10.6A

FCA

R

- (1) If a *firm* does not submit a complete report by the date on which it is due, in accordance with ■ DISP 1.10.5 R, the *firm* must pay an administrative fee of £250.

- (2) The administrative fee in (1) does not apply if the *firm* has notified the *FCA* of a systems failure in accordance with ■ DISP 1.10.6 R.

1.10.7

FCA

R A closed *complaint* is a *complaint* where:

- (1) the *firm* has sent a *final response*; or
- (2) the complainant has indicated in writing acceptance of the *firm's* earlier response under ■ DISP 1.6.4 R.

1.10.8

G [deleted]

Notification of contact point for complainants

1.10.9

FCA

R For the purpose of inclusion in the public record maintained by the *FCA*, a *firm* must:

- (1) provide the *FCA*, at the time of its *authorisation*, with details of a single contact point within the *firm* for complainants; and
- (2) notify the *FCA* of any subsequent change in those details when convenient and, at the latest, in the *firm's* next report under the *complaints reporting rules*.

Meaning of revenue

1.10.10

FCA

G In ■ DISP 1.10, references to revenue in relation to any *firm* do not include the amount of any repayment of any *credit* provided by that *firm* as *lender*.

1.10A Complaints data publication rules

Obligation to publish summary of complaints data or total number of complaints

1.10A.1

FCA

R

- (1) Unless (1A) applies to the *firm*, where, in accordance with ■ DISP 1.10.1 R, a *firm* submits a report to the *FCA* reporting 500 or more *complaints*, it must publish a summary of the *complaints* data contained in that report (the *complaints* data summary).
- (1A) (a) This paragraph applies to a *firm* which:
- (i) has *permission* to carry on only *credit-related regulated activities*; and
 - (ii) has revenue arising from *credit-related regulated activities* that is less than or equal to £5,000,000 a year.
- (b) Where a *firm* to which this paragraph applies submits a report to the *FCA* in accordance with ■ DISP 1.10.1 R reporting 1000 or more *complaints*, it must publish a summary of the *complaints* data contained in that report (the *complaints* data summary).
- (2) Where, in accordance with ■ DISP 1.10.1C R, a *firm* submits a joint report on behalf of itself and other *firms* within a *group* and that report reports 500 or more *complaints*, it must publish a summary of the *complaints* data contained in the joint report (the *complaints* data summary) , unless it is a *firm* to which (1A) applies.
- (3) Where, in accordance with ■ DISP 1.10.1C R, a *firm* to which (1A) applies submits a joint report on behalf of itself and other *firms* within a *group* and that report reports 1000 or more *complaints*, it must publish a summary of the *complaints* data contained in the joint report (the *complaints* data summary).
- (4) Where, in accordance with ■ SUP 16.12.4 R and ■ SUP 16.12.29C R, a *firm* with a *limited permission* submits *data item* CCR007

to the *FCA* reporting 1000 or more *complaints*, it must publish the total number of *complaints* received.

Format of publication

1.10A.2

FCA

R

The *complaints* data summary required by ■ DISP 1.10A.1 R must be published in the format set out in ■ DISP 1 Annex 1B R.

Time limits for publication

1.10A.3

FCA

R

- (1) Where the *firm's* relevant reporting period (as defined in ■ DISP 1.10.4 R or ■ DISP 1.10.4A R as the case may be) ends between 1 January and 30 June, the *firm* must publish the *complaints* data summary no later than 31 August of the same year.
- (2) Where the *firm's* relevant reporting period (as defined in ■ DISP 1.10.4 R or ■ DISP 1.10.4A R as the case may be) ends between 1 July and 31 December, the *firm* must publish the *complaints* data summary no later than 28 February of the following year.
- (3) Where the *firm* is a *firm* with only a *limited permission* and its *accounting reference date* falls between 1 January and 30 June, the *firm* must publish the total number of *complaints* received no later than 31 August of the same year.
- (4) Where the *firm* is a *firm* with only a *limited permission* and its *accounting reference date* falls between 1 July and 31 December, the *firm* must publish the total number of *complaints* received no later than 28 February of the following year.

Confirmation of publication

1.10A.4

FCA

R

A *firm* must immediately confirm to the *FCA* , in an email submitted to complaintsdatasummary@fca.org.uk , that the *complaints* data summary or total number of *complaints* (as appropriate) accurately reflects the report submitted to the *FCA* , that the summary or total number of *complaints* (as appropriate) has been published and where it has been published.

Publication on behalf of the firm

1.10A.5

FCA

E

A *firm* will be taken to have complied with ■ DISP 1.10A.1R (1) , ■ DISP 1.10A.1 R (1A) ■ (2), ■ DISP 1.10A.1 R (3) or ■ DISP 1.10A.1 R (4) if within the relevant time limit set out in ■ DISP 1.10A.3 R the *firm*:

- (1) ensures that another *person* publishes the *complaints* data summary or total number of *complaints* (as appropriate) on its behalf; and
- (2) publishes details of where this summary or total number of *complaints* (as appropriate) is published.

1.10A.6

FCA

R

Joint reports: provision of information to third party on request

Any *firm* covered by a joint report, other than the *firm* that submitted the joint report, must provide details of where the *complaints* data summary or total number of *complaints* (as appropriate) is published to any *person* who requests them.

1.10A.7

FCA

G

Mode and content of publication

Firms may choose how they publish the *complaints* data summary or total number of *complaints* (as appropriate). However, the summary or total number of *complaints* (as appropriate) should be readily available. For this reason, the *FCA* recommends that *firms* should publish the summary or total number of *complaints* (as appropriate) on their websites.

1.10A.8

FCA

G

- (1) The *FCA* recommends that *firms* should publish additional information alongside their *complaints* data summaries or total number of *complaints* (as appropriate) in order to relate the number of complaints to the scale of the *firm's* relevant business. *Firms* are recommended to publish the relevant standard metrics set out in the table at ■ DISP 1 Annex 1A G with the summaries. Where the *complaints* data summary or total number of *complaints* (as appropriate) relates to a joint report the metrics should cover all the *firms* included in the joint report.
- (2) If the recommended metrics do not accurately reflect the scale of the *firm's* relevant business, the *FCA* recommends that the *firm* should publish metrics which best reflect the scale of its business based on the number of its customers or accounts or policies. *Firms* may also publish other metrics where they consider that these would better reflect the scale of their business.
- (3) *Firms* may also publish other information to aid understanding, for example details of their internal processes for dealing with complaints.

1.10A.9

FCA

G

Meaning of revenue

In ■ DISP 1.10A, references to revenue in relation to any *firm* do not include the amount of any repayment of any *credit* provided by that *firm* as *lender*.

1.11 The Society of Lloyd's

Complaints handling procedures

1.11.1 **R** The *Society* must establish and maintain appropriate and effective procedures for handling *complaints* by *policyholders* against *members* of the *Society* which comply with this chapter.

FCA

1.11.2 **R** A *member* of the *Society* must, in complying with this chapter, ensure that the arrangements which the *member* maintains are compatible with the *Lloyd's complaint procedures*, so that, taken as a whole, the requirements of this sourcebook are met.

FCA

1.11.3 **R** The *Society* must take reasonable steps to ensure that *complaints* by *policyholders* against *members* of the *Society* are dealt with under the *Lloyd's complaint procedures* and that *members* comply with the requirements of those procedures.

FCA

Referral to the Financial Ombudsman Service

1.11.4 **R** A *complaint* by a *policyholder* against a *member* of the *Society* may not be referred to the *Financial Ombudsman Service* until after the *Lloyd's complaint procedures* have been completed or until after the end of eight weeks from receipt of the *complaint*, whichever is the earlier.

FCA

Exemptions for members

1.11.5 **R** (1) A notification claiming exemption under **DISP 1.1.12 R** from the *complaints reporting rules* and the *rules* relating to the funding of the *Financial Ombudsman Service* must be given to the *FCA* by the *Society* on behalf of any *member* eligible for an exemption.

FCA

(2) The *Society* must notify the *FCA* if the conditions relating to such an exemption no longer apply to a *member* who is exempt.

Complaints reporting rule

1.11.6 **R** The report to be sent to the *FCA* under the *complaints reporting rules* must be provided by the *Society* and must cover all *complaints* by *policyholders* against *members* falling within the scope of the *complaints reporting rules*.

FCA

1.11.6A

FCA

R

Obligation to publish summary of complaints data

Where, in accordance with ■ DISP 1.11.6 R, the *Society* submits a report to the *FCA* reporting 500 or more *complaints*, it must publish a summary of the *complaints* data contained in that report (the *complaints* data summary).

1.11.6B

FCA

R

Format of publication

The *Society* must publish the *complaints* data summary in the format set out in the *complaints* publication form in ■ DISP 1 Annex 1B R omitting details as to the *firms* and brands/trading names covered by the summary.

1.11.6C

FCA

R

Time limits for publication

The deadlines for publication of the *Society's* *complaints* data summaries are:

- (1) 28 February for the summary of its report relating to the reporting period ending on 31 December of the previous year; and
- (2) 31 August for the summary of its report relating to the reporting period ending on 30 June of the same year.

1.11.6D

FCA

R

Confirmation of publication

The *Society* must immediately confirm to the *FCA*, in an email submitted to complaintsdatasummary@fca.org.uk, that the *complaints* data summary accurately reflects the report submitted to the *FCA*, that the summary has been published and where it has been published.

1.11.6E

FCA

G

Mode and content of publication

The *Society* may choose how it publishes the *complaints* data summary. However, the *complaints* data summary should be readily available. For this reason, the *FCA* recommends that the *Society* publishes the summary on its website. The *Society* may publish further information with the *complaints* data summary to aid understanding.

1.11.7

FCA

G

Application to members

Each *member* of the *Society* is individually subject to the *rules* in this chapter as a result of the *insurance market direction* given in ■ DISP 2.5.4 G under section 316 of the *Act* (Direction by Authority).

1.11.8

FCA

G

However, the *Society* operates a two-tier internal complaints handling procedure, currently set out in the "Code for Underwriting agents: UK Personal Lines Claims and Complaints Handling". Under this procedure, *complaints* by *policyholders* against *members* of the *Society* are considered by the *managing agent* and then, if necessary, by the *Society's* in-house Complaints Department. This procedure (and any procedure that may replace it) will be subject to the requirements in this chapter.

1.11.9

FCA

G

Members will individually comply with this chapter if and only if all *complaints* by *policyholders* against *members* are dealt with under the *Lloyd's complaints procedures*. Accordingly, certain of the obligations under this chapter, for example the obligation to report on *complaints* received and the obligation to pay fees under the *rules* relating to the funding of the *Financial Ombudsman Service* (■ FEES 5), must be complied with by the *Society* on behalf of *members*. *Managing agents* will not have to make a separate report to the *FCA* on *complaints* reported under the *complaints reporting rules* sent by the *Society*.

Complaints about the activities of members' advisers

1.11.10

FCA

R

A *members' adviser* must establish and maintain effective arrangements for handling any *complaint* from a *member* of the *Society* regarding advice given to the *member* in connection with the acquiring or disposing of *syndicate* participation.

1.11.11

FCA

G

Complaints from *members* of the *Society* regarding the activities of *members' advisers*, which cannot be resolved by the *members' adviser*, cannot be referred to the *Financial Ombudsman Service*.

Complaints from members or former members

1.11.12

FCA

G

The *Financial Ombudsman Service* is not able to deal with the *complaints* listed in ■ DISP 1.11.13 R and separate *rules* and *guidance* are therefore required.

1.11.13

FCA

R

The *Society* must establish and maintain appropriate and effective arrangements for handling any *complaint* from a *member* or a *former member* about:

- (1) *regulated activities* carried on by the *Society*;
- (2) the *Society's regulatory functions* carried on by the *Society*, the *Council* or those to whom the *Council* delegates authority to carry out such functions;
- (3) advice given by an *underwriting agent* to a *person* to become, continue or cease to be, a *member* of a particular *syndicate*; and
- (4) the management by a *managing agent* of the underwriting capacity of a *syndicate* on which the complainant participates or has participated.

1.11.14

FCA

R

The *Society* must maintain by *byelaw* one or more appropriate effective schemes for the resolution of disputes between an *individual member* or a *former member* who was an *individual member* and:

- (1) his *underwriting agent*; or
- (2) the *Society*.

- 1.11.15** **R** For the purposes of ■ DISP 1.11.13 R "*individual member*" includes a *member* which is a *limited liability partnership* or a *body corporate* whose *members* consist only of, or of the nominees for, a single natural person or a group of *connected persons*.
FCA
- 1.11.16** **G** The schemes to which ■ DISP 1.11.13 R currently refers are the *Lloyd's Arbitration Scheme* and the *Lloyd's Members' Ombudsman* respectively, but the *Society* may maintain other independent dispute resolution schemes in addition to, or instead of, either of these schemes.
FCA
- 1.11.17** **G** The schemes referred to in ■ DISP 1.11.13 R should be operationally independent of the *Society*.
FCA
- 1.11.18** **G** An *individual member* or *former member* who was an *individual member* should not have access to the schemes referred to in ■ DISP 1.11.13 R unless the *complaints* arrangements maintained by the *Society* have failed to resolve the *complaint* to his satisfaction within eight weeks of receiving it.
FCA
- 1.11.19** **G** The *Society* should give the *FCA* adequate notice of all proposed changes to the *byelaws* relating to the schemes referred to in ■ DISP 1.11.13 R.
FCA
- 1.11.20** **G** When considering what is required to ensure the operational independence of the schemes referred to in ■ DISP 1.11.13 R, or proposed changes in such schemes, the *Society* should take account of similar arrangements operated by the *Financial Ombudsman Service*.
FCA
- 1.11.21** **R** A contravention of ■ DISP 1.11.13 R or ■ DISP 1.11.14 R does not give rise to a right of action by a *private person* under section 138D of the *Act* (Actions for damages) and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action.
FCA

Complaints return form

FCA

Complaints return form

This annex consists only of one or more forms. Forms are to be found through the following address:

Complaints return form - DISP 1 Annex 1 R

Recommended metrics

FCA

This table belongs to ■ DISP 1.10A.8 G

Type of business	Contextualised new complaint numbers	Recommended metrics
Banking and credit cards	<i>Complaints</i> per 1,000 accounts	The tariff base (number of accounts) at row 1, column 2 of the table in FEES 5 Annex 1 R as reported in the <i>firm's</i> most recent statement of total amount of <i>relevant business</i> or if this tariff base is not relevant, the applicable tariff base under FEES 5 Annex 1 R
General insurance and pure protection (provision)	<i>Complaints</i> per £1m of annual gross premium income	The tariff base (annual gross premium income) at row 2, column 2 of the table in FEES 5 Annex 1 R as reported in the <i>firm's</i> most recent statement of total amount of <i>relevant business</i>
General insurance and pure protection (intermediation)	<i>Complaints</i> per £1m of annual income	The tariff base (annual income) at row 17, column 2 of the table in FEES 5 Annex 1 R reported in the <i>firm's</i> most recent statement of total amount of <i>relevant business</i>
Home finance	<i>Complaints</i> per 1,000 loans outstanding	The total number of balances outstanding (all loans) at row E.45 or E.53 of E(2) in SUP 16 Annex 19A R (Mortgage Lenders and Administrators Return) as reported in the <i>firm's</i> most recent return
Investment (provision)	<i>Complaints</i> per £1m of annual eligible income	The <i>firm's</i> annual eligible income as defined in class D1 of FEES 6 Annex 3 R
Investment (intermediation)	<i>Complaints</i> per £1m of annual eligible income	The <i>firm's</i> annual eligible income as defined in class D2 of FEES 6 Annex 3 R
Decumulation, life and pensions (provision)	<i>Complaints</i> per 1,000 policyholders	The number of the <i>firm's</i> policyholders at row 3 of Forms 51 - 54 (whichever are relevant) in IPRU(INS) Appendix 9.3R as reported in the <i>firm's</i> most recent form
Decumulation, life and pensions (intermediation)	<i>Complaints</i> per £1m of annual eligible income	The <i>firm's</i> annual eligible income as defined in class C2 of FEES 6 Annex 3 R
Credit-related activities	<i>Complaints</i> per £1m of annual eligible income	The applicable tariff base under FEES 5 Annex 1 R

Note 1: For the purposes of this annex the reference to *complaints* is a reference to *complaints* opened during the relevant reporting period.

Type of business	Contextualised new complaint numbers	Recommended metrics
Note 2: Where a <i>firm</i> undertakes both (a) general insurance and pure protection provision and (b) general insurance and pure protection intermediation, it can choose to use the metric which forms the greater part of its business.		
Note 3: Where a <i>firm</i> undertakes both (a) fund management and (b) investment intermediation, it can choose to use the metric which forms the greater part of its business.		
Note 4: Where a <i>firm</i> undertakes both (a) decumulation, life and pensions provision and (b) decumulation, life and pensions intermediation, it can choose to use the metric which forms the greater part of its business.		
Note 5: Where a <i>firm</i> undertakes both (a) banking and credit cards and (b) other credit-related activities, it can chose to use the metric which forms the greater part of its business.		
Note 6: Where a <i>firm</i> undertakes both (a) home finance and (b) credit-related activities, it can chose to use the metric which forms the greater part of its business.		

Complaints publication report

FCA

This table belongs to ■ DISP 1.10A.2 R - DISP 1 Annex 1B R

Application of DISP 1 to type of respondent / complaint

FCA

1. The table below summarises the application of DISP 1. Where the table indicates that a particular section may apply, its application in relation to any particular activity or *complaint* is dependent on the detailed application provisions set out in DISP 1.
2. In some cases the application of DISP 1 to *firms* depends on whether responsibility for the matter is reserved under an *EU* instrument to an *incoming EEA firm's Home State regulator*. Reference should be made to the detailed application provisions set out in DISP 1.

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Complaints handling rules	DISP 1.4 - 1.8 Complaints resolution rules etc.	DISP 1.9 Complaints record rule	DISP 1.10 Complaints reporting rules	DISP 1.10A Complaints data publication rules
<i>firm</i> (other than a <i>UCITS management company</i> when providing <i>collective portfolio management services</i> in respect of a <i>UCITS scheme</i> or an <i>EEA UCITS scheme</i>) in relation to <i>complaints</i> concerning <i>non-MiFID business</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i> (DISP 1.3.4 G does not apply)	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>
<i>firm</i> in relation to <i>complaints</i> concerning <i>MiFID business</i>	Applies for <i>eligible complainants</i>	Applies for <i>retail clients</i> (DISP 1.3.3 R does not apply)	Applies for <i>eligible complainants</i>	Applies for <i>retail clients</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>
<i>UK UCITS management company</i> in relation to <i>complaints</i> concerning <i>collective portfolio management services</i> in respect of a <i>UCITS scheme</i>	Applies for <i>unitholders</i>	Applies for <i>unitholders</i>	Applies for <i>eligible complainants</i>	Applies for <i>unitholders</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>

1

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
or an <i>EEA UCITS scheme</i> provided under the freedom to provide <i>cross border services</i>						
<i>branch of a UK UCITS manage-ment company in another EEA State in relation to complaints concerning col-lective portfolio management services in re-spect of an EEA UCITS scheme</i>	Applies for <i>unitholders</i>	Applies for <i>unitholders</i>	Does not apply	Applies for <i>unitholders</i>	Does not apply	Does not apply
<i>branch of a UK firm (other than a UK UCITS management company when providing collec-tive portfolio management services in re-spect of an EEA UCITS scheme) in another EEA State in relation to complaints concerning non-MiFID business</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<i>branch of a UK firm in another EEA State in re-lation to com-plaints concern-ing MiFID busi-ness</i>	Does not apply	Applies for <i>re-tail clients</i> (DISP 1.3.3 R does not apply)	Does not apply	Applies for <i>re-tail clients</i>	Does not apply	Does not apply
<i>incoming branch of an EEA firm (other than an EEA UCITS manage-ment company</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i>	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
when providing <i>collective portfolio management</i> services in re-spect of an <i>EEA UCITS scheme</i>) in relation to <i>complaints</i> concern-ing non-Mi-FID business						
<i>incoming branch</i> of an <i>EEA firm</i> in rela-tion to <i>com-plaints</i> concern-ing <i>MiFID busi-ness</i>	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply
<i>incoming branch</i> of an <i>EEA UCITS management company</i> in rela-tion to <i>com-plaints</i> concern-ing <i>collective portfolio man-agement</i> ser-vices in respect of a <i>UCITS scheme</i>	Applies for <i>unitholders</i>	Applies for <i>unitholders</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>unitholders</i>	Applies for <i>eligi-ble com-plainants</i>	Does not apply
<i>incoming EEA UCITS manage-ment company</i> in relation to <i>complaints</i> concern-ing <i>collec-tive portfolio management</i> services in re-spect of a <i>UCITS scheme</i> provided under the freedom to provide <i>cross border services</i>	Does not apply	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply
<i>incoming EEA firm</i> providing cross-border	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
<i>services from outside the UK</i>						
<i>branch of an overseas firm (in relation to all complaints)</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>
<i>payment service provider in relation to complaints concerning payment services</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
<i>EEA branch of a UK payment service provider in relation to complaints concerning payment services</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<i>incoming branch of an EEA authorised payment institution in relation to complaints concerning payment services</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
<i>incoming EEA authorised payment institution providing cross border payment services from outside the UK</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<i>electronic money issuer in relation to complaints concerning issuance of electronic money</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
<i>EEA branch of an authorised electronic money institution or an EEA branch of any other UK</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
<i>electronic mon-ey issuer in rela-tion to com-plaints concern-ing issuance of electronic mon-ey</i>						
incoming branch of an EEA authorised electronic money institution in relation to complaints concerning issuance of electronic money	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
incoming EEA authorised electronic money institution providing cross border electronic money issuance services from outside the UK	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
VJ participant	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i> (DISP 1.3.4 G to DISP 1.3.5 G do not apply)	Applies for <i>eligible complainants</i> (DISP 1.6.8 G does not apply)	Does not apply	Does not apply	Does not apply
complaints relating to auction regulation bidding	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
a full-scope UK AIFM, small authorised UK AIFM or an incoming EEA AIFM, for complaints concerning AIFM management functions carried on for a closed-end-	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
<p><i>ed corporate AIF</i></p> <p>a <i>depository</i>, for <i>complaints</i> concerning activities carried on for an <i>unauthorised AIF</i> (where the <i>AIF</i> is not a <i>charity AIF</i>) or a <i>closed-ended corporate AIF</i>.</p>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<p>an <i>incoming EEA AIFM</i>, for <i>complaints</i> concerning <i>AIFM management functions</i> carried on for an <i>authorised AIF</i> under the freedom to provide <i>cross-border services</i></p>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply

Chapter 2

Jurisdiction of the Financial Ombudsman Service

2.1 Purpose, interpretation and application

Purpose

2.1.1

FCA

G

The purpose of this chapter is to set out *rules* and guidance on the scope of the *Compulsory Jurisdiction* and the *Voluntary Jurisdiction*, which are the *Financial Ombudsman Service's* two jurisdictions:

- (1) the *Compulsory Jurisdiction* is not restricted to *regulated activities*, *payment services* and issuance of *electronic money*, and covers:
 - (a) certain *complaints* against *firms* (and businesses which were *firms* at the time of the events complained about);
 - (b) *relevant complaints* against former members of *former schemes* under the *Ombudsman Transitional Order* and the *Mortgage and General Insurance Complaints Transitional Order*; and
 - (c) *relevant credit-related complaints* against businesses which were, at the time of the events complained about, covered by a standard licence under the Consumer Credit Act 1974, or formerly authorised to carry on an activity by virtue of section 34(A) of that Act, in accordance with article 11 of the *Regulated Activities Amendment Order*;
- (2) [deleted]
- (3) the *Voluntary Jurisdiction* covers certain *complaints* against *VJ participants*, including in relation to events before they joined the *Voluntary Jurisdiction*.

2.1.2

FCA

G

Relevant complaints covered by the *Compulsory Jurisdiction* comprise:

- (1) *relevant existing complaints* referred to a *former scheme* before *commencement* and inherited by the *Financial Ombudsman Service* under the *Ombudsman Transitional Order*;
- (2) *relevant new complaints* about events before *commencement* but referred to the *Financial Ombudsman Service* after *commencement* under the *Ombudsman Transitional Order*;
- (3) *relevant transitional complaints* referred to the *Financial Ombudsman Service* after the *relevant commencement date* under the *Mortgages and General Insurance Complaints Transitional Order*;

- (4) *relevant existing credit-related complaints* referred to the *Financial Ombudsman Service* before 1 April 2014 which were formerly being dealt with under the *Consumer Credit Jurisdiction* and which are to be dealt with under the *Compulsory Jurisdiction* in accordance with article 11 of the *Regulated Activities Amendment Order*; and
- (5) *relevant new credit-related complaints* about events which took place before 1 April 2014 but referred to the *Financial Ombudsman Service* on or after 1 April 2014 which are to be dealt with under the *Compulsory Jurisdiction* in accordance with article 11 of the *Regulated Activities Amendment Order*.

2.1.3
FCA

G The *Ombudsman Transitional Order* requires the *Financial Ombudsman Service* to complete the handling of *relevant existing complaints*, in a significant number of respects, in accordance with the requirements of the relevant *former scheme* rather than in accordance with the requirements of this chapter.

Interpretation

2.1.4
FCA

G In this chapter, carrying on an activity includes:

- (1) offering, providing or failing to provide a service in relation to an activity;
- (2) administering or failing to administer a service in relation to an activity; and
- (3) the manner in which a *respondent* has administered its business, provided that the business is an activity subject to the *Financial Ombudsman Service's* jurisdiction.

2.1.4A

[Deleted]

Purpose

2.1.5
FCA

G In this chapter, ancillary banking services include, for example, the provision and operation of cash machines, foreign currency exchange, safe deposit boxes and account aggregation services (services where details of accounts held with different financial service providers can be accessed by a single password).

Application

2.1.6
FCA

R This chapter applies to the *Ombudsman* and to *respondents*.

2.1.7
FCA

D Part XVI of the *Act* (The Ombudsman Scheme), particularly section 226 (Compulsory jurisdiction), applies to *members* of the *Society* of Lloyd's in respect of the *regulated activities* of *effecting* or *carrying out contracts of insurance* written at Lloyd's.



2.2

Which complaints can be dealt with under the Financial Ombudsman Service?

2.2.1

FCA

G

The scope of the *Financial Ombudsman Service's* two jurisdictions depends on:

- (1) the type of activity to which the *complaint* relates (see ■ DISP 2.3, ■ DISP 2.4 and ■ DISP 2.5);
- (2) the place where the activity to which the complaint relates was carried on (see ■ DISP 2.6);
- (3) whether the complainant is eligible (see ■ DISP 2.7); and
- (4) whether the *complaint* was referred to the *Financial Ombudsman Service* in time (see ■ DISP 2.8).

2.2.2

[Deleted]

2.2.2A

[Deleted]

2.2.3

[Deleted]

2.3 To which activities does the Compulsory Jurisdiction apply?

Activities by firms

2.3.1

FCA

R

The *Ombudsman* can consider a *complaint* under the *Compulsory Jurisdiction* if it relates to an act or omission by a *firm* in carrying on one or more of the following activities:

- (1) *regulated activities* (other than *auction regulation bidding*);
- (1A) *payment services*;
- (2) [deleted]
- (3) *lending money* secured by a charge on land;
- (4) *lending money* (excluding *restricted credit* where that is not a *credit-related regulated activity*);
- (5) *paying money by a plastic card* (excluding a *store card* where that is not a *credit-related regulated activity*);
- (6) *providing ancillary banking services*;

or any ancillary activities, including advice, carried on by the *firm* in connection with them.

[Deleted]

2.3.1A

FCA

Activities by firms and unauthorised persons subject to a former scheme

2.3.2

FCA

G

The *Ombudsman* can also consider under the *Compulsory Jurisdiction*:

- (1) as a result of the *Ombudsman Transitional Order*, a *relevant existing complaint* or a *relevant new complaint* that relates to an act or omission by a *firm* or an *unauthorised person* which was subject to a *former scheme* immediately before *commencement*; or
- (2) as a result of the *Mortgages and General Insurance Complaints Transitional Order*, a *relevant transitional complaint* that relates to an act or omission by a *firm* (or an *unauthorised person* that ceased to be a *firm* after the *relevant*

commencement date) which was subject to a *former scheme* at the time of the act or omission;

provided that:

- (3) the act or omission occurred in the carrying on by that *firm* or *unauthorised person* of an activity to which that *former scheme* applied; and
- (4) the complainant is eligible and wishes to have the *complaint* dealt with by the *Ombudsman*.

Activities by firms and unauthorised persons previously subject to the Consumer Credit Jurisdiction

2.3.2-A
FCA

G

In accordance with article 11 of the *Regulated Activities Amendment Order*, the *Ombudsman* can also consider under the *Compulsory Jurisdiction*:

- (1) a *relevant existing credit-related complaint* referred to the *Financial Ombudsman Service* before 1 April 2014 which was formerly being dealt with under the *Consumer Credit Jurisdiction*; and
- (2) a *relevant new credit-related complaint* referred to the *Financial Ombudsman Service* on or after 1 April 2014 which relates to an act or omission which took place before 1 April 2014;

provided that:

- (a) the *complaint* could have been dealt with under the *Consumer Credit Jurisdiction* (disregarding whether the complainant would have been eligible under rules made for the purposes of the *Consumer Credit Jurisdiction* and whether the complaint would have fallen within a description specified in those rules) but for the repeal of section 226A of the *Act*; and
- (b) the complainant is eligible and wishes to have the *complaint* dealt with under the *Financial Ombudsman Service*.

Activities by payment service providers

2.3.2A
FCA

R

The *Ombudsman* can consider a *complaint* under the *Compulsory Jurisdiction* if it relates to an act or omission by a *payment service provider* in carrying on:

- (1) *payment services*; or
- (2) *credit-related regulated activities*;

or any ancillary activities, including advice, carried on by the *payment service provider* in connection with them.

Activities by electronic money issuers

2.3.2B

FCA

R

The *Ombudsman* can consider a *complaint* under the *Compulsory Jurisdiction* if it relates to an act or omission by an *electronic money issuer* in carrying on:

- (1) issuance of *electronic money*; or
- (2) *credit-related regulated activities*;

or any ancillary activities, including advice, carried on by the *electronic money issuer* in connection with them.

Consumer redress schemes

2.3.2C

FCA

G

As a result of section 404B(11) of the *Act*, the *Ombudsman* can also consider under the *Compulsory Jurisdiction* a *complaint* from a complainant who:

- (1) is not satisfied with a *redress determination* made by a *respondent* under a *consumer redress scheme*; or
- (2) considers that a *respondent* has failed to make a *redress determination* in accordance with a *consumer redress scheme*.

General

2.3.3

FCA

G

Complaints about acts or omissions include those in respect of activities for which the *firm*, *payment service provider* or *electronic money issuer* is responsible (including business of any *appointed representative* or *agent* for which the *firm*, *payment institution* or *electronic money institution* has accepted responsibility).

2.3.4

FCA

R

A *complaint* about an *authorised professional firm* cannot be handled under the *Compulsory Jurisdiction* of the *Financial Ombudsman Service* if it relates solely to a *non-mainstream regulated activity* and can be handled by a *designated professional body*.

2.3.5

FCA

G

The *Compulsory Jurisdiction* includes *complaints* about the *UK* end of 'one leg' *payment services* transactions, i.e. services provided from *UK* establishments that also involve a *payment service provider* located outside the *EEA*. The *Compulsory Jurisdiction* also includes *complaints* about *payment services* irrespective of the currency of the transaction.

2.3.6

[Deleted]



2.4

[Deleted]

2.5 To which activities does the Voluntary Jurisdiction apply?

2.5.1

FCA

R The Ombudsman can consider a *complaint* under the *Voluntary Jurisdiction* if:

- (1) it is not covered by the *Compulsory Jurisdiction* ; and
- (2) it relates to an act or omission by a *VJ participant* in carrying on one or more of the following activities:
 - (a) an activity carried on after 28 April 1988 which:
 - (i) was not a *regulated activity* at the time of the act or omission, but
 - (ii) was a *regulated activity* when the *VJ participant* joined the *Voluntary Jurisdiction* (or became an *authorised person*, if later);
 - (b) a financial services activity carried on after *commencement* by a *VJ participant* which was covered in respect of that activity by a *former scheme* immediately before the *commencement day*;
 - (c) activities which (at 1 April 2014) would be covered by the *Compulsory Jurisdiction*, if they were carried on from an establishment in the *United Kingdom* (these activities are listed in ■ DISP 2 Annex 1 G);
 - (d) [deleted]
 - (e) lending *money* secured by a charge on land;
 - (f) lending *money* (excluding *restricted credit* where that is not a *credit-related regulated activity*);
 - (g) paying *money* by a *plastic card* (excluding a *store card* where that is not a *credit-related regulated activity*);
 - (h) providing ancillary banking services;
 - (i) acting as an intermediary for a loan secured by a charge over land;

- (j) acting as an intermediary for *general insurance business* or *long-term insurance business*;
- (k) National Savings and Investments' business;
- (l) [deleted]
- (m) [deleted]

or any ancillary activities, including advice, carried on by the VJ participant in connection with them.

2.5.2
FCA

G The scope of the *Voluntary Jurisdiction* is wider than that of the *Compulsory Jurisdiction*, and so some activities are referred to in both jurisdictions.

2.5.3
FCA

G ■ DISP 2.5.1 R (2)(a) is for those that are subject to the *Compulsory Jurisdiction* for *regulated activities* but are not covered by the *Ombudsman Transitional Order* or the *Mortgage and General Insurance Complaints Transitional Order*. It enables the *Financial Ombudsman Scheme* to cover *complaints* about earlier events relating to those activities before they became *regulated activities*.

2.5.4
FCA

G ■ DISP 2.5.1 R (2)(b) is for those that were members of one of the *former schemes* replaced by the *Financial Ombudsman Service* immediately before *commencement*. It enables the *Financial Ombudsman Service* to cover *complaints* that arise out of acts or omissions occurring after *commencement* for any activities which are not covered by the *Compulsory Jurisdiction* but that would have been covered by the relevant *former scheme*.

2.5.4A
FCA

G ■ DISP 2.5.1R (2)(l) includes *complaints* about the *EEA* end of 'one leg' *payment services* transactions, i.e. services provided from *EEA* establishments that are subject to the territorial jurisdiction of the *Voluntary Jurisdiction* (see ■ DISP 2.6.4R (2)) that also involve a payment service provider located outside the *EEA*. It also includes *complaints* about *payment services* irrespective of the currency of the transaction.

2.5.5
FCA

R The *Voluntary Jurisdiction* covers an act or omission that occurred before the VJ participant was participating in the *Voluntary Jurisdiction*, and whether the act or omission occurred before or after *commencement*, either:

- (1) if the *complaint* could have been dealt with under a *former scheme*; or
- (2) under the agreement by the VJ participant in the *Standard Terms*.



2.6 What is the territorial scope of the relevant jurisdiction?

Compulsory Jurisdiction

2.6.1
FCA

R

- (1) The *Compulsory Jurisdiction* covers *complaints* about the activities of a *firm* (including its *appointed representatives*), of a *payment service provider* (including *agents* of a *payment institution*) or of an *electronic money issuer* (including *agents* of an *electronic money institution*) carried on from an establishment in the *United Kingdom*.
- (2) The *Compulsory Jurisdiction* also covers *complaints* about :
 - (a) *collective portfolio management* services provided by an *EEA UCITS management company* managing a *UCITS scheme*; and
 - (b) *AIFM management functions* provided by an *incoming EEA AIFM* managing an *authorised AIF*;

from an establishment in another *EEA State* under the freedom to provide *cross border services*.
- (3) [deleted]
- (4) [deleted]
- (5) [deleted]
- (6) [deleted]

2.6.2
FCA

G

This:

- (1) includes *incoming EEA firms* , *incoming EEA authorised payment institutions*, *incoming EEA authorised electronic money institutions* and *incoming Treaty firms*; but
- (2) excludes *complaints* about business conducted in the *United Kingdom* on a services basis from an establishment outside the *United Kingdom* (other than *complaints* about *collective portfolio management* services provided by an *EEA UCITS management company* in managing a *UCITS scheme*, and *complaints* about *AIFM management functions* provided by an *incoming EEA AIFM* managing an *authorised AIF*).

Consumer Credit Jurisdiction

2.6.3 **R** [deleted]

2.6.3A [Deleted]

FCA

Voluntary Jurisdiction

2.6.4 **R** The *Voluntary Jurisdiction* covers only *complaints* about the activities of a *VJ participant* carried on from an establishment:

FCA

- (1) in the *United Kingdom*; or
- (2) elsewhere in the *EEA* if the following conditions are met:
 - (a) the activity is directed wholly or partly at the *United Kingdom* (or part of it);
 - (b) contracts governing the activity are (or, in the case of a potential customer, would have been) made under the law of England and Wales, Scotland or Northern Ireland; and
 - (c) the *VJ participant* has notified appropriate regulators in its *Home State* of its intention to participate in the *Voluntary Jurisdiction*.

Location of the complainant

2.6.5 **G** A *complaint* can be dealt with under the *Financial Ombudsman Service* whether or not the complainant lives or is based in the *United Kingdom*.

FCA

2.6.6 [Deleted]

2.6.7 [Deleted]

2.6.8 [Deleted]

2.6.8A [Deleted]

2.6.8B [Deleted]

2.6.8C [Deleted]

2.6.9 [Deleted]

2.6.9A [Deleted]

2.6.9B [Deleted]

2.6.9C [Deleted]

2.6.10 [Deleted]

2.6.10A [Deleted]

2.6.10B [Deleted]

2.6.11 [Deleted]

2.6.12 [Deleted]

2.6.13 [Deleted]

2.7 Is the complainant eligible?

2.7.1 **R** A *complaint* may only be dealt with under the *Financial Ombudsman Service* if it is brought by or on behalf of an *eligible complainant*.
FCA

2.7.2 **R** A *complaint* may be brought on behalf of an *eligible complainant* (or a deceased *person* who would have been an *eligible complainant*) by a *person* authorised by the *eligible complainant* or authorised by law. It is immaterial whether the *person* authorised to act on behalf of an *eligible complainant* is himself an *eligible complainant*.
FCA

Eligible complainants

2.7.3 **R** An *eligible complainant* must be a *person* that is:
FCA

- (1) a *consumer*;
- (2) a *micro-enterprise*;
 - (a) in relation to a *complaint* relating wholly or partly to *payment services*, either at the time of the conclusion of the *payment service* contract or at the time the complainant refers the *complaint* to the *respondent*; or
 - (b) otherwise, at the time the complainant refers the *complaint* to the *respondent*;
- (3) a charity which has an annual income of less than £1 million at the time the complainant refers the *complaint* to the *respondent*;
or
- (4) a trustee of a trust which has a net asset value of less than £1 million at the time the complainant refers the *complaint* to the *respondent*.

2.7.4 **G** In determining whether an enterprise meets the tests for being a *micro-enterprise*, account should be taken of the enterprise's 'partner enterprises' or 'linked enterprises' (as those terms are defined in the *Micro-enterprise Recommendation*). For example, where a parent company holds a majority shareholding in a *complainant*, if the parent company does not meet the tests for being a *micro-enterprise* then neither will the *complainant*. [Note: Articles 1 and 3 to 7 of the Annex to the *Micro-enterprise Recommendation*].
FCA

2.7.4A

2.7.5

FCA

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[Deleted]

If a *respondent* is in doubt about the eligibility of a business, charity or trust, it should treat the complainant as if it were eligible. If the *complaint* is referred to the *Financial Ombudsman Service*, the *Ombudsman* will determine eligibility by reference to appropriate evidence, such as audited accounts or VAT returns.

2.7.6

FCA

R

To be an *eligible complainant* a *person* must also have a *complaint* which arises from matters relevant to one or more of the following relationships with the *respondent*:

- (1) the complainant is (or was) a customer, *payment service user* or electronic money holder of the *respondent*;
- (2) the complainant is (or was) a potential customer, *payment service user* or electronic money holder of the *respondent*;
- (3) the complainant is the holder, or the beneficial owner, of *units* in a *collective investment scheme* and the *respondent* is :
 - (a) the *operator* of a *scheme*;
 - (b) the *depository* of an *authorised fund*; or
 - (c) the *depository* of a *charity AIF*;
- (3A) the complainant is the holder, or the beneficial owner, of *units* or *shares* in an *AIF* where the *respondent* is:
 - (a) the *AIFM* of an *unauthorised AIF* (apart from a *closed-ended corporate AIF*);
 - (b) the *AIFM* or *depository* of an *authorised AIF*; or
 - (c) the *AIFM* or *depository* of a *charity AIF* (apart from a *charity AIF* which is a *closed-ended corporate AIF*);
- (4) the complainant is a beneficiary of, or has a beneficial interest in, a *personal pension scheme* or *stakeholder pension scheme*;
- (5) the complainant is a *person* for whose benefit a *contract of insurance* was taken out or was intended to be taken out with or through the *respondent*;
- (6) the complainant is a *person* on whom the legal right to benefit from a claim against the *respondent* under a *contract of insurance* has been devolved by contract, assignment, subrogation or legislation (save the European Community (Rights against Insurers) Regulations 2002);
- (7) the complainant relied in the course of his business on a cheque guarantee card issued by the *respondent*;

- (8) the complainant is the true owner or the *person* entitled to immediate possession of a cheque or other bill of exchange, or of the funds it represents, collected by the *respondent* for someone else's account;
- (9) the complainant is the recipient of a banker's reference given by the *respondent*;
- (10) the complainant gave the *respondent* a guarantee or security for:
 - (a) a mortgage;
 - (b) a loan;
 - (c) an actual or prospective *regulated credit agreement*;
 - (d) an actual or prospective *regulated consumer hire agreement*; or
 - (e) any linked transaction as defined in the Consumer Credit Act 1974 (as amended);
- (11) the complainant is a *person* about whom information relevant to his financial standing is or was held by the *respondent* in *providing credit references*;
- (12) the complainant is a *person* :
 - (a) from whom the *respondent* has sought to recover payment under *acredit agreement* or *consumer hire agreement* (whether or not the *respondent* is a party to the agreement); or
 - (b) in relation to whom the *respondent* has sought to perform duties, or exercise or enforce rights, on behalf of the creditor or owner, under a *credit agreement* or *consumer hire agreement* in carrying on *debt administration*;
- (13) the complainant is a beneficiary under a trust or estate of which the *respondent* is trustee or personal representative;
- (14) (where the *respondent* is a *dormant account fund operator*) the complainant is (or was) a customer of a *bank* or *building society* which transferred any *balance* from a *dormant account* to the *respondent*;
- (15) the complainant is either a *borrower* or a lender under a *P2P agreement* and the *respondent* is the *operator of an electronic system in relation to lending*.

■ DISP 2.7.6 R (5) and ■ DISP 2.7.6R (6) include, for example, employees covered by a group permanent health policy taken out by an employer, which provides in the insurance contract that the policy was taken out for the benefit of the employee.

2.7.8
FCA

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In the *Compulsory Jurisdiction*, under the *Ombudsman Transitional Order* and the *Mortgages and General Insurance Complaints Transitional Order*, where a complainant:

- (1) wishes to have a *relevant new complaint* or a *relevant transitional complaint* dealt with by the *Ombudsman*; and
- (2) is not otherwise eligible; but
- (3) would have been entitled to refer an equivalent *complaint* to the *former scheme* in question immediately before the relevant transitional order came into effect;

if the *Ombudsman* considers it appropriate, he may treat the complainant as an *eligible complainant*.

Exceptions

2.7.9
FCA

R

The following are not *eligible complainants*:

- (1) (in all jurisdictions) a *firm, payment service provider, electronic money issuer, or VJ participant* whose *complaint* relates in any way to an activity which:
 - (a) the *firm* itself has *permission* to carry on; or
 - (ab) the *firm, payment service provider or electronic money issuer* itself is entitled to carry on under the *Payment Services Regulations* or the *Electronic Money Regulations*; or
 - (b) the *VJ participant* itself conducts;

and which is subject to the *Compulsory Jurisdiction* or the *Voluntary Jurisdiction*;

- (2) (in the *Compulsory Jurisdiction*) a complainant, other than a trustee of a *pension scheme* trust, who was:
 - (a) a *professional client*; or
 - (b) an *eligible counterparty*;

in relation to the *firm* and activity in question at the time of the act or omission which is the subject of the *complaint*; and
- (3) [deleted]

2.7.10
FCA

G

In the *Compulsory Jurisdiction*, in relation to *relevant new complaints* under the *Ombudsman Transitional Order* and *relevant transitional complaints* under the *Mortgages and General Insurance Complaints Transitional Order*:

- (1) where the *former scheme* in question is the *Insurance Ombudsman Scheme*, a complainant is not to be treated as an *eligible complainant* unless:
 - (a) he is an individual; and

- (b) the *relevant new complaint* does not concern aspects of a policy relating to a business or trade carried on by him;
- (2) where the *former scheme* in question is the *GISC facility*, a complainant is not to be treated as an *eligible complainant* unless:
 - (a) he is an individual; and
 - (b) he is acting otherwise than solely for the purposes of his business; and
- (3) where the *former scheme* in question is the *MCAS scheme*, a complainant is not to be treated as an *eligible complainant* if:
 - (a) the *relevant transitional complaint* does not relate to a breach of the Mortgage Code published by the Council of Mortgage Lenders;
 - (b) the *complaint* concerns physical injury, illness, nervous shock or their consequences; or
 - (c) the complainant is claiming a sum of money that exceeds £100,000.

2.8 Was the complaint referred to the Financial Ombudsman Service in time?

2.8.1
FCA

R The *Ombudsman* can only consider a *complaint* if:

- (1) the *respondent* has already sent the complainant its *final response*; or
- (2) eight weeks have elapsed since the *respondent* received the *complaint*; or
- (3) in relation to a *complaint* the subject matter of which falls to be dealt with (or has properly been dealt with) under a *consumer redress scheme*:
 - (a) the *respondent* has already sent the complainant its *redress determination* under the scheme; or
 - (b) the *respondent* has failed to send a *redress determination* in accordance with the time limits specified under the scheme.

2.8.2
FCA

R The *Ombudsman* cannot consider a *complaint* if the complainant refers it to the *Financial Ombudsman Service*:

- (1) more than six *months* after the date on which the *respondent* sent the complainant its *final response* or *redress determination*; or
- (2) more than:
 - (a) six years after the event complained of; or (if later)
 - (b) three years from the date on which the complainant became aware (or ought reasonably to have become aware) that he had cause for complaint;

unless the complainant referred the *complaint* to the *respondent* or to the *Ombudsman* within that period and has a written acknowledgement or some other record of the *complaint* having been received;

unless:

- (3) in the view of the *Ombudsman*, the failure to comply with the time limits in ■ DISP 2.8.2 R or ■ DISP 2.8.7 R was as a result of exceptional circumstances; or
- (4) the *Ombudsman* is required to do so by the *Ombudsman Transitional Order*; or
- (5) the *respondent* has not objected , on the grounds that the time limits in ■ DISP 2.8.2 R or ■ DISP 2.8.7 R have been exceeded, to the *Ombudsman* considering the *complaint*.

2.8.3
FCA

G The six-month time limit is only triggered by a response which is a *final response*. A *final response* must tell the complainant about the six-month time limit that the complainant has to refer a *complaint* to the *Financial Ombudsman Service*.

2.8.4
FCA

G An example of exceptional circumstances might be where the complainant has been or is incapacitated.

Reviews of past business

2.8.5
FCA

R The six-year and the three-year time limits do not apply where:

- (1) [deleted]
- (2) the *complaint* concerns a contract or policy which is the subject of a review directly or indirectly under:
 - (a) the terms of the Statement of Policy on 'Pension transfers and Opt-outs' issued by the FSA on 25 October 1994; or
 - (b) the terms of the policy statement for the review of specific categories of *FSAVC* business issued by the FSA on 28 February 2000.

Mortgage endowment complaints

2.8.6
FCA

G If a *complaint* relates to the sale of an endowment *policy* for the purpose of achieving capital repayment of a mortgage, the receipt by the complainant of a letter which states that there is a risk (rather than a high risk) that the *policy* would not, at maturity, produce a sum large enough to repay the target amount is not, itself, sufficient to cause the three year time period in ■ DISP 2.8.2 R (2) to start to run.

2.8.7
FCA

R (1) If a *complaint* relates to the sale of an endowment *policy* for the purpose of achieving capital repayment of a mortgage and the complainant receives a letter from a *firm* or a *VJ participant* warning that there is a high risk that the *policy* will not, at maturity, produce a sum large enough to repay the target amount then, subject to (2), (3), (4) and (5):

- (a) time for referring a *complaint* to the *Financial Ombudsman Service* starts to run from the date the complainant receives the letter; and
 - (b) ends three years from that date ("the final date").
- (2) Paragraph (1)(b) applies only if the complainant also receives within the three year period mentioned in (1)(b) and at least six months before the final date an explanation that the complainant's time to refer such a *complaint* would expire at the final date.
- (3) If an explanation is given but is sent outside the period referred to in (2), time for referring a *complaint* will run until a date specified in such an explanation which must not be less than six months after the date on which the notice is sent.
- (4) A complainant will be taken to have complied with the time limits in (1) to (3) above if in any case he refers the *complaint* to the *firm* or *VJ participant* within those limits and has a written acknowledgement or some other record of the *complaint* having been received.
- (5) Paragraph (1) does not apply if the *Ombudsman* is of the opinion that, in the circumstances of the case, it is appropriate for ■ DISP 2.8.2 R (2) to apply.

Regulated activities for the Voluntary Jurisdiction at 1 April 2014

This table belongs to ■ DISP 2.5.1 R

FCA

The activities which were covered by the *Compulsory Jurisdiction* (at 1 April 2014) were:

(1) for *firms*:

- (a) *regulated activities* (other than *auction regulated bidding*);
- (b) *payment services*;
- [deleted]
- (d) lending *money* secured by a charge on land;
- (e) lending *money* (excluding *restricted credit* where that is not a *credit-related regulated activity*);
- (f) paying *money* by a *plastic card* (excluding a *store card* where that is not a *credit-related regulated activity*);
- (g) providing ancillary banking services;

or any ancillary activities, including advice, carried on by the *firm* in connection with them.

(2) for *payment service providers*:

- (a) *payment services*;
- (b) *credit-related regulated activities*;

or any ancillary activities, including advice, carried on by the *payment service provider* in connection with them.

(3) for *electronic money issuers*:

- (a) issuance of electronic money;
- (b) *credit-related regulated activities*;

or any ancillary activities, including advice, carried on by the *electronic money issuer* in connection with them

The activities which (at 1 April 2014) were *regulated activities* were, in accordance with section 22 of the *Act* (The classes of activity and categories of investment), any of the following activities specified in Part II of the *Regulated Activities Order*:

- (1) *accepting deposits* (article 5);
- (2) *issuing electronic money* (article 9B);
- (3) *effecting contracts of insurance* (article 10(1));

- (4) *carrying out contracts of insurance* (article 10(2));
- (5) *dealing in investments as principal* (article 14);
- (6) *dealing in investments as agent* (article 21);
- (7) *arranging (bringing about) deals in investments* (article 25(1));
- (8) *making arrangements with a view to transactions in investments* (article 25(2));
- (9) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (10) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (11) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (12) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (13) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (14) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (14A) *operating a multilateral trading facility* (article 25D);
- (14B) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (14C) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (14D) *credit broking* (article 36A);
- (14E) *operating an electronic system in relation to lending* (article 36H);
- (15) *managing investments* (article 37);
- (16) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (16A) *debt adjusting* (article 39D(1) and (2));
- (16B) *debt counselling* (article 39E(1) and (2));
- (16C) *debt collecting* (article 39F(1) and (2));
- (16D) *debt administration* (article 39G(1) and (2));
- (17) *safeguarding and administering investments* (article 40);
- (18) *sending dematerialised instructions* (article 45(1));
- (19) *causing dematerialised instructions to be sent* (article 45(2));
- (20) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a));
- (21) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));

- (21A) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));
- (22) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));
- (22A) *managing a UCITS* (article 51ZA);
- (22B) *acting as a trustee or depositary of a UCITS* (article 51ZB);
- (22C) *managing an AIF* (article 51ZC);
- (22D) *acting as a trustee or depositary of an AIF* (article 51ZD);
- (22E) *establishing, operating or winding up a collective investment scheme* (article 51ZE);
- (23) *establishing, operating or winding up a stakeholder pension scheme* (article 52(a));
- (24) *providing basic advice on a stakeholder product* (article 52B);
- (25) *establishing, operating or winding up a personal pension scheme* (article 52(b));
- (26) *advising on investments* (article 53);
- (27) *advising on regulated mortgage contracts* (article 53A);
- (28) *advising on a home reversion plan* (article 53B);
- (29) *advising on a home purchase plan* (article 53C);
- (29A) *advising on a regulated sale and rent back agreement* (article 53D);
- (30) *advising on syndicate participation at Lloyd's* (article 56);
- (31) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's* (article 57);
- (32) *arranging deals in contracts of insurance written at Lloyd's* (article 58);
- (32A) *entering into a regulated credit agreement* (article 60B(1));
- (32B) *exercising, or having the right to exercise, rights and duties under a regulated credit agreement* (article 60(B)(2));
- (32C) *entering into a regulated consumer hire agreement* (article 60N(1));
- (32D) *exercising, or having the right to exercise rights and duties under a regulated consumer hire agreement* (article 60N(2));
- (33) *entering into a regulated mortgage contract* (article 61(1));
- (34) *administering a regulated mortgage contract* (article 61(2));
- (35) *entering into a home reversion plan* (article 63B(1));

- (36) *administering a home reversion plan* (article 63B(2));
- (37) *entering into a home purchase plan* (article 63F(1));
- (38) *administering a home purchase plan* (article 63F(2));
- (38A) *entering into a regulated sale and rent back agreement* (article 63J(1));
- (38B) *administering a regulated sale and rent back agreement* (article 63J(2));
- (38C) *meeting of repayment claims* (article 63N(1)(a));
- (38D) *managing dormant account funds (including the investment of such funds)* (article 63N(1)(b));
- (38E) *providing information in relation to a specified benchmark* (article 63O(1)(a));
- (38F) *administering a specified benchmark* (article 63O(1)(b));
- (39) *entering as provider into a funeral plan contract* (article 59);
- (40) *agreeing to carry on a regulated activity* (article 64);
- (40A) *providing credit information services* (article 89A);
- (40B) *providing credit references* (article 89B);

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (20), (21), (22) and (23), is carried on in relation to property of any kind or, in the case of (40A) or (40B) relates to information about a *person's* financial standing.

Chapter 3

Complaint handling procedures of the Financial Ombudsman Service



3.1 Purpose, interpretation and application

Purpose

3.1.1
FCA

G

The purpose of this chapter is to set out:

- (1) the procedures of the *Financial Ombudsman Service* for investigating and determining *complaints*;
- (2) the basis on which the *Ombudsman* makes decisions; and
- (3) the awards which the *Ombudsman* can make.

Interpretation

3.1.2
FCA

R

In this chapter, 'out of jurisdiction' means outside the *Compulsory Jurisdiction* and the *Voluntary Jurisdiction* in accordance with ■ DISP 2.

3.1.3
FCA

R

Where the *respondent* is a *partnership* (or former *partnership*), it is sufficient for the *Ombudsman* to communicate with one partner (or former partner).

3.1.4
FCA

G

The *Ombudsman Transitional Order* requires the *Financial Ombudsman Service* to complete the handling of *relevant existing complaints*, in a significant number of respects, in accordance with the requirements of the relevant *former scheme* rather than in accordance with the requirements of this chapter.

Application

3.1.5
FCA

R

This chapter applies to the *Ombudsman* and to *respondents*.

3.1.5A

[Deleted]

3.1.6

[Deleted]

3.1.7

[Deleted]

Procedural time limits

3.5.13

FCA

R

The *Ombudsman* may fix (and extend) time limits for any aspect of the consideration of a *complaint* by the *Financial Ombudsman Service*.

3.5.14

FCA

R

If a *respondent* fails to comply with a time limit, the *Ombudsman* may:

- (1) proceed with consideration of the *complaint*; and
- (2) include provision for any material distress or material inconvenience caused by that failure in any award which he decides to make.

3.5.15

FCA

R

If a complainant fails to comply with a time limit, the *Ombudsman* may:

- (1) proceed with consideration of the *complaint*; or
- (2) dismiss the *complaint*.

3.6 Determination by the Ombudsman

Fair and reasonable

3.6.1
FCA

R The *Ombudsman* will determine a *complaint* by reference to what is, in his opinion, fair and reasonable in all the circumstances of the case.

3.6.2
FCA

G Section 228 of the *Act* sets the 'fair and reasonable' test for the *Compulsory Jurisdiction* (other than in relation to *consumer redress schemes*) and ■ DISP 3.6.1 R extends it to the *Voluntary Jurisdiction*.

3.6.3
FCA

G Where a complainant makes *complaints* against more than one *respondent* in respect of connected circumstances, the *Ombudsman* may determine that the *respondents* must contribute towards the overall award in the proportion that the *Ombudsman* considers appropriate.

3.6.4
FCA

R In considering what is fair and reasonable in all the circumstances of the case, the *Ombudsman* will take into account:

- (1) relevant:
 - (a) law and regulations;
 - (b) regulators' rules, guidance and standards;
 - (c) codes of practice; and

- (2) (where appropriate) what he considers to have been good industry practice at the relevant time.

3.6.5
FCA

G Where the *Ombudsman* is determining what is fair and reasonable in all the circumstances of a *relevant new complaint* or a *relevant transitional complaint*, the *Ombudsman Transitional Order* and the *Mortgage and General Insurance Complaints Transitional Order* require him to take into account what determination the *former Ombudsman* might have been expected to reach in relation to an equivalent complaint dealt with under the *former scheme* in question immediately before the relevant transitional order came into effect.

4.2 Standard terms

4.2.1 **R** A *VJ participant* is subject to these *standard terms*, which may be amended or supplemented by the *Financial Ombudsman Service* with the approval of the *FCA*.

4.2.2 **R** By agreeing to participate, a *VJ participant* also agrees that the *Voluntary Jurisdiction* covers an act or omission that occurred before the *VJ participant* was participating in the *Voluntary Jurisdiction*, whether the act or omission occurred before or after *commencement*.

Application of DISP 1 to DISP 3

4.2.3 **R** The following rules and guidance apply to *VJ participants* as part of the *standard terms*, except where the context requires otherwise:

- (1) ■ DISP 1 (Treating complainants fairly), except:
 - (a) ■ DISP 1.9 (Complaints record rule);
 - (b) ■ DISP 1.10 (Complaints reporting rules); and
 - (c) ■ DISP 1.11 (Lloyd's);
- (2) ■ DISP 2 (Jurisdiction of the Financial Ombudsman Service), except:
 - (a) ■ DISP 2.3 (Compulsory Jurisdiction); and
- (3) ■ DISP 3 (Complaint handling procedures of the Financial Ombudsman Service).

Determinations and awards

4.2.4 **R** The *Ombudsman* has the same powers to make determinations and awards under the *Voluntary Jurisdiction* as he has under the *Compulsory Jurisdiction* (see ■ DISP 3.7 (Awards by the Ombudsman)).

4.2.5 **R** If the complainant accepts the *Ombudsman's* determination within the time limit specified by the *Ombudsman*, the determination will be binding on the *VJ Participant* and may be enforced in court by the complainant.

4.2.6

FCA

R The following *rules* in *FEES* apply to *VJ participants* as part of the *standard terms*, but substituting '*VJ participant*' for '*firm*':

- (1) ■ FEES 2.2.1 R (late payment) but substituting '*FOS Ltd*' for '*the FCA*';
- (2) ■ FEES 2.3.1 R and ■ 2.3.2 R (remission of fees);
- (3) ■ ■ FEES 4.2.6 R (1)(b) (periodic fees);
- (4) ■ FEES 5.3.6 R (general levy) but substituting:
 - (a) '*Voluntary Jurisdiction*' for '*Compulsory Jurisdiction*'; and
 - (b) '*FOS Ltd*' for '*the FCA*';
- (5) ■ FEES 5.3.8 R (calculation of general levy) but substituting ' ■ FEES 5 Annex 2R' for ' ■ FEES 5 Annex 1 R';
- (6) ■ FEES 5.4.1 R (information) but substituting:
 - (a) '*FOS Ltd*' for '*the FCA*'; and
 - (b) ' ■ FEES 5 Annex 2R' for ' ■ FEES 5 Annex 1 R';
- (7) ■ FEES 5.5B (case fees);
- (8) [deleted]
- (9) [deleted]
- (10) ■ FEES 5.7.1 R and ■ 5.7.4R but substituting, in ■ FEES 5.7.1 R, '*the FOS Ltd*' for ' *the FCA*' and '*annual levy* specified in ■ FEES 5 Annex 2R' for '*general levy*';
- (11) ■ FEES 5.8.1 R (joining the Financial Ombudsman Service); and
- (12) ■ FEES 5 Annex 2R and ■ FEES 5 Annex 3R.

Withdrawal from participation

4.2.7

FCA

R A *VJ participant* may not withdraw from the *Voluntary Jurisdiction* unless:

- (1) the *VJ participant* has submitted to *FOS Ltd* a written plan for:
 - (a) notifying its existing customers of its intention to withdraw; and
 - (b) handling *complaints* against it before its withdrawal;

Dispute Resolution: Complaints

DISP TP 1 Transitional provisions

FCA

1 Transitional Provisions table

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	DISP 1.2.15G R	R	Expired		
1A	DISP 1	R	A <i>complaint</i> received by a <i>respondent</i> on or before 31 October 2007 should be handled, resolved, recorded and reported in accordance with the requirements of <i>DISP</i> as they stood at the date the <i>complaint</i> was received.	From 1 November 2007	1 November 2007
1B	DISP 2.7.9 R	R	In relation to a <i>complaint</i> concerning an act or omission before 1 November 2007, in <i>DISP 2.7.9R (2)</i> substitute "an <i>intermediate customer</i> or <i>market counterparty</i> " for "(a) a <i>professional client</i> or (b) <i>eligible counterparty</i> ".	From 1 November 2007	1 November 2007
2	DISP 1.5.4 R - DISP 1.5.7 R	R	Expired		
3	DISP 1.5.4 R - DISP 1.5.7 R	G	Expired		
6	DISP 2, DISP 3 and FEES 5	R	In <i>DISP 2</i> , <i>DISP 3</i> and <i>FEES 5</i> references to a " <i>firm</i> " or " <i>firms</i> " include <i>unauthorised persons</i> subject to the <i>Compulsory Jurisdiction</i> in relation to <i>relevant complaints</i> in accordance with the <i>Ombudsman Transitional Order</i> .	From <i>commencement</i>	<i>Commencement</i>

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
7	DISP 2, DISP 3 and FEES 5	G	Under the <i>Ombudsman Transitional Order</i> , a <i>relevant complaint</i> is subject to the <i>Compulsory Jurisdiction</i> whether or not it is about a <i>firm</i> or an <i>unauthorised person</i> . <i>Unauthorised persons</i> are not subject to DISP 1, but references to " <i>firm</i> " in DISP 2, DISP 3 and FEES 5 include <i>unauthorised persons</i> subject to the <i>Compulsory Jurisdiction</i> in relation to <i>relevant complaints</i> , where applicable.	From commencement	Commencement
7A	DISP 2.8.7R	R	Nothing in DISP 2.8.7 R affects the position of a <i>complaint</i> which, on 31 May 2004, could not have been considered by the <i>Ombudsman</i> under DISP 2.8.2 R (2); or DISP 2.8.7R (1)(b) as it then stood (as DISP 2.3.6 R (1)(b)).	From 1 June 2004	Amended with effect from 1 June 2004
7B	DISP 2.8.7R	R	In the case of a complainant falling within DISP 2.8.7 R, (and whose time for referring a <i>complaint</i> under the <i>rules</i> as they stood before 1 June 2004 has not expired), time will expire in accordance with DISP 2.8.7 R save that if the final date would otherwise be before 30 November 2004 an explanation of the final date will be in conformity with DISP 2.8.7R (2), provided it stipulates a final date which is not less than two months from the date on which the explanation is likely to be received by the complainant.	From 1 June 2004	Amended with effect from 1 June 2004
8	DISP 1 DISP 2 DISP 3 DISP 4 and FEES 5	R	In relation to <i>relevant complaints</i> , references in DISP 1, DISP 2, DISP 3, DISP 4 and FEES 5 to an " <i>eligible complainant</i> " include a person who is to be treated as an <i>eligible complainant</i> in accordance with the <i>Ombudsman Transitional Order</i> and references to a <i>complaint</i> shall be construed accordingly.	From commencement	Commencement
9	DISP 5.5.1R	R	Expired		
10	DISP 1.10.1R and DISP 1.10.2R	R	Expired		

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
11	DISP1.10.1R and DISP1.10.2R	R	Expired		
12	DISP1.10.1R and DISP1.10.2R	R	Expired		
13	DISP 1	R	Deleted		
14		G	Expired		
15	FEES 5.4.1R	R	Expired		
16	FEES 5.4.1R	G	Expired		
17	DISP 1.3.12R - DISP 1.3.17R	R	Deleted		
18	DISP1.10.1R and DISP1.10.2R, DISP1.10.4R and DISP1Annex1R	R	Expired		
19	DISP1.10.1CR and DISP1.10.1DG	R	Expired		
20	DISP 1.6.4R	R	Expired		

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
21	DISP2.7.3R	R	<p>A <i>person</i> is also an <i>eligible complainant</i> if:</p> <p>(a) it is a business with a group annual turnover of less than £1 million at the time it refers the <i>complaint</i> to the <i>respondent</i>;</p> <p>(b) the <i>complaint</i> relates to a contract or <i>policy</i> entered into by or for the benefit of the complainant before 1 November 2009; and</p> <p>(c) if the <i>complaint</i> had been made immediately before 1 November 2009 the <i>respondent</i> was subject to, or participated in, the <i>Ombudsman's</i> jurisdiction in respect of the activity to which the <i>complaint</i> relates.</p>	From 1 November 2009	1 November 2009
22	DISP2.7.3R	G	<p>Transitional provision 21R applies together with the other eligibility <i>rules</i> in DISP 2.7. So, for example, a <i>person</i> who is an <i>eligible complainant</i> under the transitional provision, will not be an <i>eligible complainant</i> if the <i>complaint</i> does not arise from matters relevant to one of the relationships set out in DISP 2.7.6 R.</p>	From 1 November 2009	1 November 2009
23	DISP1.10A.1R	R	[deleted]		
24	DISP1.10A.1R	R	[deleted]		
25	DISP1.11.6AR	R	[deleted]		
26	DISP2.8.2R	R	[deleted]		
27	DISP1.10.5R	R	[deleted]		
27A	Amendments to DISP made in the Consumer Redress Schemes		<p>The amendments do not apply in relation to any <i>consumer redress scheme</i> imposed before the instrument came into force on a particular <i>firm</i>, or on a particular <i>payment service provider</i> or <i>electronic money issuer</i>, as envisaged by section 404F(7) of the <i>Act</i>.</p>	From 1 August 2011 indefinitely	1 August 2011

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
	Instrument 2011				
28	DISP 3.7.4 R	R	For a <i>complaint</i> referred to the <i>Financial Ombudsman Service</i> before 1 January 2012 the maximum money award which the <i>Ombudsman</i> may make is £100,000.	From 1 January 2012	1 January 2012
28A	The amendments to DISP 2.7.6 R (12) effected by the <i>Dispute Resolution: Complaints (Amendment No 4)</i> Instrument 2011	R	The amendments referred to in column (2) do not affect who is an <i>eligible complainant</i> for the purpose of DISP 2.7.6 R (12)(a) in respect of complaints that relate to acts or omissions that occurred before 1 January 2012.	From 1 January 2012	1 January 2012
29	DISP 1.10.2 R and DISP 1 Annex 1 R	R	Where a <i>firm</i> reports information on any <i>complaints</i> closed under a two-stage procedure before 1 July 2012, the <i>rules</i> and <i>guidance</i> in DISP 1.6.6 R , DISP 1.10.3 G (2) , DISP 1.10.7 R (3) , and DISP 1.10.8 G and DISP 1 Annex 1 R apply as they stood on 30 June 2012.	1 July 2012 to 31 December 2012	1 August 2009
30	DISP 1.10.2A R	R	Where a <i>firm</i> , which has a reporting period ending on or before 30 June 2013 submits its report to the <i>FCA</i> in accordance with the <i>complaints reporting rule</i> at DISP 1.10.2A R the number of <i>complaints</i> must be calculated for the period from the 31 December 2012 to the end of the <i>firm's</i> relevant reporting period.	31 December 2012 to 30 June 2013.	31 December 2012

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
31	DISP1.106AR	R	(1) A <i>firm</i> is not liable to pay the administrative fee in DISP 1.10.6A R in respect of a failure to submit a report in accordance with DISP 1.10.5 R for a relevant reporting period ending before 1 March 2012.	From 1 March 2012	1 March 2012
			(2) Relevant reporting period in (1) has the meaning in DISP 1.10.4 R.		
32	The changes to DISP 1.10 and DISP 1.10A set out in Annex K of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014	R	The changes referred to in column (2) to DISP 1.10 and DISP 1.10A do not apply until 1 October 2014.	1 April 2014 to 1 October 2014	1 April 2014
33	The changes to DISP 1.10 and DISP 1.10A	G	<i>Firms</i> are reminded that CONC 12.1.4 R provides that DISP 1.10 and DISP 1.10A (a) do not apply to a <i>person</i> with only an <i>interim permission</i> ; and (b) apply to a <i>firm</i> with an <i>interim permission</i> that is treated as a variation of <i>permission</i> with respect to <i>credit-related regulated activity</i> as if the changes to DISP 1.10 and DISP 1.10A effected by the Consumer Credit (Conse-	1 April 2014 to the date on which <i>interim permission</i> ceases to have effect	1 April 2014

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
set out in Annex K of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014	quantial and Supplementary Amendments) Instrument 2014 had not been made.	The effect of TP 32 and CONC 12.1.4 R is that:	<p>(1) for a <i>firm</i> with only an <i>interim permission</i>:</p> <p>(a) the reporting frequencies, submission deadlines and time limits for publication for the returns and complaints data summaries in DISP 1.10 and DISP 1.10A are calculated by reference to the <i>firm's</i> next <i>accounting reference date</i> that follows 1 October 2014 or, if later, the date on which the <i>firm's</i> application for <i>permission</i> to carry on <i>credit-related regulated activity</i> is granted;</p> <p>(b) the first complaints return in the form in DISP 1 Annex 1 R should cover <i>complaints</i> received in the period:</p> <p>(i) starting on either 1 October 2014 or, if later, on the date on which the <i>firm's</i> application for <i>permission</i> to carry on <i>credit-related regulated activity</i> is granted; and</p> <p>(ii) ending on either the <i>accounting reference date</i> or (if the frequency is twice a year and the start of the period under (i) is more than six months before the <i>accounting reference date</i>) the date that falls six months before the <i>firm's accounting reference date</i>.</p> <p>(2) For a <i>firm</i> with an <i>interim permission</i> that is treated as a variation of <i>permission</i>, where the relevant reporting period includes a period after the date on which the <i>firm's</i> application for a variation of <i>permission</i> to add <i>credit-related regulated activity</i> is granted (or, if that date is before 1 October 2014, where the relevant reporting period includes a period after 1 October 2014):</p>		

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
			<p>(a) the complaints return form should be submitted in the form in DISP 1 Annex 1 R as amended by Annex K of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014); and</p> <p>(b) items 35 to 46 of the form should cover <i>complaints</i> received from 1 October 2014 or, if later, from the date on which the <i>firm's</i> application for <i>permission</i> to carry on <i>credit-related regulated activity</i> is granted.</p>		
34	DISP 1.10 and DISP 1.10A	R	DISP 1.10 and DISP 1.10A do not apply to a <i>firm</i> with <i>permission</i> to carry on only one or more <i>credit-related regulated activities</i> (and no other <i>regulated activity</i>) until 1 October 2014.	1 April 2014 to 1 October 2014	1 April 2014
35	DISP 2.3.1R, DISP 2.3.2AR and DISP 2.3.2BR	R	<p>(1) Except where indicated otherwise, expressions used in this <i>rule</i> have the same meaning as they had in the Consumer Credit Act 1974 on 31 March 2014, before the amendments made to that Act by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013, the Financial Services Act 2012 (Consumer Credit) Order 2013, the Financial Services and Markets Act 2000 (Consumer Credit) (Miscellaneous Provisions) Order 2014, the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2014, the Consumer Credit Act 1974 (Green Deal) (Amendment) Order 2014, and the Financial Services and Markets Act 2000 (Consumer Credit) (Miscellaneous Provisions) (No. 2) Order 2014 came into force.</p> <p>(2) In DISP 2.3.1 R, DISP 2.3.2A R and DISP 2.3.2B R, references to an act or omission by a <i>firm</i>, <i>payment service provider</i> or <i>electronic money issuer</i> in carrying on <i>regulated activities</i> or <i>credit-related regulated activities</i> include an act or omission</p>	Indefinitely from 1 April 2014	1 April 2014

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
			<p>which took place before 1 April 2014 in carrying on any one of the following activities:</p> <ul style="list-style-type: none"> (a) providing credit or otherwise being a creditor under a regulated consumer credit agreement; (b) the bailment or (in Scotland) the hiring of goods or otherwise being an owner under a regulated consumer hire agreement; (c) credit brokerage in so far as it was the effecting of introductions of: <ul style="list-style-type: none"> (i) individuals desiring to obtain credit to persons carrying on a consumer credit business; or (ii) individuals desiring to obtain goods on hire to persons carrying on a consumer hire business; (d) in so far as they related to regulated consumer credit agreements or regulated consumer hire agreements: <ul style="list-style-type: none"> (i) debt-adjusting; (ii) debt-counselling; (iii) debt-collecting; or (iv) debt administration; (e) the provision of credit information services; or (f) the operation of a credit reference agency; where at the time of the act or omission complained of: (g) the <i>firm, payment service provider</i> or <i>electronic money issuer</i> was: <ul style="list-style-type: none"> (i) covered by a standard licence under the Consumer Credit Act 1974; or 		

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Hand-book provision: coming into force
			<ul style="list-style-type: none"> (ii) authorised to carry on an activity by virtue of section 34A of that Act; or (iii) in accordance with regulation 26(2) of the <i>Payment Services Regulations</i> or regulation 31 of the <i>Electronic Money Regulations</i> was not required to hold a licence for consumer credit business under section 21 of the Consumer Credit Act 1974; and (h) the activity was carried on in the course of a business of a type which was specified in accordance with section 226A(2)(e) of the <i>Act</i> (now repealed). 		
36	DISP 2.3.1 R	R	In DISP 2.3.1 R (4), in relation to an act or omission by a <i>firm</i> in lending <i>money</i> that took place before 1 April 2014, the reference to "(excluding <i>restricted credit</i> where that is not a <i>credit-related regulated activity</i>)" is to be read as a reference to "(excluding <i>restricted credit</i> where that is not an activity described in TP 35(2))".	Indefinitely from 1 April 2014	1 April 2014
37	DISP 2.3.1 R	R	In DISP 2.3.1 R (5), in relation to an act or omission by a <i>firm</i> in paying <i>money</i> by a <i>plastic card</i> that took place before 1 April 2014, the reference to "(excluding a <i>store card</i> where that is not a <i>credit-related regulated activity</i>)" is to be read as a reference to "(excluding a <i>store card</i> where that is not an activity described in TP 35(2))".	Indefinitely from 1 April 2014	1 April 2014

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2 Table Fee tariffs for industry blocks [deleted]

FCA

3 [deleted]

FCA

4 Payment Services Regulations 2009 transitioning payment institutions

- 1 R This TP applies in relation to a *person* who falls within regulation 122(1) (Transitional provisions: requirement to be authorised as a payment institution) or regulation 123(1) (Transitional provisions: requirement to be registered as a small payment institution) of the *Payment Services Regulations* (a "transitioning payment institution").
- 2 R This TP applies from 1 November 2009 until 30 April 2011.
- 3 R DISP 1 (Treating complainants fairly) applies in relation to a transitioning payment institution as if the transitioning payment institution were a *payment institution*.
- 4 R The *Ombudsman* can consider a *complaint* that relates to an act or omission by a transitioning payment institution under the *Compulsory Jurisdiction* if:
 - (1) it could consider that *complaint* under the *Compulsory Jurisdiction* if it related to a *payment institution*; and
 - (2) (where the transitioning payment institution is a *licensee*) the complaint relates to an act or omission in providing *payment services*.
- 5 G The effect of this transitional provision is to:
 - (1) apply to transitioning payment institutions as though they were *payment institutions* the complaints-handling requirements in DISP 1.1 to DISP 1.8; and
 - (2) to bring them within the scope of the *Compulsory Jurisdiction* to the same extent as *payment institutions*.
- 6 G *Complaints* relating to *payment services*, *consumer credit activities* or a combination of both can be considered under the *Compulsory Jurisdiction*. However, transitioning payment institutions that are *licensees* will remain subject to the *Consumer Credit Jurisdiction* for *complaints* that relate only to *consumer credit activities*.
- 7 R The rules and guidance in FEES 5.5.1R, 5.5.6 R, FEES 5.5.7 R, 5.5.15 R, 5.7.2 R, 5.9.1 R and 5.9.2 G shall apply to transitioning payment institutions and *persons* that cease to be transitioning institutions in the same way as they apply to *firms* and *firms* that cease to be authorised.

Dispute Resolution: Complaints

Schedule 2 Notification requirements

Sch 2.1 G

FCA

The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant requirements for notification and reporting.

It is not a complete statement of those requirements and should not be relied on as if it were.

Sch 2.1 G

FCA

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
DISP 1.1.12 R	<i>Firm</i> qualifies for exemption	Confirmation that a <i>firm</i> does not do business with <i>eligible complainants</i> and has no reasonable likelihood of doing so	Conditions in DISP 1.1.12 R apply	N/A
DISP 1.10.1 R (1)	Complaints report	Details	- 6 months preceding the <i>accounting reference date</i> - <i>accounting reference date</i>	30 <i>business days</i>
DISP 1.10.1 R (2)	Complaints report	Details	A year immediately following the <i>firm's accounting reference date</i>	30 <i>business days</i>
DISP 1.10.8 G	Single contact point	Details	At the time of authorisation or on subsequent change	Not specified
DISP 1.10A.4 R	Publication of <i>complaints</i> data summary/ total number of <i>complaints</i> (as appropriate)	Email confirmation of publication, containing also a statement that the data summary or total number of <i>complaints</i> (as appropriate) accurately reflects the report submitted to the <i>FCA</i> and stating where the summary /total number of <i>complaints</i> has been published	Upon publication of <i>complaints</i> data summary/ total number of <i>complaints</i> (as appropriate)	Immediately

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
DISP 1.11.5 R (1)	<i>Member</i> of Lloyd's qualifies for exemption	Confirmation by the <i>Society</i> of Lloyd's that a specified <i>member</i> of Lloyd's does not do business with <i>eligible complainants</i> and has no reasonable likelihood of doing so	[As above]	N/A
DISP 1.11.5 R (2)	End of exemption for <i>member</i> of Lloyd's	Confirmation by the <i>Society</i> of Lloyd's that the condition in DISP 1.1.7 no longer apply to a specified <i>member</i> of Lloyd's	Conditions in DISP 1.1.7 no longer apply	Not specified
DISP 1.11.6 R	Complaints report by <i>Society</i> of Lloyd's	Details	- 30 September - 31 March each year	One <i>month</i>
DISP 1.11.6D R	Publication of <i>complaints</i> data summary	Email confirmation of publication, containing also a statement that the data summary accurately reflects the report submitted to the <i>FCA</i> and stating where the summary has been published	Upon publication of <i>complaints</i> data summary	Immediate-ly

Credit Unions New sourcebook

Chapter 1

Introduction

1.1 Application and purpose

Application

1.1.1

FCA PRA

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(1) The Credit Unions sourcebook , for short, is the specialist sourcebook for .

(2) [deleted]

1.1.2

FCA PRA

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(1) *CREDS* covers only the requirements associated with a *Part 4A permission to accept deposits*. The Conduct of Business sourcebook (*COBS*) sets out additional requirements for *credit unions* that are *CTF providers* in relation to *cash deposit CTFs*.

(2) Other *permissions* are covered elsewhere in the *Handbook*. So, for example, a *credit union* seeking a *permission* to undertake a *regulated mortgage activity* would need to comply with the requirements in the Mortgages and Home Finance: Conduct of Business sourcebook (*MCOB*), and a *credit union* seeking a *permission* to undertake *insurance mediation activity* in relation to *non-investment insurance contracts* would need to comply with the requirements in the Insurance: Conduct of Business sourcebook (*ICOBS*).

(3) The provisions of the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (*MIPRU*) and the Interim Prudential sourcebook for Investment Businesses (*IPRU(INV)*) may also be relevant to a *credit union* whose *Part 4A permission* includes *insurance mediation activity* or *mortgage mediation activity* or which is a *CTF provider* with permission to carry on *designated investment business*.

1.1.2A

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A *credit union* seeking a *permission* to undertake a *credit-related regulated activity* would need to comply with the requirements in the Consumer Credit sourcebook (*CONC*).

1.1.3

FCA PRA

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Every *credit union* is either a *version 1 credit union* or a *version 2 credit union*. The *rules* relating to, for example, borrowing, the payment of dividends on shares, capital and lending to members are different depending on whether a *credit union* is a *version 1 credit union* or a *version 2 credit union*.

Purpose

1.1.4

FCA PRA

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CREDS sets out *rules* and *guidance* that are specific to *credit unions*. ■ *CREDS 10* refers to other more generally applicable provisions of the *Handbook* that are likely to be

relevant to *credit unions* with *Part 4A permission to accept deposits*. For details of these provisions, we would expect *credit unions* to access the full text in the *Handbook*.

1.1.5

FCA PRA

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The status of the provisions in *CREDS* is indicated by icons containing the letters R, G or E. Please refer to chapter [...] of the Reader's Guide for further explanation about the significance of these icons. The Reader's Guide can be found at <http://www.fca.org.uk/your-fca/documents/handbook/handbook-readers-guide>

requirements of ■ SYSC 4.1.1 R (see ■ CREDS 2.2.1 G and ■ CREDS 2.2.2 G). So, the committee of management has overall responsibility for:

- (a) establishing objectives and formulating a business plan;
- (b) monitoring the financial position of the *credit union*;
- (c) determining and documenting policies and procedures;
- (d) directing and coordinating the work of all *employees* and volunteers, and ensuring that they are capable and properly trained;
- (e) maintaining adequate reserves;
- (f) making provision for bad and doubtful debts;
- (g) recommending a dividend on shares to members subject to the *credit union's* financial position;
- (h) ensuring that the *credit union* complies with all statutory and regulatory requirements; and
- (i) ensuring that the *credit union* complies with the requirements of its registered rules.

(2) [deleted]

2.2.17

FCA PRA

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The committee of management should meet at least monthly.

Organisation

2.2.18

FCA PRA

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■ CREDS 2.2.12 G states that all *credit unions* should ensure appropriate segregation of duties. Duties should be segregated to prevent one individual from initiating, controlling, and processing a transaction (for example, both the approval and the payment of an invoice).

2.2.19

FCA PRA

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Responsibilities of connected *persons* (for example, relatives and other close relationships) should be kept entirely separate. They should not hold key posts at the same time as each other. Where this is unavoidable, a *credit union* should have a written policy for ensuring complete segregation of duties and responsibilities.

Documentation of systems of control

2.2.20

FCA PRA

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■ CREDS 2.2.8 R requires a *credit union's* system of control to be fully documented. The documentation helps the committee of management to assess if systems are maintained and controls are operating effectively. It also helps those reviewing the systems to verify that the controls in place are those that have been authorised, and that they are adequate for their purpose.

PAGE
5

2.2.21

FCA PRA

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- (1) The committee of management should decide what form this documentation should take, but the committee should have in mind the following points.
 - (a) Documents should be comprehensive: they should cover all material aspects of the operations of the *credit union*.
 - (b) Documents should be integrated: separate elements of the system should be cross-referred so that the system can be viewed as a whole.

- (c) Documents should identify risks and the controls established to manage those risks. The controls should be identified and their purpose defined so that their effectiveness can be evaluated.
 - (d) There should be named *persons* or posts for each control function and alternatives in case of absence.
 - (e) Documents should state how the operation of the control is evidenced. Evidence might include signatures, records and registers. Documents should also state for how long that evidence is to be retained, taking account of ■ SYSC 9.1.
 - (f) Documents should be unambiguous. Instructions should be clear and precise, avoiding expressions such as "normally" and "if possible".
 - (g) Documents should be practical and easy to consult and use when operating and reviewing systems.
 - (h) Documents should be up to date. There should be an accurate description of the function that the control is to address. When changes are made to the function, the appropriate systems of control need to be updated and documented at the same time.
- (2) The committee of management should, from time to time, seek confirmation that the systems of control are being complied with.

2.2.22
FCA PRA

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Documentation should not be restricted to "lower level" controls applied in processing transactions, but should also cover "high level" controls including:

- (1) identifying those powers to be exercised only by the committee of management, and the powers delegated to others;
- (2) the purpose, composition and reporting lines of sub-committees, and *senior managers* to whom responsibilities are delegated;
- (3) the specific roles and responsibilities of individual *officers*;
- (4) the timing, form and purpose of meetings of the committee of management and sub-committees, and the way in which policies and decisions are recorded and their implementation monitored.

2.2.23
FCA PRA

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The documentation of IT controls should be integrated within the overall documentation of a *credit union's* system of control.

Accounting records and systems

2.2.24
FCA PRA

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■ SYSC 9.1.1 R requires that a *credit union* takes reasonable care to make and retain adequate records of all matters governed by the *Act* or the *CCA*, secondary legislation under the *Act* or the *CCA*, or *rules* (including accounting records). These records should be capable of being reproduced in the English language and on paper.

2.2.25
FCA PRA

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A *credit union* should have appropriate systems in place to fulfil its obligations with respect to adequacy, access, periods of retention, and security of records.

9.2 Reporting

9.2.1

FCA

R

A *credit union* must provide the FCA , once a year, with a report in the format set out in ■ CREDS 9 Annex 1 R (Credit Union complaints return) which contains (for the relevant reporting period) information about:

- (1) the total number of *complaints* received by the *credit union*;
- (2) (for the product/service groupings within section 5) the number of *complaints* closed by the *credit union*:
 - (a) within eight weeks of receipt; and
 - (b) more than eight weeks after receipt;
- (2A) (for other lending or credit-related activity within section 5A) the number of *complaints* closed by the *credit union*;
- (3) the total number of *complaints*:
 - (a) upheld by the *credit union* in the reporting period;
 - (b) outstanding at the start of the reporting period; and
- (4) the total amount of redress paid in respect of *complaints* during the reporting period.

[Note: transitional provisions apply to this rule: see ■ CREDS TP 1.16, ■ CREDS TP 1 and ■ CONC 12.1.4 R.]

9.2.2

FCA

R

A *credit union* must not include in the report a *complaint* that has been forwarded in its entirety to another *respondent* under ■ DISP 1.7 (the complaints forwarding rules).

9.2.3

FCA

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Where a *credit union* has forwarded to another *respondent* only part of a *complaint* or where two *respondents* may be jointly responsible for a *complaint*, then the *complaint* should be reported by both *firms*.

9.2.4

FCA

R

■ CREDS 9.2.1 R does not apply to a *complaint* that is resolved by close of business on the *business day* following its receipt.

9.2.5

FCA

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For the purposes of ■ CREDS 9.2.4 R:

- (1) a *complaint* received on any day other than a *business day*, or after close of business on a *business day*, may be treated as received on the next *business day*; and
- (2) a *complaint* is resolved where the complainant has indicated acceptance of a response from the *credit union*, with neither the response nor acceptance having to be in writing.

9.2.6

FCA

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For the purpose of ■ CREDS 9.2.1 R, and upon completing the return, the *credit union* should note that:

- (1) where a *complaint* could fall into more than one category, the *complaint* should be recorded against the category that the *credit union* considers to form the main part of the *complaint*;
- (2) where a *complaint* has been upheld under ■ CREDS 9.2.1R (3)(a), a *credit union* should report any *complaints* to which it has given a *final response* which accepts the *complaint* and, where appropriate, offers redress, even if the redress offered is disputed by the complainant. Where a *complaint* is upheld in part, or where the *credit union* does not have enough information to make a decision yet chooses to make a goodwill payment to the complainant, the *credit union* should treat the *complaint* as upheld for reporting purposes. Where a *credit union* rejects a *complaint*, yet chooses to make an ex-gratia payment to the complainant, the *complaint* should be recorded as rejected;
- (3) where a *credit union* reports on the amount of redress paid under ■ CREDS 9.2.1R (4), redress should be interpreted to include any amount paid, or cost borne, by the *credit union*, where a cash value can be readily identified, and should include:
 - (a) amounts paid for distress and inconvenience;
 - (b) a free transfer out to another provider which transfer would normally be paid for;
 - (c) ex-gratia payments and goodwill gestures;
 - (d) interest on delayed settlements
 - (e) waiver of an excess on an insurance policy; and
 - (f) payments to put the consumer back into the position the consumer should have been in had the act or omission not occurred;
- (4) where a *credit union* reports on the amount of redress paid under ■ CREDS 9.2.1R (4), such redress should not, however, include repayments or refunds of premiums which had been taken in error (for example where a *credit union* had been taking, by direct debit, twice the actual premium amount due under a policy). The refund of the overcharge would not count as redress.

- 9.2.7**
FCA **R** For the purposes of ■ CREDS 9.2.1 R:
- (1) the relevant reporting period is from 1 April to 31 March each year; and
 - (2) reports are to be submitted to the *FCA* within one *month* of the end of the relevant reporting period.
- [Note: a transitional provision applies to this *rule*: see ■ CREDS TP 1.16.]
- 9.2.8**
FCA **G** Financial penalties may be imposed for the late submission of the complaints report required by ■ CREDS 9.2.1 R.
- 9.2.9**
FCA **R** For the purposes of making reports under ■ CREDS 9.2.1 R, a closed *complaint* is a *complaint*:
- (1) where the *credit union* has sent a *final response*; or
 - (2) where the complainant has positively indicated acceptance of the *credit union's* earlier response; or
 - (3) where the complainant has failed to revert to the *credit union* within eight weeks of the *credit union's* most recent letter.
- 9.2.10**
FCA **R** A report under this section must be given or addressed, and delivered, in the way set out in ■ SUP 16.3.6 R to ■ SUP 16.3.16 G (General provisions on reporting), except that, instead of the *credit union's* usual supervisory contact, the report must be given to or addressed for the attention of the Central Reporting team at the *FCA*.
- 9.2.11**
FCA **G** ■ SUP 16.3.14 R applies to the *credit unions'* complaints returns.
- 9.2.12**
FCA **R** For the purpose of inclusion in the public record maintained by the *FCA*, a *credit union* must provide the *FCA*, at the time of its *authorisation*, with details of a single contact within the *credit union* for complainants, and in its quarterly return must notify the *FCA* of any subsequent change.
- 9.2.13**
FCA **G** The contact point in ■ CREDS 9.2.1 R and ■ CREDS 9.2.12 R can be by name or job title and may include, for example, a telephone number.

Credit union complaints return

FCA

This annex consists only of one or more forms.

Credit union complaints return

Credit Unions sourcebook

CREDS TP 1 Transitional Provision

(1)	(2)	(3)	(4)	(5)	(6)
	Materials to which the transitional provision applies		Transitional Provision	Transitional provisions: dates in force	Hand-book provisions: coming in-to force
1 [FCA] [PRA]	CREDS 5.3.1 R	R	A <i>version 1 credit union</i> need not comply with CREDS 5.3.1 R until midnight on 30 September 2014. CREDS 8.3.1 R, as it was in force on 31 December 2011, will apply from the beginning of this transitional period until midnight on 30 September 2012. From midnight on that day until midnight on 30 September 2013, the <i>version 1 credit union</i> must at all times maintain a capital-to-total assets ratio of at least 1%. From midnight on 30 September 2013 until the end of this transitional period at midnight on 30 September 2014, the <i>version 1 credit union</i> must at all times maintain a capital-to-total assets ratio of at least 2%.	From midnight on 30 September 2012 to midnight on 30 September 2014	8 January 2012
2 [FCA] [PRA]	CREDS 6.3.2 R	R	A <i>version 2 credit union</i> need not comply with CREDS 6.3.2 R until midnight on 30 September 2014. From midnight on 30 September 2012 until midnight on 30 September 2013, the <i>version 2 credit union</i> must hold enough liquid assets to ensure that on no two consecutive quarter ends is the level of the <i>credit union's</i> liquid assets below 6% of its <i>total relevant liabilities</i> . From midnight on 30 September 2013, until the end of this transitional period at midnight on 30 September 2014, the <i>version 2 credit union</i> must hold enough liquid assets to ensure that on no two consecutive quarter ends is the level of the <i>credit union's</i> liquid assets below 8% of its <i>total relevant liabilities</i> .	From midnight on 30 September 2012 to midnight on 30 September 2014	8 January 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Materials to which the transitional provision applies		Transitional Provision	Transitional provisions: dates in force	Hand-book provisions: coming into force
3 [FCA] [PRA]	SUP 16.12.7 R	R	The change in the applicable due date for the submission by a <i>credit union</i> of an annual return under SUP 16.12.5 R from 7 months to 6 months does not apply to an annual return in respect of the financial year ending on or before 31 July 2012.	31 July 2012	8 January 2012
4 [FCA] [PRA]	SUP 16 Annex 14 R	R	SUP 16 Annex 14 R, as it was in force on 31 December 2011, continues to apply to: (i) quarterly returns for <i>credit unions</i> in respect of the quarter ending on or before 31 December 2011, and (ii) annual returns in respect of the financial year ending on or before 7 January 2012	8 January 2012	8 January 2012
5 [FCA] [PRA]	CREDS TPs 1, 2, 3 and 4	R	CREDS TPs 1, 2, 3 and 4 do not apply to <i>Northern Ireland credit unions</i> .	From 31 March 2012 for as long as the relevant TPs remain in force	For <i>Northern Ireland credit unions</i> 31 March 2012
6 [FCA] [PRA]	CREDS 2.2.4 R, CREDS 2.2.6 R, CREDS 2.2.8 R, CREDS 3.3.7 R, CREDS 6.2.4 R and CREDS 7.2.1 R	R	A <i>Northern Ireland credit union</i> need not comply with CREDS 2.2.4 R, CREDS 2.2.6 R, CREDS 2.2.8 R, CREDS 3.3.7 R, CREDS 6.2.4 R and CREDS 7.2.1 R.	From 31 March 2012 until 31 December 2012	For <i>Northern Ireland credit unions</i> 31 March 2012
7 [FCA] [PRA]	CREDS 3.2.1 R	R	A <i>Northern Ireland credit union</i> need not comply with CREDS 3.2.1 R with respect to any types of <i>investment</i> invested in prior to <i>credit unions day</i> provided those types of <i>investment</i> were permitted under the Credit Unions (Northern Ireland) Order 1985 and the Credit Unions (Authorised Investments) Regulations (Northern Ireland) 1995 prior to <i>credit unions day</i> .	From 31 March 2012 until 30 March 2013	For <i>Northern Ireland credit unions</i> 31 March 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Materials to which the transitional provision applies		Transitional Provision	Transition- al provi- sions: dates in force	Hand- book pro- visions: coming in- to force
8	CREDS 3.2.2 R R [FCA] [PRA]		A Northern Ireland credit union that is a <i>version 1 credit union</i> need not comply with CREDS 3.2.2 R with respect to any <i>securities</i> invested in, or loans made, in accordance with CREDS 3.2.1 R prior to <i>credit unions day</i> provided those <i>securities</i> or loans mature in accordance with the terms of the relevant agreement as at <i>credit unions day</i> . This transitional provision does not apply to any <i>securities</i> invested in, or loans made, in accordance with CREDS 3.2.1 R prior to <i>credit unions day</i> that satisfy the requirements in CREDS 3.2.2 R.	From 31 March 2012 until the ma- turity date of the <i>securi- ties</i> invested in or loans made	For North- ern Ireland <i>credit unions</i> 31 March 2012
9	CREDS 3.2.2 R R [FCA] [PRA]		A Northern Ireland credit union that is a <i>version 1 credit union</i> need not comply with CREDS 3.2.2 R with respect to any <i>securities</i> invested in, or loans made, in accordance with CREDS 3.2.1 R using surplus funds within one year from <i>credit unions day</i> and which in accordance with the terms of the relevant agree- ment have a maturity of up to three years.	From 31 March 2012 until 30 March 2013	For North- ern Ireland <i>credit unions</i> 31 March 2012
10	CREDS 3.2.3 R R [FCA] [PRA]		A Northern Ireland credit union that is a <i>version 2 credit union</i> need not comply with CREDS 3.2.3 R with respect to any <i>securities</i> invested in, or loans made, in accordance with CREDS 3.2.1 R prior to <i>credit unions day</i> provid- ed those <i>securities</i> or loans mature in accor- dance with the terms of the relevant agreement as at <i>credit unions day</i> . This transitional provi- sion does not apply to any <i>securities</i> invested in, or loans made, in accordance with CREDS 3.2.1 R prior to <i>credit unions day</i> that comply with CREDS 3.2.3 R.	From 31 March 2012 until the ma- turity date of the <i>securi- ties</i> invested in or loans made	For North- ern Ireland <i>credit unions</i> 31 March 2012
11	CREDS 4.4.1 R R [FCA] [PRA]		A Northern Ireland credit union need not comply with CREDS 4.4.1 R.	From 31 March 2012 until 30 March 2013	For North- ern Ireland <i>credit unions</i> 31 March 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Materials to which the transitional provision applies		Transitional Provision	Transitional provisions: dates in force	Hand-book provisions: coming into force
12 [PRA]	CREDS 5.3.3 R and CREDS 5.3.5 R	R	Where the requirements of CREDS 7.5.1 R, CREDS 7.5.2 R and CREDS 7.5.4 E would result in a <i>Northern Ireland credit union</i> having to make higher provision than would have been required prior to <i>credit unions day</i> , that <i>Northern Ireland credit union</i> need not comply with CREDS 5.3.3 R and CREDS 5.3.5 R to the extent that that <i>Northern Ireland credit union</i> may transfer out of its general reserve the amount of provision that is additional to the amount that would have been required prior to <i>credit unions day</i> . If a <i>Northern Ireland credit union</i> takes advantage of this transitional provision it must advise the <i>PRA</i> of the amount transferred by the due date of submission for submission of its next annual return. This provision applies even where the amount standing to the <i>Northern Ireland credit union's</i> general reserve is, or as a result of the transfer would be, less than 10% of total assets.	From 31 March 2012 until the due date for submission by that <i>Northern Ireland credit union</i> of its next annual return	For <i>Northern Ireland credit unions</i> 31 March 2012
13 [FCA] [PRA]	CREDS 7.3.1 R	R	A <i>Northern Ireland credit union</i> that is a <i>version 1 credit union</i> need not comply with CREDS 7.3.1 R with respect to any loan outstanding on <i>credit unions day</i> . That loan must be repaid in accordance with the terms as at <i>credit unions day</i> of the relevant loan agreement. This transitional provision does not apply to any loan outstanding on <i>credit unions day</i> that satisfies the requirements in CREDS 7.3.1 R.	From 31 March 2012 until the day the loan is repaid	For <i>Northern Ireland credit unions</i> 31 March 2012
14 [FCA] [PRA]	CREDS 7.3.4 R	R	A <i>Northern Ireland credit union</i> that is a <i>version 2 credit union</i> need not comply with CREDS 7.3.4 R with respect to any loan outstanding on <i>credit unions day</i> . That loan must be repaid in accordance with the terms as at <i>credit unions day</i> of the relevant loan agreement. This transitional provision does not	From 31 March 2012 until the day the loan is repaid	For <i>Northern Ireland credit unions</i> 31 March 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Materials to which the transitional provision applies		Transitional Provision	Transition- al provi- sions: dates in force	Hand- book pro- visions: coming in- to force
			apply to any loans outstanding on <i>credit unions day</i> that satisfies the requirements in CREDS 7.3.4 R.		
15 [PRA]	CREDS 7.4.2 R	R	A Northern Ireland credit union need not comply with CREDS 7.4.2 R with respect to any individual large <i>exposure</i> in existence on <i>credit unions day</i> or the aggregate total of all large <i>exposures</i> in existence on <i>credit unions day</i> . Those large <i>exposures</i> must be repaid in accordance with the terms of the agreement relating to the relevant large <i>exposure</i> as at <i>credit unions day</i> . This transitional provision does not apply to any individual large <i>exposure</i> in existence on <i>credit unions day</i> or the aggregate total of all large <i>exposures</i> in existence on <i>credit unions day</i> that comply with CREDS 7.4.2 R.	From 31 March 2012 until 30 March 2014 or the day the individual large <i>exposure</i> or the aggregate total of all large <i>exposures</i> satisfies the requirements in CREDS 7.4.2 R if earlier	For Northern Ireland <i>credit unions</i> 31 March 2012
16 [FCA]	CREDS 9.2.1 R and CREDS 9.2.7 R	R	A Northern Ireland credit union need not comply with the requirement to submit a return under CREDS 9.2.1 R until 30 April 2013, and the relevant reporting period under CREDS 9.2.7 R for this return is from 1 October 2012 to 31 March 2013.	From 31 March 2012 until 30 April 2013	For Northern Ireland <i>credit unions</i> 31 March 2012
17	SUP 16.12.5 R	R	A Northern Ireland credit union need not comply with the requirement to submit quarterly returns under SUP 16.12.5 R until 31 January 2013 for the period from 1 October to 31 December 2012.	From 31 March 2012 until 31 January 2013	For Northern Ireland <i>credit unions</i> 31 March 2012
18	SUP 16.12.5 R	R	A Northern Ireland credit union need not comply with the requirement to submit an annual return under SUP 16.12.5 R for the year end 30 September 2011.	From 31 March 2012 indefinitely.	For Northern Ireland <i>credit unions</i> 31 March 2012

(1)	(2)	(3)	(4)	(5)	(6)
	Materials to which the transitional provision applies		Transitional Provision	Transitional provisions: dates in force	Hand-book provisions: coming into force
17 [FCA]	The changes to CREDS 9.2.1 R and CREDS 9 Annex 1 R set out in Annex L of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014	R	The changes referred to in column (2) to CREDS 9.2.1 R and CREDS 9 Annex 1 R do not apply until 1 April 2015.	1 April 2014 to 31 March 2015	1 April 2014
18 [FCA]	The changes to CREDS 9.2.1 R and CREDS 9 Annex 1 R set out in Annex L of the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014	G	Under CREDS 9.2.7 R, the relevant reporting period is from 1 April to 31 March each year. The effect of (17) is, therefore, that the credit union complaints return in respect of the reporting period 1 April 2014 to 31 March 2015 should be in the format set out in CREDS 9 Annex 1 R as it stood before the changes to it by the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014 were made. The first occasion on which a <i>credit union</i> has to report <i>complaints</i> in the new format required by CREDS 9 Annex 1 R, as amended by the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014 is for the reporting period from 1 April 2015 to 31 March 2016.	1 April 2014 to 31 March 2015	1 April 2014

Consumer Credit sourcebook

Consumer Credit sourcebook

Consumer Credit sourcebook

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Chapter 1

Application and purpose and guidance on financial difficulties

1.1 Application and purpose

Application

1.1.1
FCA

G

- (1) The Consumer Credit sourcebook (CONC) is the specialist sourcebook for *credit-related regulated activities*.
- (2) CONC applies as described in this chapter, unless the application of a chapter, section or a *rule* is described differently in the chapters, sections or *rules* in CONC.

Purpose

1.1.2
FCA

G

The purpose of CONC is to set out the detailed obligations that are specific to *credit-related regulated activities* and activities connected to those activities carried on by *firms*. These build on and add to the high-level obligations, for example, in PRIN, GEN and SYSC, and the requirements in or under the CCA.

1.1.3
FCA

G

Firms are reminded that other parts of the *FCA Handbook* and *PRA Handbook* also apply to *credit-related regulated activities*. For example, the arrangements for supervising *firms*, including applicable reporting obligations, are described in the Supervision manual (SUP) and the detailed requirements for handling complaints are set out in the Dispute Resolution: Complaints sourcebook (DISP). The Client Assets sourcebook (CASS) also contains *rules* about client money that apply in certain circumstances.

The Principles for Businesses: a reminder

1.1.4
FCA

G

The Principles for Businesses (PRIN) apply as a whole to *firms* with respect to *credit-related regulated activities* and *ancillary activities* in relation to *credit-related regulated activities* (see ■ PRIN 3). In carrying on their activities, *firms* should pay particular attention to their obligations under:

- (1) *Principle 1* (a *firm* must conduct its business with integrity);
- (2) *Principle 2* (a *firm* must conduct its business with due skill, care and diligence);
- (3) *Principle 3* (a *firm* must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems);
- (4) *Principle 6* (a *firm* must pay due regard to the interests of its *customers* and treat them fairly);

- (5) *Principle 7* (a *firm* must pay due regard to the information needs of its *clients*, and communicate information to them in a way which is clear, fair and not misleading);
- (6) *Principle 9* (a *firm* must take reasonable care to ensure the suitability of its advice and discretionary decisions for any *customer* who is entitled to rely upon its judgment);
- (7) *Principle 10* (a *firm* must arrange adequate protection for *clients' assets* when it is responsible for them); and
- (8) *Principle 11* (a *firm* must deal with its regulators in an open and cooperative way, and must disclose to the *appropriate regulator* appropriately anything relating to the *firm* of which that regulator would reasonably expect notice).

1.2 Who? What? Where?

1.2.1

FCA

R

CONC applies:

- (1) unless otherwise stated in, or in relation to, a *rule*, to a *firm*:
 - (a) except where (b) applies, with respect to carrying on *credit-related regulated activities*;
 - (b) with respect to *operating an electronic system in relation to lending* in relation to a *borrower* or prospective *borrower* under a *P2P agreement*; and
- (2) with respect to activities connected to the activities in (a) and (b).

1.2.2

FCA

R

A *firm* must:

- (1) ensure that its employees and agents comply with CONC; and
- (2) take reasonable steps to ensure that other *persons* acting on its behalf comply with CONC.

Guidance on appointed representatives

1.2.3

FCA

G

- (1) Although CONC does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the *Act*). In determining whether a *firm* has complied with any provision of CONC, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the *Act*).
- (2) *Firms* should refer to ■ SUP 12 (Appointed representatives), which sets out requirements which apply to *firms* using *appointed representatives*.

1.2.4

FCA

G

The *credit-related regulated activities* comprise *consumer credit lending*, *credit broking*, *debt counselling*, *debt adjusting*, *debt administration*, *debt collecting*, *providing credit information services*, *providing credit references*, *operating an electronic system in relation to lending* and *consumer hiring*.

1.2.5

FCA

R

Where?

CONC, except in relation to ■ CONC 3, applies with respect to activities carried on by a *firm*:

- (1) with a *customer* whose habitual residence is in the UK from an *establishment* maintained by the *firm* (or its *appointed representative*) in the UK; or
- (2) with a *customer* whose habitual residence is in the UK from an *establishment* of the *firm* (or its *appointed representative*) outside the UK.

EEA territorial scope rule: compatibility with European law

1.2.6

FCA

R

- (1) CONC does not apply to an *incoming ECA provider* where, in providing a service, the provider is acting as such.
- (2) CONC applies to an *outgoing ECA provider* where, in providing a service, the provider is acting as such.
- (3) The territorial scope of CONC is otherwise modified to the extent necessary to be compatible with European law.
- (4) This *rule* overrides every other *rule* in this sourcebook.

Note: article 3(3) of, and the Annex to, the *E-Commerce Directive*

1.3 Guidance on financial difficulties

1.3.1
FCA

G

In CONC (unless otherwise stated in or in relation to a *rule*), the following matters, among others, of which a *firm* is aware or ought reasonably to be aware, may indicate that a *customer* is in financial difficulties:

- (1) consecutively failing to meet minimum *repayments* in relation to a credit card or store card;
- (2) adverse accurate entries on a credit file, which are not in dispute;
- (3) outstanding county court judgments for non-payment of debt;
- (4) inability to meet *repayments* out of disposable income or at all, for example, where there is evidence of non-payment of essential bills (such as, utility bills), the *customer* having to borrow further to repay existing debts, or the *customer* only being able to meet *repayments* of debts by the disposal of assets or security;
- (5) consecutively failing to meet *repayments* when due;
- (6) agreement to a *debt management plan* or other *debt solution*;
- (7) evidence of discussions with a *firm* (including a *not-for-profit debt advice body*) with a view to entering into a *debt management plan* or other *debt solution* or to seeking *debt counselling*.

Chapter 2

Conduct of business standards: general



2.1 Application

2.1.1

FCA

G

This chapter applies as stated in the sections which follow.



2.2 General principles for credit-related regulated activities

2.2.1
FCA

R This section applies to a *firm* with respect to *credit-related regulated activities*.

2.2.2
FCA

G *Principle 6* requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. Examples of behaviour by or on behalf of a *firm* which is likely to contravene *Principle 6* include:

- (1) targeting *customers* with *regulated credit agreements* which are unsuitable for them, by virtue of their indebtedness, poor credit history, age, health, disability or any other reason;
- (2) subjecting *customers* to high-pressure selling, aggressive or oppressive behaviour, or unfair coercion;
- (3) not allowing *customers* who are unable to make payments a reasonable time and opportunity to meet *repayments*;
- (4) taking steps to repossess a *customer's* home, other than as a last resort.

[Note paragraph 7.14 of *ILG* and 6.3 of *SCLG*]

[Note: paragraphs 2.3 of *ILG*, 2.2 of *CBG* and 2.3 of *DMG*]

Duty not to use misleading names

2.2.3
FCA

R A *firm* must not carry on a *credit-related regulated activity* under a name which is likely to mislead *customers* about the status of the *firm* or the nature of its business, or in any other way.

[Note: section 25(1AD) of *CCA*]

2.2.4
FCA

- G**
- (1) In relation to ■ CONC 2.2.3 R, an example of where a name may mislead is if the average *customer* of the *firm* is likely to be misled by the name of the *firm*.
 - (2) Examples of the matters concerning a *firm's* status or the nature of its business about which its name may mislead *customers* include:
 - (a) the identity or nature of the *firm*;
 - (b) its commercial or profit-seeking status;

- (c) its role, including any relationship with any other *person*;
- (d) the extent of its authority;
- (e) stating or implying that the *firm* is a public body or that it is related or connected in some way to a charitable, not-for-profit or governmental or local governmental organisation or to the courts;
- (f) the nature of the products or services supplied;
- (g) the cost of those products or services; and
- (h) the scale of the business including its geographical scope.

Effect on other rules and legislation

2.2.5

FCA

R

Any specific rule or piece of guidance in *CONC* is without prejudice to the application of *PRIN*, any other *rules* in the *Handbooks*, the *CCA* and secondary legislation made and things done under it, the Consumer Protection from Unfair Trading Regulations 2008, the Unfair Terms in Consumer Contracts Regulations 1999, Part 8 of the Enterprise Act 2002 and any other applicable consumer protection legislation.



2.3 Conduct of business: lenders and restrictions on provision of credit card cheques

Application

2.3.1 **R** This section applies to a *firm* with respect to *consumer credit lending*.
FCA

General conduct

2.3.2 **R** A *firm* must explain the key features of a *regulated credit agreement* to enable the *customer* to make an informed choice as required by
FCA ■ CONC 4.2.5 R (adequate explanations).

[Note: paragraph 2.2 of *ILG*]

2.3.3 **G** ■ CONC 6.7.2 R requires a *firm* to monitor a *customer's* repayment record and take appropriate action where there are signs of actual or possible repayment difficulties.
FCA

2.3.4 **R** A *firm* must take reasonable steps to satisfy itself that any *credit brokers* with whom the *firm* deals are *authorised persons* or *appointed representatives*.
FCA

[Note: paragraph 1.27 of *CBG*]

Provision of credit card cheques

2.3.5 **R** (1) A *firm* may provide *credit card cheques* only to a *customer* who has asked for them.
FCA

[Note: section 51A(2) of *CCA*]

(2) A *firm* may provide *credit card cheques* only on a single occasion in respect of each request that is made.

[Note: section 51A(3) of *CCA*]

(3) The number of *credit card cheques* provided in respect of a request must not exceed three (or, if less, the number requested).

[Note: section 51A(4) of *CCA*]

(4) Where a single request is made for the provision of *credit card cheques* in connection with more than one *credit-token agreement*,

(2) and (3) apply as if a separate request had been made for each agreement.

[Note: section 51A(5) of CCA]

- (5) Where more than one request for the provision of *credit card cheques* is made in the same document or at the same time:
- (a) they may be provided in respect of only one of the requests, but
 - (b) if the requests relate to more than one *credit-token agreement*, in relation to each agreement they may be provided only in respect of one of the requests made in relation to that agreement.

[Note: section 51A(6) of CCA]

- (6) This rule does not apply to *credit card cheques* provided in connection with a *credit-token agreement* that is entered into by the *customer* wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the *customer*.

[Note: section 51B(1) of CCA]

- (7) If a *credit-token agreement* includes a declaration made by the *customer* to the effect that the agreement is entered into as mentioned in (6), the agreement is treated for the purposes of (6) as having been so entered into.

[Note: section 51B(2) of CCA]

- (8) The declaration in (7) must be in the form and content set out in ■ CONC App 1 for the exemption relating to business.
- (9) Paragraph (7) does not apply if, when the agreement is entered into
- (a) the *lender*; or
 - (b) any *person* who has acted on behalf of the *lender* in connection with the entering into of the agreement;

knows, or has reasonable cause to suspect, that the agreement is not entered into as mentioned in (6).

[Note: section 51B(3) of CCA]

- (10) Where an agreement has two or more *lenders*, references in (9) to the *lender* are to any one or more of them.

[Note: section 51B(5) of CCA]



2.4 Credit references: conduct of business: lenders and owners

Application

2.4.1

FCA

R

This section applies:

- (1) to a *firm* with respect to *consumer credit lending*; or
- (2) to a *firm* with respect to *consumer hiring*.

Disclosure of name and address of credit reference agencies consulted

2.4.2

FCA

R

- (1) Not later than the *lender* ("L") informs a *credit broker* that L is not willing to make a *regulated credit agreement*, L must, unless L informs the *customer* directly that L is not willing to make the agreement, inform the *credit broker* of the name and address (including an appropriate e-mail address) of any *credit reference agency* from which L has, during the negotiations relating to the proposed agreement, applied for information about the financial standing of the *customer*.

[Note: regulation 2 of SI 1977/330]

- (2) Not later than the owner ("O") informs a *credit broker* that O is not willing to make a *regulated consumer hire agreement*, O must, unless O informs the *customer* directly that O is not willing to make the agreement, inform the *credit broker* of the name and address (including an appropriate e-mail address) of any *credit reference agency* from which O has, during the negotiations relating to the proposed agreement, applied for information about the financial standing of the *customer*.

[Note: regulation 2 of SI 1977/330]

Searching credit files

2.4.3

FCA

G

A *firm* undertaking a credit reference search should not leave evidence of an application on a credit file where a *customer* is not yet ready to apply. Where practicable, *firms* should facilitate *customers* shopping around for *credit* by offering a 'quotation search' facility.

[Note: paragraph 3.13 (box 2) of *ILG*]

2.5 Conduct of business: credit broking

Conduct of business: credit broking

2.5.1

FCA

R

This section applies to a *firm* with respect to *credit broking*.

2.5.2

FCA

G

The scope of *credit broking* for the introducing activities (article 36A(a) to (c) of the *Regulated Activities Order*) covers *regulated credit agreements* and *regulated consumer hire agreements*. But additionally in relation to credit agreements it covers introductions concerning exempt agreements under articles 60C to 60H of that Order (other than agreements under article 60F of that Order (exempt agreements: exemptions relating to the number of repayments to be made)). Additionally in relation to *consumer hire agreements*, it covers exempt agreements articles 60O and 60Q of that Order.

Conduct of business

2.5.3

FCA

R

A *firm* must:

- (1) where it has responsibility for doing so, explain the key features of a *regulated credit agreement* to enable the *customer* to make an informed choice as required by ■ CONC 4.2.5 R;

[Note: paragraphs 4.27 to 4.30 of *CBG* and 2.2 of *ILG*]

- (2) take reasonable steps to satisfy itself that a product it wishes to recommend to a *customer* is not unsuitable for the *customer's* needs and circumstances;

[Note: paragraph 4.22 of *CBG*]

- (3) advise a *customer* to read, and allow the *customer* sufficient opportunity to consider, the terms and conditions of a *credit agreement* or *consumer hire agreement* before entering into it;

[Note: paragraph 3.9I of *CBG*]

- (4) before referring the *customer* to a third party which carries on *regulated activities* or to a claims management service (within the meaning of section 4 of the Compensation Act 2006) or other services, obtain the *customer's* consent, after having

explained why the *customer's* details are to be disclosed to that third party;

[Note: paragraph 3.9r of CBG]

- (5) before effecting an introduction of a *customer* to a *lender* or *owner* in relation to a *credit agreement* or *consumer hire agreement*, or before entering into such an agreement on behalf of the *lender* or *owner*, disclose (where applicable) the fact that the *lender* or *owner* is linked to the *firm* by being a member of the same *group* as the *firm*;

[Note: paragraph 3.9y of CBG]

- (6) bring to the attention of a *customer* how the *firm* uses the *customer's* personal data it collects, in a manner appropriate to the means of communication used;

[Note: paragraph 3.9q of CBG]

- (7) provide *customers* with a clear and simple method to cancel their consent for the processing of their personal data;

[Note: paragraph 3.9u of CBG]

- (8) at the request of a *customer*, disclose from where the *customer's* personal data was obtained;

[Note: paragraph 3.9w of CBG]

- (9) take reasonable steps not to pass a *customer's* personal data to a business which carries on a *credit-related regulated activity* which has no *permission* for that activity.

[Note: paragraph 3.9x of CBG]

2.5.4

FCA

G

A *firm* may comply with ■ CONC 2.5.3 R (6) by presenting to the *customer* a privacy notice. The Information Commissioner's Office has prepared the Privacy Notices Code of Practice.

Conduct of business: credit references

2.5.5

FCA

R

Where a *credit broker* ("B") is a negotiator (within the meaning of section 56(1) of the CCA), B must, at the same time as B gives notice to a *customer*, under section 157(1) of the CCA (which relates to the duty to disclose on request the name and address of any *credit reference agency* consulted by B) also give the *customer* notice of the name and address of any *credit reference agency* of which B has been informed under ■ CONC 2.4.2 R.

[Note: regulation 3 of SI 1977/ 330]

2.5.6
FCA

R Where a *credit broker* ("B") is not a negotiator (within the meaning of section 56(1) of the CCA), B must, within seven *working days* after receiving a request in writing for any such information, which is made by a *customer* within 28 days after the termination of any negotiations relating to a *regulated credit agreement* or a *regulated consumer hire agreement* whether on the making of the agreement or otherwise, give to the *customer* notice of:

- (1) the name and address of any *credit reference agency* from which B has during those negotiations applied for information about the financial standing of the *customer*; and
- (2) the name and address of any *credit reference agency* of which B has been informed under ■ CONC 2.4.2 R.

[Note: regulation 4 of SI 1977/ 330]

Searching credit files

2.5.7
FCA

G A *firm* undertaking a credit reference search should not leave evidence of an application on a credit file where a *customer* is not yet ready to apply. Where practicable, *firms* should facilitate *customers* shopping around for *credit* by offering a 'quotation search' facility".

[Note: paragraph 3.13 (box 2) of ILG]

Unfair business practices: credit brokers

2.5.8
FCA

R A *firm* must not:

- (1) make or cause to be made unsolicited calls to numbers entered on the register kept under regulation 25 or 26 of the Privacy and Electronic Communications (EC Directive) Regulations 2003 or to a *customer* who has notified the *firm* not to call the number being used to call;

[Note: paragraph 3.9a of CBG]

- (2) other than where:
 - (a) the *firm* has obtained the contact details of a *customer* (C) in the course of the sale or negotiations for the sale of a product or service to C;
 - (b) the direct marketing is in respect of the *firm's* similar products and services only;
 - (c) C has been given a simple means of refusing (free of charge, except for the cost of the transmission of the refusal) the use of the contact details for the purposes of such direct marketing, at the time that the details were initially collected and, where C did not initially refuse the use of the details, at the time of each subsequent communication; and

- (d) the *firm* has previously explained that the following calls or *electronic communications* would be sent or made or caused to be sent or made by the *firm* and following that explanation C consented for the time being to such calls or communications;

send or cause to be sent an *electronic communication*, for the purposes of marketing, to C, or make or cause to be made by means of an automated calling system (which is capable of automatically initiating a sequence of calls to more than one destination in accordance with instructions stored in that system, and transmitting sounds which are not live speech for reception by persons at some or all of the destinations so called) a call to C, for the purposes of marketing;

[Note paragraph 3.9b of *CBG*]

- (3) make or cause to be made by means of an automated calling system (see paragraph (2)) a call to a *customer*, for the purposes of marketing, after the *firm* has received a request from the *customer* to stop doing so;

[Note: paragraph 3.9c of *CBG*]

- (4) send, or cause to be sent, an *electronic communication* to a *customer*, for the purposes of marketing, after the *firm* has received a request from the *customer* to stop doing so;

[Note: paragraph 3.9c of *CBG*]

- (5) visit a *customer* at a time that is known to be, or reasonably likely to be, inconvenient or particularly undesirable to the *customer*;

[Note: paragraph 3.9f of *CBG*]

- (6) refuse to end a visit to a *customer* or to leave the *customer's* home, when requested to do so;

[Note: paragraph 3.9g of *CBG*]

- (7) unfairly request, suggest or direct a *customer* to make contact on a premium rate telephone number;

[Note: paragraph 3.9h of *CBG*]

- (8) conduct a telephone call with a *customer* who has called on a premium rate number for an unreasonable period;

[Note: paragraph 3.9i of *CBG*]

- 2
- (9) inappropriately offer a financial or other incentive or inducement to a *customer* to enter, immediately or quickly, into a *credit agreement* or *consumer hire agreement* to which this section applies;

[Note: paragraph 3.9j of CBG]

- (10) effect an introduction to a *lender* or an *owner* or to another *credit broker*, where the *firm* has considered whether the *customer* might meet the relevant lending or hiring criteria and it is or should be apparent to the *firm* that the *customer* does not meet those criteria;

[Note: paragraph 3.9aa and 4.41i of CBG]

- (11) suggest to a *customer* that an application for credit will be met in full when a lower amount may be offered;

[Note: paragraph 4.26d of CBG]

- (12) secure more *credit* for a *customer* than was requested where the object of doing so is for, or can reasonably be concluded as having been for, the personal gain of the *firm* or of a *person* acting on its behalf, rather than in the best interests of the *customer*;

[Note: paragraph 4.26e of CBG]

- (13) give preference to the credit products of a particular *lender* where the object of doing so is for, or can reasonably be concluded as having been for, the personal gain of the *firm* or of a *person* acting on its behalf, rather than in the best interests of the *customer*;

[Note: paragraph 4.41k of CBG]

- (14) in relation to a payment protection product (the meaning of which is set out in ■ CONC 2.5.10 R) to the *credit agreement* or *consumer hire agreement* (whether the product is optional or required as a condition of the *credit agreement* or *consumer hire agreement*):

- (a) pressurise the *customer* to buy the product; or

[Note: paragraph 2.62, 2nd bullet of JGPPI]

- (b) offer undue incentives to the *customer* to buy the product;

[Note: paragraph 2.62, 2nd bullet of JGPPI]

- (15) in relation to an insurance product or service or other linked product or service to the *credit agreement* or *consumer hire agreement* (whether the service or product is optional or required as a condition of the *credit agreement* or *consumer hire agreement*) discourage or prevent the *customer* from seeking or obtaining the product or service from another source;

[Note: paragraph 4.26f of CBG]

- (16) encourage a *customer* to enter into a *credit agreement* which is secured in any way, to which this section applies, to replace an unsecured *credit agreement* or to consolidate other debts where the *firm* knows, or ought reasonably to know, that it is not in the best interests of the *customer*;

[Note: paragraph 4.26g of CBG]

- (17) unfairly encourage a *customer* to increase, consolidate or refinance (which expression has the same meaning as in ■ CONC 6.7.17 R) an existing debt to the extent that *repayments* under an agreement would be *unsustainable* for the *customer*;

[Note: paragraph 4.26h of CBG]

- (18) encourage a *customer* to take out additional *credit* or to extend the term of an existing *credit agreement* where to do so is, or is reasonably likely be, to the detriment of a *customer*;

[Note: paragraph 4.41h of CBG]

- (19) charge a fee to a *customer* for effecting an introduction (directly or indirectly) to a *lender* or *owner* that provides a type of *credit* or hire of a different type to that:

- (a) promised to the *customer*; or
- (b) promoted by the *firm* to the *customer*; or
- (c) which the *firm* is aware the *customer* is seeking;

unless the *customer*, after the *firm* has explained the reason for the fee, consents to such an introduction;

[Note: paragraph 4.17f of CBG]

- (20) take a fee from a *customer's* bank account without the *customer's* express authorisation to do so;

[Note: paragraph 4.17c of CBG]

2.5.9
FCA

G

(21) unfairly pass a *customer's* personal data to a third party without obtaining the *customer's* consent to do so after having explained the reason for disclosing the data;

[Note: paragraph 3.9s of CBG]

(22) unfairly pass a *customer's* personal data to a third party for a purpose other than that for which consent was sought and given.

[Note: paragraph 3.9t of CBG]

Guidance on unfair business practices

(1) It is likely to be an inappropriate offer of an inducement or incentive to enter into an *regulated credit agreement* or a *regulated consumer hire agreement* to state that the offer in relation to the agreement will be withdrawn or the terms and conditions of the offer will worsen if the agreement is not signed immediately or within a stated period after the communication, unless the *firm's* offer on those terms and conditions will in fact be withdrawn or worsen in the period indicated to the *customer*.

[Note: paragraph 3.9j (box) of CBG]

(2) An example of unfairly requesting, suggesting or directing a *customer* to a premium rate telephone number is likely to be to do so in relation to a *customer* wishing to complain about the *firm's* service or to request a refund, including, for example, under section 155 of the CCA.

[Note: paragraph 6.19f of CBG]

(3) It is unlikely to be reasonable for it to be necessary for a *customer* to make more than one telephone call exceeding 15 minutes to a *firm* to apply for *credit*. Where a longer call is required, the *firm* should ensure the call is not made on a premium rate telephone number.

[Note: paragraph 3.9i (box) of CBG]

(4) It is unlikely to be reasonable to request, suggest or direct a *customer* to call the *firm* repeatedly to check on the status of an application. A call to check on the status of an application should not last more than five minutes.

[Note: paragraph 3.9i (box) of CBG]

(5) A *firm* should disclose to a *customer* the amount, or likely amount, of any fee payable for its services as early as practicable in the *firm's* dealings with the *customer*. ■ CONC 4.4.2 R requires a *credit broker* to disclose any such fee agreed with the *customer* in writing or in another *durable medium*.

[Note: paragraphs 2.2, 7th bullet, 3.7l and 4.9 of CBG]

(6) Where a *firm* makes an introduction of the type referred to in ■ CONC 2.5.8 R (19) the *firm* should ensure that the *customer's* consent is preceded by a full explanation of the key features and key risks of the product to which the introduction applies.

[Note: paragraph 4.17f of CBG]

- (7) A *customer's* personal data must be processed fairly and lawfully and only for specified purposes. While it may be possible to pass sensitive personal data in specified and limited circumstances to certain third parties without the *customer's* consent where a condition of the Data Protection Act 1998 is satisfied, a *firm* (other than where it is under a statutory obligation to pass personal data to a third party) should generally seek the *customer's* consent before passing such personal data to a third party.

[Note: paragraph 3.9t (box) of CBG]

- (8) An example of where it is likely to be unfair for a *credit broker* in receipt of a *customer's* personal data to pass it to a third party, is where the personal data is passed on in return for a fee to a claims management firm, without the *customer's* consent.

2.5.10

FCA

R

In ■ CONC 2.5.8 R (14):

- (1) **payment protection product means a product or feature of a product designed to offer *customers* short-term protection against potential loss of income, by providing the means for them to meet (or temporarily suspend) their financial obligations including *repayments* under a *credit agreement*. Payment protection products include, in particular, short term income protection, debt freeze or debt waiver;**
- (2) **short-term income protection means a contract of insurance which provides a pre-agreed amount paid directly to the policyholder or the policyholder's nominee in the event that the policyholder experiences involuntary unemployment or incapacity as a result of accident or sickness and may be combined with other forms of insurance cover or include other benefits and which:**
 - (a) **has a maximum time-limited benefit duration;**
 - (b) **is written for a term which is less than 5 years and not predetermined by the term of any *credit agreement*; and**
 - (c) **can be terminated by the *insurer*.**

2.5.11

FCA

G

In ■ CONC 2.5.8 R (14) and ■ CONC 2.5.10 R (1), the protection offered by a payment protection product will typically be triggered by life events such as accident, sickness and/or unemployment, although other events may be covered where they impact on the *consumer's* ability to meet certain financial commitments. The triggering events will usually be specified in the agreement but may be subject to some discretion (by the provider) at the time of claim.



2.6 Conduct of business: debt counselling, debt adjusting and providing credit information services

Application

2.6.1
FCA

R This section applies to a *firm* with respect to:

- (1) *debt counselling*; or
- (2) *debt adjusting*; or
- (3) *providing credit information services*.

Conduct of business

2.6.2
FCA

R A *firm* must bring to the attention of a *customer* how the *firm* uses the *customer's* personal data it collects in a manner appropriate to the means of communication used.

[Note: paragraph 2.5e of *DMG*]

Unfair business practices

2.6.3
FCA

R A *firm* must not:

- (1) by any means, including during a visit to a *customer*, coerce or use pressure to sell its services;

[Note: paragraph 3.12o of *DMG*]

- (2) take advantage of a *customer's* lack of knowledge or understanding of the law relating to consumer credit or to insolvency or to otherwise dealing with debts in order to sell its services;

[Note: paragraph 3.12o of *DMG*]

- (3) in relation to a visit to a *customer*:
 - (a) make an appointment to visit or visit at a time which is unreasonable or inconvenient from the *customer's* point of view, unless the *consumer* expressly consents;

[Note: paragraph 3.15a of DMG]

- (b) refuse to end the visit, refuse to leave the *customer's* home or ignore the *customer's* request not to return there;

[Note: paragraph 3.15b of DMG]

- (c) make a visit which is unreasonably or unnecessarily long;

[Note: paragraph 3.15c of DMG]

- (4) conduct a telephone call with a *customer* who has called on a premium rate number for an unreasonable period.

[Note: paragraph 3.18x of DMG]

Guidance on unfair business practices

2.6.4

FCA

G

- (1) It is an offence for a *person* carrying on the business of *debt counselling, debt adjusting or providing credit information services* to canvass its services off trade premises under section 154 of the CCA. The definition of canvassing in section 153 of the CCA would include an unsolicited personal visit to a *customer's* home.

[Note: paragraph 3.13 of DMG]

- (2) Where a long telephone call is required, the *firm* should ensure the call is not made on a premium rate number.
- (3) It is unlikely to be reasonable for it to be necessary for a *customer* to make a call exceeding one hour to a *firm* in relation to *debt counselling* or *debt adjusting*. Where a call longer than 15 minutes is required for the *firm* to provide its service to the *customer*, the *firm* should ensure the call is not made on a premium rate phone number.
- (4) It is unlikely to be reasonable for a call by the *customer* to check on the status of the *customer's* case to last more than five minutes.

2.7 Distance marketing

Application

2.7.1

FCA

R

- (1) Subject to (2) and (3), this section applies to a *firm* that carries on any distance marketing activity from an establishment in the UK, with or for a *consumer* in the UK or another *EEA State*.
- (2) This section does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*.
- (3) This section does not apply to an activity in relation to a *consumer hire agreement*.

The distance marketing disclosure rules

2.7.2

FCA

R

- (1) Subject to (2), (3) and (4), a *firm* must provide a *consumer* with the distance marketing information (■ CONC 2 Annex 1R) in good time before the *consumer* is bound by a *distance contract* or offer.

[Note: regulation 7(1) of SI 2004/2095]

[Note: articles 3(1) and 4(5) of the *Distance Marketing Directive*]

- (2) Where a *distance contract* is also a contract for *payment services* to which the *Payment Services Regulations* apply, a *firm* is required to provide to the *consumer* only the information specified in rows 7 to 12, 15, 16 and 20 of ■ CONC 2 Annex 1R.
- (3) Paragraph (1) and the requirement to provide the abbreviated distance marketing information (■ CONC 2 Annex 2R) in ■ CONC 2.7.11 R do not apply to a *distance contract* which is also a *credit agreement* (other than an *authorised non-business overdraft agreement*) in respect of which the *firm* has disclosed the pre-contract credit information required by regulations 3, 4 or 5, as the case may be, and 7, of the *disclosure regulations* (information to be disclosed to a debtor before a regulated consumer credit agreement is made) in accordance with the *disclosure regulations*.

[Note: regulation 7(6) of SI 2004/2095]

- (4) Paragraph (1) and the requirement to provide the abbreviated distance marketing information (■ CONC 2 Annex 2) in ■ CONC 2.7.11 R do not apply to a *distance contract* which is also an *authorised non-business overdraft agreement* in respect of which:
- (a) the *firm* has disclosed the information required by regulation 10(2) of the *disclosure regulations* (authorised non-business overdraft agreements) by means of the European Consumer Credit Information form in accordance with the *disclosure regulations* and, unless ■ CONC 2.7.12 R would otherwise apply, a copy of the contractual terms and conditions;
 - (b) in the case of a voice telephony communication, the *firm* has:
 - (i) disclosed the information required by regulation 10(5) of the *disclosure regulations* in accordance with the *disclosure regulations*; and
 - (ii) provided a copy of the written agreement in accordance with section 61B(2)(b) of the CCA; or
 - (c) in the case of an agreement made using a means of distance communication, other than voice telephony communication, where a *firm* is unable to provide the information required by regulation 10(2) of the *disclosure regulations*, the *firm* has:
 - (i) provided a copy of the written agreement in accordance with section 61B(2)(c) of the CCA, and
 - (ii) unless ■ CONC 2.7.12 R would otherwise apply, in relation to the prospective *distance contract*, provided information which accurately reflects the contractual obligations which would arise under the law presumed to be applicable to that contract.

[Note: regulation 7(6) of SI 2004/2095]

2.7.3

FCA

R

A *firm* must ensure that the distance marketing information, the commercial purpose of which must be made clear, is provided in a clear and comprehensible manner in a way appropriate to the means of distance communication used with due regard, in particular, to the principles of good faith in commercial transactions and the legal principles governing the protection of those who are unable to give their consent.

[Note: regulation 7(2) and (3) of SI 2004/2095]

[Note: article 3(2) of the *Distance Marketing Directive*]

2.7.4
FCA

R When a *firm* makes a voice telephony communication to a *consumer*, it must make its identity and the purposes of its call explicitly clear at the beginning of the conversation.

[Note: regulation 7(4) of SI 2004/2095]

[Note: article 3(3)(a) of the *Distance Marketing Directive*]

2.7.5
FCA

R A *firm* must ensure that information on contractual obligations to be communicated to a *consumer* during the pre-contractual phase accurately reflects the contractual obligations which would result from the law presumed to be applicable to the *distance contract* if that contract is concluded.

[Note: regulation 7(5) of SI 2004/2095]

[Note: article 3(4) of the *Distance Marketing Directive*]

Terms and conditions, and form

2.7.6
FCA

R A *firm* must communicate to the *consumer* all the contractual terms and conditions and the information referred to in the distance marketing disclosure *rules* (■ CONC 2.7.2 R to ■ CONC 2.7.5 R) in a durable medium. That information must be made available and accessible to the *consumer* in good time before the *consumer* is bound by any *distance contract* or offer.

[Note: regulation 8(1) of SI 2004/2095]

[Note: articles 4(5) and 5(1) of the *Distance Marketing Directive*]

2.7.7
FCA

- G**
- (1) Activities in relation to a *consumer hire agreement* are not financial services within the meaning of the *Distance Marketing Directive* and do not fall within ■ CONC 2.7. Instead such agreements fall within the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).
 - (2) A *firm* will provide information, or communicate contractual terms and conditions, to a *consumer* if another *person* provides the information, or communicates the terms and conditions, to the *consumer* on its behalf.

Commencing performance of the distance contract

2.7.8
FCA

R The performance of the *distance contract* may only begin after the *consumer* has given approval.

[Note: article 7(1) of the *Distance Marketing Directive*]

Exception: successive operations

2.7.9
FCA

R In the case of a *distance contract* comprising an initial service agreement, followed by successive operations or a series of separate operations of the same nature performed over time, the *rules* in this chapter only apply to the initial agreement.

[Note: regulation 5(1) of SI 2004/2095]

[Note: article 1(2) of the *Distance Marketing Directive*]

2.7.10

FCA

R

- (1) If there is no initial service agreement but the successive or separate operations of the same nature performed over time are performed between the same contractual parties, the distance marketing disclosure *rules* (■ CONC 2.7.2 R to ■ CONC 2.7.5 R) will only apply:
 - (a) when the first operation is performed; and
 - (b) if no operation of the same nature is performed for more than a year, when the next operation is performed (the next operation being deemed the first in a new series of operations).

[Note: regulation 5(2) of SI 2004/2095]

[Note: recital 16 and article 1(2) of the *Distance Marketing Directive*]

- (2) In this section:
 - (a) "initial service agreement" includes the opening of a bank account or the making of a *credit-token agreement*;
 - (b) "operations" includes the deposit or withdrawal of funds to or from a bank account and payments by a credit card or a store card; and
 - (c) adding new elements to an initial service agreement, such as the ability to use an electronic payment instrument together with an existing retail banking service, does not constitute an "operation" but an additional contract to which the *rules* in this chapter apply.

[Note: regulation 5 of SI 2004/2095]

[Note: recital 17 of the *Distance Marketing Directive*]

Exception: voice telephony communications

2.7.11

FCA

R

In the case of voice telephony communication, and subject to the explicit consent of the *consumer*, only the abbreviated distance marketing information (■ CONC 2 Annex 2R) needs to be provided during that communication. However, unless another exception applies (such as the exemption for means of distance communication not enabling disclosure), a *firm* must still provide the distance marketing information (■ CONC 2 Annex 1R) in a *durable medium* that is available and accessible to the *consumer* in good time before the *consumer* is bound by any *distance contract* or offer.

[Note: regulation 7(4)(b) of SI 2004/2095]

[Note: articles 3(3)(b) and 5(1) of the *Distance Marketing Directive*]

2.7.12
FCA

R

Exception: means of distance communication not enabling disclosure

A *firm* may provide the distance marketing information (■ CONC 2 Annex 1R) and the contractual terms and conditions in a *durable medium* immediately after the conclusion of a *distance contract*, if the contract has been concluded at a *consumer's* request using a means of distance communication that does not enable the provision of that information in that form in good time before the *consumer* is bound by any *distance contract* or offer.

[Note: article 5(2) of the *Distance Marketing Directive*]

2.7.13
FCA

G

Exception: contracts for payment services

Where a *distance contract* covers both *payment services* and *non-payment services*, the exception in ■ CONC 2.7.2 R (2) applies only to the *payment services* aspects of the contract. A *firm* taking advantage of this exception will need to comply with the information requirements in Part 5 of the *Payment Services Regulations*.

2.7.14
FCA

R

Consumer's right to request paper copies and change the means of communication

At any time during the contractual relationship, the *consumer* is entitled, at request, to receive the contractual terms and conditions on paper. The *consumer* is also entitled to change the means of distance communication used unless this is incompatible with the contract concluded or the nature of the service provided.

[Note: regulation 8(2) and (4) of SI 2004/2095]

[Note: article 5(3) of the *Distance Marketing Directive*]

2.7.15
FCA

R

Unsolicited services

- (1) A *firm* must not enforce, or seek to enforce, any obligations under a *distance contract* against a *consumer* in the event of an unsolicited supply of services. The absence of a reply does not constitute consent.
- (2) This *rule* does not apply to the tacit renewal of a *distance contract*.

[Note: regulation 15 of SI 2004/2095]

[Note: article 9 of the *Distance Marketing Directive*]

2.7.16
FCA

R

Mandatory nature of consumer's right

If a *consumer* purports to waive any of the *consumer's* rights created or implied by the *rules* in this section, a *firm* must not accept that waiver, nor seek to rely on or enforce it against the *consumer*.

[Note: article 12 of the *Distance Marketing Directive*]

2.7.17

FCA

R

Contracts governed by law of a third party state

If a *firm* proposes to enter into a *distance contract* with a consumer that will be governed by the law of a country outside the *EEA*, the *firm* must ensure that the *consumer* will not lose the protection created by the *rules* in this section if the *distance contract* has a close link with the territory of one or more *EEA States*.

[Note: regulation 16(3) of SI 2004/2095]

[Note: articles 12 and 16 of the *Distance Marketing Directive*]

2

2.8 E-commerce

Application

2.8.1

FCA

R

This section applies to a *firm* carrying on an *electronic commerce activity* from an *establishment* in the UK with or for a *person* in the UK or another *EEA State*.

Information about the firm and its products or services

2.8.2

FCA

R

A *firm* must make at least the following information easily, directly and permanently accessible to the recipients of the *information society services* it provides:

- (1) its name;
- (2) the geographic address at which it is established;
- (3) the details of the *firm*, including its e-mail address, which allow it to be contacted rapidly and communicated with in a direct and effective manner;
- (4) an appropriate statutory status disclosure statement (■ GEN 4 Annex 1 R), together with a statement which explains that it is on the *Financial Services Register* and includes its firm reference number;
- (5) if it is a *professional firm*, or a *person* regulated by the equivalent of a *designated professional body* in another *EEA State*:
 - (a) the name of the professional body (including any *designated professional body*) or similar institution with which it is registered;
 - (b) the professional title and the *EEA State* where it was granted;
 - (c) a reference to the applicable professional rules in the *EEA State* of establishment and the means to access them; and

- (d) where the *firm* undertakes an activity that is subject to VAT, its VAT number.

[Note: article 5(1) of the *E-Commerce Directive*]

2.8.3
FCA

R If a *firm* refers to price, it must do so clearly and unambiguously, indicating whether the price is inclusive of tax and delivery costs.

[Note: article 5(2) of the *E-Commerce Directive*]

2.8.4
FCA

R A *firm* must ensure that commercial communications which are part of, or constitute, an *information society service*, comply with the following conditions:

- (1) the commercial communication must be clearly identifiable as such;
- (2) the *person* on whose behalf the commercial communication is made must be clearly identifiable;
- (3) promotional offers must be clearly identifiable as such, and the conditions that must be met to qualify for them must be easily accessible and presented clearly and unambiguously; and
- (4) promotional competitions or games must be clearly identifiable as such, and the conditions for participation must be easily accessible and presented clearly and unambiguously.

[Note: article 6 of the *E-Commerce Directive*]

2.8.5
FCA

R An unsolicited commercial communication sent by e-mail by a *firm* established in the *UK* must be identifiable clearly and unambiguously as an unsolicited commercial communication as soon as it is received by the recipient.

[Note: article 7(1) of the *E-Commerce Directive*]

Requirements relating to the placing and receipt of orders.....

2.8.6
FCA

R A *firm* must (except when otherwise agreed by parties who are not *consumers*):

- (1) give an *ECA recipient* at least the following information, clearly, comprehensibly and unambiguously, and prior to the order being placed by the recipient of the service:
 - (a) the different technical steps to follow to conclude the contract;
 - (b) whether or not the concluded contract will be filled in by the *firm* and whether it will be accessible;
 - (c) the technical means for identifying and correcting input errors prior to the placing of the order; and
 - (d) the languages offered for the conclusion of the contract;

- (2) indicate any relevant codes of conduct to which it subscribes and information on how those codes can be consulted electronically;
- (3) (when an *ECA recipient* places an order through technological means) acknowledge the receipt of the recipient's order without undue delay and by electronic means; and
- (4) make available to the *ECA recipient* appropriate, effective and accessible technical means allowing the recipient to identify and correct input errors prior to the placing of an order.

[Note: articles 10(1) and 11(1) and (2) of the *E-Commerce Directive*]

2.8.7
FCA

R For the purposes of ■ CONC 2.8.6 R (3), an order and an acknowledgement of receipt are deemed to be received when the parties to whom they are addressed are able to access them.

2.8.8
FCA

R Contractual terms and conditions provided by a *firm* to an *ECA recipient* must be made available in a way that allows the recipient to store and reproduce them.

[Note: article 10(3) of the *E-Commerce Directive*]

Exception: contract concluded by e-mail

2.8.9
FCA

R The requirements relating to the placing and receipt of orders (■ CONC 2.8.6 R) do not apply to contracts concluded exclusively by exchange of e-mail or by equivalent individual communications.

[Note: articles 10(4) and 11(3) of the *E-Commerce Directive*]



2.9 Prohibition of unsolicited credit tokens

Application

2.9.1

R

This section applies to any *firm*.

FCA

Prohibition

2.9.2

R

- (1) A *firm* must not give a *person* a *credit token* if he has not asked for it.

FCA

[Note: section 51 of CCA]

- (2) A request in (1) must be in a document signed by the *person* making the request, unless the *credit-token agreement* is a *small borrower-lender-supplier agreement*.
- (3) Paragraph (1) does not apply to the giving of a *credit token* to a *person*:
 - (a) for use under a *credit-token agreement* already made; or
 - (b) in renewal or replacement of a *credit token* previously accepted by that *person* under a *credit-token agreement* which continues in force, whether or not varied.

2.9.3

G

Section 51 of the CCA was repealed by article 20(15) of the Financial Services and Markets Act 2000 (Regulated Activities)(Amendment)(No 2) Order 2013 (SI 2013/1881). However, section 51 is saved for the purposes of regulation 52 of the *Payment Services Regulations*, the effect being that the section continues to apply in relation to a *regulated credit agreement* in place of regulation 58(1)(b) of the *Payment Services Regulations*.

FCA

2.10 Mental capacity guidance

Application

2.10.1

FCA

G

This section applies:

- (1) to a *firm*;
- (2) in relation to the following decisions:
 - (a) granting *credit* under a *regulated credit agreement*;
 - (b) significantly increasing the amount of *credit* under a *regulated credit agreement*; and
 - (c) setting a *credit limit* for *running account credit*.

2.10.2

FCA

G

- (1) The Mental Capacity Act 2005 sets out the legal framework concerning mental capacity for England and Wales. The Ministry of Justice has issued the Mental Capacity Act Code of Practice which, among other things, includes information on indications of mental capacity limitations and on how to assist people with making decisions.
- (2) The Adults with Incapacity (Scotland) Act 2000 provides the framework in Scotland for safeguarding the welfare and managing the finances of adults who lack capacity due to mental disorder or inability to communicate.
- (3) References in this section to a *firm's* knowledge, understanding, observation, suspicion, assumption or belief includes that of the *firm's* employees, *appointed representatives*, agents and any others who act on behalf of the *firm*.

[Note: footnote 2 of MCG]

- (4) In making a decision within ■ CONC 2.10.1 G, a *firm* should consider the *customer's* individual circumstances.

[Note: paragraph 2.4 of MCG]

Mental capacity

2.10.3

FCA

G

Mental capacity is a person's ability to make a decision. Whether or not a *customer* has the ability to understand, remember, and weigh up relevant information will

determine whether the *customer* is able to make a responsible borrowing decision based on that information.

[Note: paragraph 2.1 of MCG]

2.10.4

FCA

G

A *firm* should assume a *customer* has mental capacity at the time the decision has to be made, unless the *firm* knows, or is told by a *person* it reasonably believes should know, or reasonably suspects, that the *customer* lacks capacity.

[Note: paragraph 3.1 of MCG]

2.10.5

FCA

G

Where a *firm* reasonably suspects a *customer* has, or may have, some form of mental capacity limitation which would constrain the *customer's* ability to make a decision to borrow, the *firm* should not regard the *customer* as lacking capacity to make the decision unless the *firm* has taken reasonable steps without success to assist the *customer* to make a decision.

[Note: paragraph 3.2 of MCG]

2.10.6

FCA

G

Amongst the most common potential causes of mental capacity limitations are the following examples, a mental health condition, dementia, a learning disability, a developmental disorder, a neurological disability or brain injury and alcohol or drug (including prescribed drugs) induced intoxication.

[Note: paragraph 2.9 of MCG]

2.10.7

FCA

G

Where a *firm* understands or reasonably suspects a *customer* has a condition of a type in ■ CONC 2.10.6 G, this does not necessarily mean that the *customer* does not have the mental capacity to make an informed borrowing decision. See also ■ CONC 2.10.15 G.

[Note: paragraph 2.10 of MCG]

Indications that a person may have some form of mental capacity limitation

2.10.8

FCA

G

A *firm* is likely to have reasonable grounds to suspect a *customer* may have some form of mental capacity limitation if the *firm* observes a specific indication (behavioural or otherwise) that could be indicative of some form of limitation of the *customer's* mental capacity. Examples (amongst others) of indications might include:

- (1) where a *firm* has an existing relationship with a *customer*, the *customer* making a decision that appears to the *firm* to be unexpected or out of character;
- (2) a *person* who is likely to have an informed view of the matter, such as a relative, close friend, carer or clinician raising a concern with the *firm* as to the capacity of the *customer* to make a decision about borrowing;
- (3) the *firm* understands or has reason to believe the *customer* has been diagnosed as having an impairment which led to the *customer* not having had mental capacity for similar decisions in the past;
- (4) the *firm* understands or has reason to believe the *customer* does not understand what the *customer* is applying for;

- (5) the *firm* understands or has reason to believe the *customer* is unable to understand the information and explanations provided by the *firm*, in particular concerning the key risks of entering into the agreement;
- (6) the *firm* understands or has reason to believe the *customer* is unable to retain information and explanations provided by the *firm* to enable the *customer* to make the decision to borrow;
- (7) the *firm* understands or has reason to believe the *customer* is unable to weigh up the information and explanations provided by the *firm* to enable the *customer* to make the decision to borrow;
- (8) the *customer* is unable to communicate a decision to borrow by any reasonable means;
- (9) the *customer* being confused about the personal information that the *firm* requires, such as date of birth or address.

[Note: paragraphs 3.14 and 3.15 of MCG]

Practices and procedures

2.10.9
FCA

G

- (1) A *firm* should not unfairly discriminate against a *customer* who it understands, or reasonably suspects, has a mental capacity limitation, in particular, by inappropriately denying the *customer* access to *credit*. [Note: paragraph 4.8 of MCG]
- (2) It would not be inappropriate not to grant *credit* nor significantly increase the amount of *credit* under an agreement nor set a *credit* limit for running account credit where the *firm* reasonably believes the agreement or decision would be voidable at the instance of the *customer* or the agreement is void.

2.10.10
FCA

G

- (1) In accordance with *Principle 6*, *firms* should take reasonable steps to ensure they have suitable business practices and procedures in place for the fair treatment of *customers* who they understand, or reasonably suspect, have or may have a mental capacity limitation. [Note: paragraph 4.1 of MCG]
- (2) CONC 7.2.1R require *firms* to establish and implement arrears policies and procedures, which include policies and procedures for the fair and appropriate treatment of *customers* the *firm* understands or reasonably suspects of having mental capacity limitations.

2.10.11
FCA

G

A *firm* should document practices and procedures to set out the steps that it takes when it receives applications for *credit* from such *customers*.

[Note: paragraph 4.2 of MCG]

2.10.12
FCA

G

Where a *firm* understands, or reasonably suspects, a *customer* has or may have a mental capacity limitation the *firm* should use its business practices and procedures to:

- (1) assist the *customer*, where possible, to make an informed borrowing decision; and

- (2) ensure its lending decision is informed and responsible in the circumstances and mitigates the potential risks to the *customer*.

[Note: paragraphs 4.3 and 4.5 of MCG]

2.10.13

G

FCA

As stated in the Mental Capacity Act Code of Practice, it is important to balance a person's right to make a decision with that person's right to safety and protection when they are unable to make decisions to protect themselves.

[Note: paragraph 4.5 (box) of MCG]

2.10.14

G

FCA

Firms should present clear, jargon-free information in explaining *credit agreements* in a way that makes it as easy as possible for the *customer* to understand. *Firms* should consider ways to present information in alternative, more 'user-friendly' formats where it appears appropriate to do so, subject to compliance with the relevant statutory requirements.

[Note: paragraph 4.20 of MCG]

2.10.15

G

FCA

Where a *firm* knows, or reasonably suspects, that a *customer* has or may have one of the conditions in ■ CONC 2.10.6 G this could justifiably act as a trigger for the *firm* to consider the potential specific steps in giving effect to the *firm's* practices and procedures for assessing:

- (1) whether or not the *customer* appears able to understand, remember, and weigh up the information and explanations provided and, when having done so, make an informed borrowing decision;
- (2) whether the *customer* appears able to afford to make *repayments* under the *credit agreement* in a *sustainable* manner without adverse consequences to the *customer's* financial circumstances; and
- (3) whether the *credit* the *customer* is seeking is clearly unsuitable (given the *customer's* individual circumstances and, to the extent that the *firm* is aware, the *customer's* intended use of the *credit*).

[Note: paragraphs 2.5 and 2.11 of MCG]

2.10.16

G

FCA

Firms' practices and procedures should be designed to assist *customers* that *firms* understand have, or reasonably suspect of having, mental capacity limitations to overcome, to the extent possible, the effect of the limitations and place them, to the extent possible, on an equivalent basis to *customers* who do not have such limitations, to increase the likelihood of *customers* being able to make informed borrowing decisions.

[Note: paragraph 4.4 of MCG]

Allowing sufficient time for decisions

2.10.17

G

FCA

Where a *firm* understands, or reasonably suspects, a *customer* has or may have a mental capacity limitation it should consider allowing the *customer*:

- (1) sufficient time in the circumstances to weigh up the information and explanations the *firm* has given;
- (2) sufficient time in the circumstances to make an informed borrowing decision;

- (3) to defer a decision to borrow to a later date.

[Note: paragraphs 4.26, 4.27 and 4.28 of MCG]

Sustainability of borrowing

2

2.10.18

FCA

G

Where a *firm* understands, or reasonably suspects, a *customer* has or may have a mental capacity limitation it should apply a high level of scrutiny to the *customer's* application for *credit*, in order to mitigate the risk of the *customer* entering into *unsustainable* borrowing (see ■ CONC 5.2 and ■ CONC 5.3).

[Note: paragraphs 4.32 and 4.33 of MCG]

2.10.19

FCA

G

- (1) A *firm* should balance the risk of a *customer* taking on *unsustainable* borrowing against inappropriately or unnecessarily denying *credit* to a *customer*.
- (2) Where a *firm* understands or reasonably suspects a *customer* has or may have a mental capacity limitation, it should undertake an appropriate and effective *creditworthiness assessment* or assessment required by ■ CONC 5.2.2 R (1) and it would be appropriate not to place over-reliance on information provided by the *customer* for the assessment.

[Note: paragraph 4.34 of MCG]

2.10.20

FCA

G

Where a *firm* understands, or reasonably suspects, a *customer* has or may have a mental capacity limitation the *firm* should take particular care that the *customer* is not provided with *credit* which the *firm* knows, or reasonably believes, to be unsuitable to the *customer's* needs, even where the *credit* would be affordable.

[Note: paragraph 4.43 of MCG]

Distance marketing information

FCA

This Annex belongs to ■ CONC 2.7.2 R (The distance marketing disclosure rules)

Information about the firm

- (1) The name and the main business of the *firm*, the geographical address at which it is established and any other geographical address relevant for the *consumer's* relations with the *firm*.
- (2) Where the *firm* has a representative established in the *consumer's* EEA State of residence, the name of that representative and the geographical address relevant for the *consumer's* relations with that representative.
- (3) Where the *consumer's* dealings are with any professional other than the *firm*, the identity of that professional, the capacity in which he is acting with respect to the *consumer*, and the geographical address relevant to the *consumer's* relations with that professional.
- (4) The particulars of the public register in which the *firm* is entered, its registration number in that register and the particulars of the relevant supervisory authority, including an appropriate statutory status disclosure statement (GEN 4), a statement that the *firm* is on the *Financial Services Register* and its firm reference number.

Information about the financial service

- (5) A description of the main characteristics of the service the *firm* will provide.
- (6) The total price to be paid by the *consumer* to the *firm* for the financial service, including all related fees, charges and expenses, and all taxes paid through the *firm* or, where an exact price cannot be indicated, the basis for the calculation of the price enabling the *consumer* to verify it.
- (7) Where relevant, notice indicating that the service is related to instruments involving special risks related to their specific features or the operations to be executed, or whose price depends on fluctuations in the financial markets outside the firm's control and that past performance is no indicator of future performance.
- (8) Notice of the possibility that other taxes or costs may exist that are not paid via the *firm* or imposed by it.
- (9) Any limitations on the period for which the information provided is valid, including a clear explanation as to how long the *firm's* offer applies as it stands.
- (10) The arrangements for payment and performance.
- (11) Details of any specific additional cost to the *consumer* for using a means of distance communication.

Information about the contract

- (12) The existence or absence of any right to cancel under section 66A or 67 of the *CCA* or the cancellation *rules* in CONC 11.1 and, where there is such a right, its duration and the conditions for exercising it, including information on the amount which the *consumer* may be required to pay (or which may not be returned to the *consumer*) in accordance with those *rules*, as well as the consequences of not exercising the right to cancel.
- (13) The minimum duration of the contract, in the case of services to be performed permanently or recurrently.
- (14) Information on any rights the parties may have to terminate the contract early or unilaterally under its terms, including any penalties imposed by the contract in such cases.
- (15) Practical instructions for exercising any right to cancel, including the address to which any cancellation notice should be sent.
- (16) The *EEA State* or *States* whose laws are taken by the *firm* as a basis for the establishment of relations with the *consumer* prior to the conclusion of the contract.
- (17) Any contractual clause on the law applicable to the contract or on the competent court, or both.
- (18) In which language, or languages, the contractual terms and conditions and the other information in this Annex will be supplied and in which language, or languages, the *firm*, with the agreement of the *consumer*, undertakes to communicate during the duration of the contract.

Information about redress

- (19) How to complain to the *firm*, whether complaints may subsequently be referred to the *Financial Ombudsman Service* and, if so, the methods for having access to that body, together with equivalent information about any other applicable named complaints scheme
- (20) Whether compensation may be available from the *compensation scheme*, or any other named compensation scheme, if the *firm* is unable to meet its liabilities.

[Note: Recitals 21 and 23 to, and article 3(1) of, the *Distance Marketing Directive*]

Abbreviated distance marketing information

FCA

This Annex belongs to ■ CONC 2.7.11 R.

- (1) The identity of the *person* in contact with the *consumer* and his link with the *firm*.
- (2) A description of the main characteristics of the financial service.
- (3) The total price to be paid by the *consumer* to the *firm* for the financial service, including all taxes paid via the *firm* or, where an exact price cannot be indicated, the basis for the calculation of the price enabling the *consumer* to verify it.
- (4) Notice of the possibility that other taxes and/or costs may exist that are not paid via the *firm* or imposed by the *firm*.
- (5) The existence or absence of a right to cancel in accordance with the cancellation provisions or *rules* (in sections 66A or 67 of the *CCA* or in CONC 11.1) and, where the right to cancel exists, its duration and the conditions for exercising it, including information on the amount the *consumer* may be required to pay on the basis of the cancellation rules.
- (6) That other information is available on request and the nature of that information

[Note: article 3(3)(b) of the *Distance Marketing Directive*]

Chapter 3

Financial promotions and communications with customers



3.1 Application

[Note: Until 31 March 2015, transitional provisions apply to ■ CONC 3: see ■ CONC TP 6.1]

Who? What?

3.1.1
FCA

R This chapter, unless a *rule* in ■ CONC 3 specifies differently, applies to a *firm*.

3.1.2
FCA

G Under section 39(3) of the *Act*, a *firm* is responsible for *financial promotions communicated* by its *appointed representatives* when acting as such.

3.1.3
FCA

R This chapter, unless a *rule* in ■ CONC 3 specifies differently, applies to:

- (1) a communication with a *customer* in relation to a *credit agreement*;
- (2) the *communication* or *approval* for *communication* of a *financial promotion* in relation to a *credit agreement*;
- (3) a communication with a *customer* in relation to *credit broking*;
- (4) the *communication* or *approval* for *communication* of a *financial promotion* in relation to *credit broking*;
- (5) a communication with a *borrower* or a prospective *borrower* in relation to *operating an electronic system in relation to lending*; and
- (6) the *communication* or *approval* for *communication* of a *financial promotion* to a *borrower* or a prospective *borrower* in relation to *operating an electronic system in relation to lending*.

3.1.4
FCA

R The clear fair and not misleading *rule* in ■ CONC 3.3.1 R and the general requirements *rule* in ■ CONC 3.3.2 R and the *guidance* in ■ CONC 3.3.5 G to ■ CONC 3.3.11 G also, unless a *rule* or *guidance* in those paragraphs specifies differently, apply to:

- (1) a communication with a *customer* in relation to *debt counselling* or *debt adjusting*; and
- (2) the *communication* or *approval* for *communication* of a *financial promotion* in relation to *debt counselling* or *debt adjusting*.

3.1.5

FCA

R

■ CONC 3.3.1 R also applies to:

- (1) a communication with a *customer* in relation to a *consumer hire agreement*;
- (2) the *communication* or *approval* for *communication* of a *financial promotion* in relation to a *consumer hire agreement*; and
- (3) a communication with a *customer* in relation to *providing credit information services*.

3.1.6

FCA

R

■ CONC 3 does not apply to:

- (1) a *financial promotion* or a communication which expressly or by implication indicates clearly that it is solely promoting *credit agreements* or *consumer hire agreements* or *P2P agreements* for the purposes in each case of a *customer's* business;
- (2) a *financial promotion* or a communication to the extent that it relates to *qualifying credit*; or
- (3) an *excluded communication*.

3.1.7

FCA

R

- (1) ■ CONC 3 does not apply (apart from the provisions in (2)) to a *financial promotion* or communication that consists of only one or more of the following:
 - (a) the name of the *firm* (or its *appointed representative*);
 - (b) a logo;
 - (c) a contact point (address (including e-mail address), telephone, facsimile number and website address);
 - (d) a brief, factual description of the type of product or service provided by the *firm*.
- (2) The provisions in ■ CONC 3 which apply to a *financial promotion* or communication which falls within (1) are:
 - (a) ■ CONC 3.1, ■ CONC 3.5.1 R and ■ CONC 3.6.1 R (application);
 - (b) ■ CONC 3.3.1 R (clear, fair and not misleading);
 - (c) ■ CONC 3.3.3 R (credit regardless of status);

- (d) ■ CONC 3.5.3 R, ■ CONC 3.5.5 R, ■ CONC 3.6.6 R (requirement for representative example or typical APR etc);
- (e) ■ CONC 3.5.7 R (other financial promotions requiring a representative APR);
- (f) ■ CONC 3.5.12 R (restricted expressions) and ■ CONC 3.6.8 R (restricted expressions); and
- (g) any other *rules* in CONC which are necessary or expedient to apply the rules in (a) to (f).

3.1.8

FCA

G

■ CONC 3.1.7 R (1) does not enable detailed information to be given about *credit* available from the *firm*. *Firms* should note that the image advertising exclusion in ■ CONC 3.1.7 R (1) is subject to compliance with the *rules* specified in (2), including the *rules* which require the inclusion of a *representative APR* in specified circumstances. A name or logo may trigger the requirement to include a *representative APR*. *Firms* should not include any information not referred to in ■ CONC 3.1.7 R (1) and should avoid the use of names, logos or addresses, for example, which attempt to convey additional product or cost-related information.

Where?

3.1.9

FCA

R

This chapter applies to a *firm* in relation to:

- (1) a communication with, or the *communication* or *approval* for *communication* of a *financial promotion* to, a *person* in the UK;
- (2) the *communication* of an *unsolicited real time financial promotion*, unless it is made from a place, and for the purposes of a business which is only carried on, outside the UK; and
- (3) the *communication* or *approval* for *communication* of a *financial promotion* that is an *electronic commerce communication* to a *person* in an *EEA State* other than in the UK;

and for the purposes of the application of this chapter, it is immaterial whether the *credit agreement* or the *consumer hire agreement* to which the *financial promotion* or communication relates is subject to the law of a country outside the UK.



3.2 Financial promotion general guidance

3.2.1

FCA

G

The *rules* in this chapter adopt various concepts from the restriction on financial promotions by *unauthorised persons* in section 21(1) of the *Act* (Restrictions on financial promotion). *Guidance* on that restriction and the communications which are exempt from it is contained in ■ PERG 8 (Financial promotion and related activities) and that *guidance* will be relevant to interpreting these *rules*. In particular, *guidance* on the meaning of:

- (1) 'communicate' is in ■ PERG 8.6 (Communicate); and
- (2) 'invitation or inducement' and 'engage in investment activity' (two elements which, with 'communicate', make up the definition of 'financial promotion') is in ■ PERG 8.4 (Invitation or inducement).

3.2.2

FCA

G

The Privacy and Electronic Communications (EC Directive) Regulations 2003 apply to unsolicited telephone calls, fax messages and electronic mail messages for direct marketing purposes. The Information Commissioner's Office has produced guidance on the Regulations.



3.3 The clear fair and not misleading rule and general requirements

3.3.1
FCA

R

- (1) A *firm* must ensure that a communication or a *financial promotion* is clear, fair, and not misleading.

[Note: paragraphs 2.2 of *ILG*, 3.16 of *DMG* and 3.1 of *CBG*]

- (2) If, for a particular communication or *financial promotion*, a *firm* takes reasonable steps to ensure it complies with (1), a contravention does not give rise to a right of action under section 138D of the *Act*.

General requirements

3.3.2
FCA

R

A *firm* must ensure that a communication or a *financial promotion*:

- (1) uses plain and intelligible language;
- (2) is easily legible (or, in the case of any information given orally, clearly audible);
- (3) specifies the name of the *person* making the communication or *communicating* the *financial promotion* or the *person* on whose behalf the *financial promotion* is made; and
- (4) in the case of a communication or *financial promotion* in relation to *credit broking*, indicates to the *customer* the identity of the *lender* (where it is known).

[Note: paragraph 4.8a of *CBG*]

[Note: regulation 3 of *CCAR 2004* and regulation 3 of *CCAR 2010*]

3.3.3
FCA

R

A *firm* must not in a *financial promotion* or a communication to a *customer* suggest or state, expressly or by implication, that *credit* is available regardless of the *customer's* financial circumstances or status.

[Note: paragraphs 3.7o of *CBG* and 5.2 of *ILG*]

3.3.4

FCA

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- (1) A *firm's* trading name, internet address or logo, in particular, could fall within ■ CONC 3.3.3 R.

[Note: paragraph 5.2 (box) of *ILG*]

- (2) If *credit* is described as pre-approved, in accordance with ■ CONC 3.5.12 R the provision of the *credit* should be free of any conditions regarding the *customer's* credit status, and the *lender* or, in relation to a *P2P agreement* the *operator of an electronic system in relation to lending*, should have carried out the required assessment under ■ CONC 5.

Guidance on clear, fair and not misleading

3.3.5

FCA

G

A firm should ensure that each communication and each *financial promotion*:

- (1) is accurate and, in particular, should not emphasise any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks;
- (2) is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received;
- (3) does not disguise, diminish or obscure important information, statements or warnings; and
- (4) is clearly identifiable as such.

[Note: in relation to identifying marketing material as such, paragraphs 3.7p of *CBG* and 3.18q of *DMG*]

3.3.6

FCA

G

If a communication or a *financial promotion* names the *FCA*, *PRA* or both as the regulator of a *firm* and refers to matters not regulated by the *FCA*, *PRA* or both, the *firm* should ensure that the communication or *financial promotion* makes clear that those matters are not regulated by the *FCA*, *PRA* or both.

3.3.7

FCA

G

When *communicating* information, a *firm* should consider whether omission of any relevant fact will result in information given to the *customer* being insufficient, unclear, unfair or misleading.

3.3.8

FCA

G

If a communication or a *financial promotion* compares a product or service with one or more other products (whether or not provided by the *firm*), the *firm* should ensure that the comparison is meaningful and presented in a fair and balanced way.

3.3.9

FCA

G

A *firm* should in a *financial promotion* or other communication which includes a premium rate telephone number indicate in a prominent way the likely total cost of a premium rate call including the price per minute of a call, the likely duration of calls and the total cost a *customer* would incur if the *customer* calls for the full estimated duration.

[Note: paragraphs 3.9h of *CBG* and 3.18x (box) of *DMG*]

3.3.10
FCA

G

Unfair business practices: financial promotions and communications

Examples of practices that are likely to contravene the clear, fair and not misleading rule in ■ CONC 3.3.1 R include:

- (1) stating or implying that a *firm* is a *lender* (where this is not the case);
[Note: paragraph 3.7e (box) of CBG]
- (2) misleading a *customer* as to the availability of a particular *credit* product;
[Note: paragraph 3.9p of CBG]
- (3) concealing or misrepresenting the identity or name of the *firm*;
[Note: paragraph 3.7g (box) of CBG]
- (4) using false testimonials, endorsements or case studies;
[Note: paragraph 3.18s of DMG]
- (5) using false or unsubstantiated claims as to the *firm's* size or experience or pre-eminence;
[Note: paragraph 3.18t of DMG]
- (6) in relation to *debt solutions*, claiming or implying that a *customer* will be free of debt in a specified period of time or making statements emphasising a debt-free life or that a *debt solution* is a stress free or immediate solution;
[Note: paragraphs 3.18u and 3.18v of DMG]
- (7) providing online tools, which recommend a particular *debt solution* as suitable for a *customer*, such as, budget calculators or advice websites:
 - (a) which do not carry out a sufficiently full assessment of a *customer's* financial position; or
 - (b) which fail to provide clear warnings to a *customer* that financial data entered into a tool has to be accurate;
 [Note: paragraph 3.20c of DMG]
- (8) emphasising any savings available to a *customer* by proposing to reschedule a *customer's* debts, without explaining that a *lender* is not obliged to accept less in settlement of the *customer's* debts than it is entitled to, nor to freeze interest and charges and that the result may be to increase the *total amount payable* or the period over which it is to be paid and to impair the *customer's* credit rating;
[Note: paragraph 3.18l of DMG]
- (9) suggesting that a *customer's repayments* will be lower under a proposed agreement without also mentioning (where applicable) that the duration of the agreement will be longer or that the *total amount payable* will be higher.

[Note: paragraph 5.13 of *ILG*]

Guidance on misleading introductions

3.3.11

FCA

G

Misleading a *customer* as to the availability of a particular credit product is likely to include stating or implying that the *firm* will introduce the *customer* to a provider of a standard personal loan based on repayment by instalments or of an overdraft facility on a current account (for example, a bank or building society) or of a credit card, but instead introducing the *customer* to a provider of *high-cost short-term credit*.

[Note: paragraph 3.9p (box) of *CBG*]

3



3.4 Risk warning for high-cost short-term credit

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 3.4: see ■ CONC TP 31]

Risk warnings

3.4.1
FCA

R

(1) A *firm* must not *communicate* or *approve* for communication a *financial promotion* in relation to *high-cost short-term credit*, unless it contains the following risk warning:

"Warning: Late repayment can cause you serious money problems. For help, go to moneyadvice.service.org.uk".

(2) The risk warning in (1) must be included in a *financial promotion* contained in an *electronic communication* unless by reason of the limited space available on the medium in question it is not reasonably practicable to include the warning.

(3) Instead of the website address in paragraph (1), a *firm* may include the Money Advice Service's logo registered community trade mark number EU009695909.

(4) The risk warning must be included in a *financial promotion* in a prominent way.

3.4.2
FCA

G

The Money Advice Service has granted a licence to use the logo referred to in ■ CONC 3.4.1 R (3) for the purposes of that rule. The terms of the licence are available from the Money Advice Service.



3.5 Financial promotions about credit agreements not secured on land

Application

3.5.1
FCA

R

This section applies:

- (1) to a *financial promotion* in relation to *consumer credit lending*;
- (2) to a *financial promotion* in relation to *credit broking* in relation to *regulated credit agreements*;
- (3) to a *financial promotion* in relation to activities specified in article 36A(1)(a) or (c) of the *Regulated Activities Order* in relation to what would be *regulated credit agreements* but for a *relevant provision*, but only where the *firm* also carries on such activities in relation to *regulated credit agreements*;

and in each case, other than to *financial promotions* to the extent that they relate to agreements secured on *land*.

Prohibition on financial promotion where goods etc. not sold for cash

3.5.2
FCA

R

A *financial promotion* must not be *communicated* where it indicates a *firm* is willing to provide *credit* under a regulated *restricted-use credit agreement* relating to *goods* or services to be supplied by any *person*, when at the time the *financial promotion* is *communicated*, the *firm* or any *supplier* under such an agreement does not hold itself out as prepared to sell the *goods* or provide the services (as the case may be) for cash.

[Note: section 45 of CCA]

Content of financial promotions

3.5.3
FCA

R

- (1) Where a *financial promotion* includes a rate of interest or an amount relating to the *cost of credit* whether expressed as a sum of money or a proportion of a specified amount, the *financial promotion* must also:
 - (a) include a representative example in accordance with
 - CONC 3.5.5 R, and

- (b) specify a postal address at which the *person* making the *financial promotion* may be contacted.

[Note: regulation 4(1) of CCAR 2010]

- (2) Paragraph (1)(a) does not apply where the *financial promotion*:
 - (a) falls within ■ CONC 3.5.7 R; and
 - (b) does not indicate a rate of interest or an amount relating to the *cost of credit* other than the *representative APR*.

[Note: regulation 4(2) of CCAR 2010]

- (3) Paragraph (1)(b) does not apply to *financial promotions*:
 - (a) communicated by means of television or radio broadcast; or
 - (b) in any form on the premises of a *dealer* or *lender*, other than *financial promotions* in writing which *customers* are intended to take away; or
 - (c) which include the name and address of a *dealer*; or
 - (d) which include the name and postal address of a *credit broker*.

[Note: regulation 4(1)b of CCAR 2010]

Guidance on showing interest rates and cost of credit

3.5.4
FCA

G

A rate of interest for the purpose of ■ CONC 3.5.3 R (1) is not limited to an annual rate of interest but would include a *monthly* or daily rate or an *APR*. It would also include reference to 0% credit. An amount relating to the *cost of credit* would include the amount of any fee or charge, or any *repayment of credit* (where it includes interest or other charges).

[Note: paragraph 6.7 of BIS Guidance on regulations implementing the *Consumer Credit Directive*]

Representative example

3.5.5
FCA

R

- (1) The representative example in ■ CONC 3.5.3 R (1) must comprise the following items of information:
 - (a) the rate of interest, and whether it is fixed or variable or both, expressed as a fixed or variable percentage applied on an annual basis to the amount of *credit* drawn down;
 - (b) the nature and amount of any other charge included in the *total charge for credit*;
 - (c) the *total amount of credit*;
 - (d) the *representative APR*;

- (e) in the case of *credit* in the form of a deferred payment for specific *goods*, services, *land* or other things, the *cash price* and the amount of any *advance payment*;
- (f) the duration of the agreement;
- (g) the *total amount payable*; and
- (h) the amount of each *repayment of credit*.

[Note: regulation 5(1) of CCAR 2010]

[Note: article 4 of the *Consumer Credit Directive*]

- (2) The items of information required by (1)(a), (b), (c), (e), (f) and (g) must be those which the *firm communicating or approving the financial promotion* reasonably expects at the date on which the *financial promotion* is made to be representative of *credit agreements* to which the *representative APR* applies and which are expected to be entered into as a result of the promotion.

[Note: regulation 5(2) of CCAR 2010]

- (3) For (1)(e), the reference in (2) to "*credit agreements* to which the *representative APR* applies" is to agreements providing *credit* for the purchase of specific *goods*, services, *land* or other things, to which the *representative APR* applies.

[Note: regulation 5(3) of CCAR 2010]

- (4) For the purposes of (1)(a), where the *credit agreement* provides for different ways of drawdown with different rates of interest, the rate of interest shall be assumed to be the highest rate applied to the most common drawdown mechanism for the product to which the agreement relates.

[Note: regulation 5(4) of CCAR 2010]

- (5) The information required by (1) must be:
 - (a) specified in a clear and concise way;
 - (b) accompanied by the words "representative example";
 - (c) presented together with each item of information being given equal prominence; and
 - (d) given greater prominence than:
 - (i) any other information relating to the *cost of credit* in the *financial promotion*, except for any statement relating to an obligation to enter into a contract for an *ancillary service* referred to in ■ CONC 3.5.10 R; and

- (ii) any indication or incentive of a kind referred to in ■ CONC 3.5.7 R.

[Note: regulation 5(6) of CCAR 2010]

- (6) A *financial promotion* for a *credit agreement* with no fixed duration is not required to include the duration of the agreement or the *total amount payable* or the amount of each *repayment of credit*.

[Note: regulation 5(1)f of CCAR 2010]

- (7) A *financial promotion* for an *authorised non-business overdraft agreement* is not required to include a *representative APR*.

[Note: regulation 5(5) of CCAR 2010]

Guidance on the representative example

3.5.6
FCA

G

- (1) The representative example in ■ CONC 3.5.5 R should not be limited to being representative of agreements featured in the *financial promotion* if the *firm communicating* or *approving* the *financial promotion* expects other agreements to be entered into as a result of the *financial promotion*, whether with the *firm* or with a third party.

[Note: paragraph 6.8 of BIS Guidance on regulations implementing the *Consumer Credit Directive*]

- (2) Where the agreement provides for compounding, the rate of interest in ■ CONC 3.5.5 R (1) should generally be the effective annual interest rate and *lenders* should use the same assumptions to calculate this interest rate as they do for the *APR*; the assumptions set out in ■ CONC App 1.2. If a *firm* uses a different rate to calculate the rate of interest in ■ CONC 3.5.5 R (1) it must clearly explain this to the *customer*, so that the *customer* is clear whether and to what extent the rate used is comparable with rates shown by other *lenders*.

[Note: paragraph 6.13 of BIS Guidance on regulations implementing the *Consumer Credit Directive*]

- (3) If a rate of interest or a charge applies for only a limited period, the duration of the period and the rate or amount following that period, if known or ascertainable, should be shown.

[Note: paragraph 6.13 of BIS Guidance on regulations implementing the *Consumer Credit Directive*]

- (4) For charges other than interest which are included in the *total charge for credit*, the *financial promotion* should in each case make clear the nature of the charge and the amount of the charge if ascertainable or a reasonable estimate of the charge, making clear in that case it is an estimate.

[Note: paragraph 6.13 of BIS Guidance on regulations implementing the *Consumer Credit Directive*]

- (5) The *total amount of credit* equates to the sum available to the *customer* to use and does not include charges which are financed by the *credit agreement*; those are part of the *total charge for credit*.
- (6) For showing the *cash price*, the total *cash price* of all items should be shown, together with the price of each item individually.

Other financial promotions requiring a representative APR

3.5.7

FCA

R

- (1) A *financial promotion* must include the *representative APR* if it:
 - (a) indicates in any way, including by means of the name given to the business or the product or of an address used by a business for the purposes of electronic communication, that:
 - (i) *credit* is available to persons who might otherwise consider their access to *credit* restricted; or
 - (ii) any of the terms on which *credit* is available is more favourable (either for a limited period or generally) than corresponding terms applied in any other case or by any other *lenders* or
 - (iii) the way in which the *credit* is offered is more favourable (either for a limited period or generally) than corresponding ways used in any other case or by any other *lenders*; or

[Note: regulation 6 of CCAR 2010]

- (b) includes an incentive (including but not limited to gifts, special offers, discounts and rewards) to apply for *credit* or to enter into an agreement under which *credit* is provided;
 - (c) includes an incentive (in the form of a statement about the speed or ease of processing, considering or granting an application, or of making funds available) to apply for *credit* or to enter into an agreement under which *credit* is provided.
- (2) The *representative APR* must be given greater prominence than any indication or incentive in (1).
 - (3) This rule does not apply to a *financial promotion* for an *authorised non-business overdraft agreement*.

PAGE 15

3.5.8

FCA

G

Whether or not a reference to speed or ease in ■ CONC 3.5.7 R (1)(c) constitutes an incentive to apply for *credit* or enter into an agreement under which *credit* is provided would depend upon the circumstances, including whether it is likely to persuade or influence a *customer* to take those steps or is merely a factual statement about the product or service.

3.5.9
FCA

R

Annual percentage rate of charge

In a *financial promotion*:

- (1) an *APR* must be shown as "%APR";
- (2) where an *APR* is subject to change it must be accompanied by the word "variable"; and
- (3) the *representative APR* must be accompanied by the word "representative".

[Note: regulation 7 of CCAR 2010]

3.5.10
FCA

R

Ancillary services

- (1) A *financial promotion* must include a clear and concise statement in respect of any obligation to enter into a contract for an *ancillary service* where:
 - (a) the conclusion of that contract is compulsory in order to obtain the *credit* or to obtain it on the terms and conditions promoted; and
 - (b) the cost of that *ancillary service* cannot be determined in advance.

[Note: regulation 8 of CCAR 2010]

- (2) The statement in (1) must:
 - (a) be no less prominent than any information in **■ CONC 3.5.5 R (1)** included in the *financial promotion*; and
 - (b) be presented together with any *representative APR* included in the *financial promotion*.
- (3) This *rule* does not apply to a *financial promotion* for an *authorised non-business overdraft agreement*.

3.5.11
FCA

R

Security

Where a *financial promotion* concerns a facility for which *security* is or may be required, the promotion must:

- (1) state that *security* is or may be required; and
- (2) specify the nature of the *security*.

[Note: regulation 9 of CCAR 2010]

Restricted expressions

3.5.12

FCA

R

- (1) A *financial promotion* must not include:
- (a) the word "overdraft" or any similar expression as describing any agreement for *running-account credit*, except where an agreement enables a *customer* to overdraw on a current account;
 - (b) the expression "interest free" or any similar expression indicating that a *customer* is liable to pay no greater amount in respect of a transaction financed by *credit* than he would be liable to pay as a cash purchaser for the like transaction, except where the *total amount payable* does not exceed the *cash price*;
 - (c) the expression "no deposit" or any similar expression, except where no *advance payments* are to be made;
 - (d) the expression "loan guaranteed", "pre-approved" or "no credit checks" or any similar expression, except where the agreement is free of any conditions regarding the credit status of the *customer*; or
 - (e) the expression "gift", "present" or any similar expression, except where there are no conditions which would require the *customer* to repay the *credit* or to return the item that is the subject of the claim.

[Note: regulation 10 of CCAR 2010]

- (2) A *financial promotion* must not include for a *repayment* of *credit* the expression "weekly equivalent" or any expression to like effect or any expression of any other periodical equivalent, unless weekly *repayments* or the other periodical payments are provided for under the agreement.
- (3) In this *rule*, "cash purchaser" means a person who, for money consideration, acquires *goods, land* or other things or is provided with services under a transaction which is not financed by *credit*.

Total charge for credit and APR

3.5.13

FCA

R

- (1) Where a *financial promotion* is about *running-account credit* and the *credit limit* applicable is not yet known on the date the *financial promotion* is made, but it is known that it will be less than £1,200, the *credit limit* must be assumed to be an amount equal to that maximum limit.

[Note: paragraph 1 of schedule to CCAR 2010]

- (2) The assumption in (1) applies in place of the assumption in ■ CONC App 1.2.5 R for the purpose of calculating the *total charge for credit*.

Total charge for credit and APR: tolerances for APR

- (3) For a *financial promotion*, it is sufficient to show an APR if there is included in the promotion:
- (a) a rate which exceeds the APR by not more than one; or
 - (b) a rate which falls short of the APR by not more than 0.1; or
 - (c) where applicable, a rate determined in accordance with (4) or (5).

[Note: paragraph 2 of schedule to CCAR 2010]

Total charge for credit and APR: tolerance where repayments are nearly equal

- (4) Where an agreement under which all *repayments* but one are equal and that one *repayment* does not differ from any other *repayment* by more whole pence than there are *repayments of credit*, there may be included in a *financial promotion* about the agreement a rate found under ■ CONC App 1.2.4 R as if that one *repayment* were equal to the other *repayments* to be made under the agreement.

[Note: paragraph 3 of schedule to CCAR 2010]

Total charge for credit and APR: tolerance regarding interval between relevant date and first repayment

- (5) Where a *credit agreement* provides that:
- (a) three or more *repayments* are to be made at equal intervals; and
 - (b) the interval between the relevant date and the first *repayment* is greater than the interval between the *repayments*;

a *financial promotion* about the agreement may include a rate found under ■ CONC App 1.2.4 R as if the interval between the relevant date and the first *repayment* were shortened so as to be equal to the interval between the *repayments*.

[Note: paragraph 4 of schedule to CCAR 2010]

- (6) The relevant date in (5) is:

-
- (a) where a date on which the *customer* is entitled to require provision of the subject of a *credit agreement* is specified in or can be determined from the agreement, the earliest such date;
 - (b) in any other case, the date of making the agreement.



3.6 Financial promotions about credit agreements secured on land

Application

3.6.1
FCA

R

This section applies:

- (1) to a *financial promotion* in relation to *consumer credit lending* in relation to *regulated credit agreements* secured on *land*; and
- (2) to a *financial promotion* in relation to *credit broking* in relation to *regulated credit agreements* secured on *land*;

and in both cases other than *financial promotions* to the extent that they relate to *qualifying credit*.

Definitions

3.6.2
FCA

R

In this section, for a *financial promotion* relating to *credit* to be provided under a *credit agreement* "relevant date" means:

- (1) in a case where a date is specified in or determinable under the agreement at the date of its making as that on which the *customer* is entitled to require provision of anything the subject of the agreement, the earliest such date; and
- (2) in any other case, the date of the making of the agreement.

Prohibition on financial promotion where goods etc not sold for cash

3.6.3
FCA

R

A *financial promotion* must not be *communicated* where it indicates a *firm* is willing to provide *credit* under a regulated *restricted-use credit agreement* secured on *land* relating to *goods* or services to be supplied by any *person*, when at the time the *financial promotion* is *communicated*, the *firm* or any *supplier* under such an agreement does not hold itself out as prepared to sell the *goods* or provide the services (as the case may be) for cash.

[Note: section 45 of CCA]

Content of financial promotions

3.6.4

FCA

R

- (1) Where a *financial promotion* includes any of the amounts referred to in (5) to (7) of ■ CONC 3.6.10 R the promotion must:
- (a) include all the other items of information (other than any item inapplicable to the particular case) listed in ■ CONC 3.6.10 R; and
 - (b) specify a postal address at which the *person* making the promotion may be contacted, except in the case of a *financial promotion*:
 - (i) *communicated* by means of television or radio broadcast;
 - (ii) in any form on the premises of a *lender* or *dealer* (other than a *financial promotion* in writing which *customers* are intended to take away);
 - (iii) which includes the name and address of a *dealer*; or
 - (iv) which includes the name and a postal address of a *credit broker*.

[Note: regulation 4(1) of CCAR 2004]

- (2) The items of information listed in ■ CONC 3.6.10 R must be given equal prominence and must be shown together as a whole.

[Note: regulation 4(2) of CCAR 2004]

- (3) Any information in any book, catalogue, leaflet or other document which is likely to vary from time to time must be taken for the purpose of (2) to be shown together as a whole if:

- (a) it is set out together as a whole in a separate document issued with the book, catalogue, leaflet or other document;
- (b) the other information in the *financial promotion* is shown together as a whole in the book, catalogue, leaflet or other document; and
- (c) the book, catalogue, leaflet or other document identifies the separate document in which the information likely to vary is set out.

[Note: regulation 4(3) of CCAR 2004]

Statements in relation to security

3.6.5

FCA

R

- (1) Where a *financial promotion* concerns a facility for which *security* is or may be required, the promotion must:
- (a) state that *security* is or may be required; and

- (b) specify the nature of the *security*.

[Note: regulation 7(1) of CCAR 2004]

- (2) Where, in the case of a *financial promotion*, the *security* comprises or may comprise a mortgage or charge on the *customer's* home:

- (a) except where (c) applies, the *financial promotion* must contain a warning in the form:

"YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT";

- (b) where the *financial promotion* indicates that *credit* is available for the payment of debts due to other *lenders*, the warning in (a) must be preceded by the words:

"THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME."

- (c) where the *credit agreement* is or would be an agreement of a kind described in (3), the *financial promotion* must contain a warning in the form:

"CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT ADVICE".

[Note: regulation 7(2) of CCAR 2004]

- (3) The kinds of agreement in (2)(c) are:

- (a) any *credit agreement* under which no instalment *repayments* secured by the mortgage on the *customer's* home, and no payment of interest on the *credit* (other than interest charged when all or part of the *credit* is repaid voluntarily by the *customer*), are due or capable of becoming due while the *customer* continues to occupy the mortgaged *land* as the *customer's* main residence; and
- (b) any *credit agreement*:

- (i) which is secured by a mortgage which the *lender* cannot enforce by taking possession of or selling (or concurring with any other *person* in selling) the mortgaged *land* or any part of it while the *customer* continues to occupy it as the *customer's* main residence; and

- (ii) under which, although interest payments may become due, no full or partial repayment of the *credit* secured by the mortgage is due or capable of becoming due while the *customer* continues to occupy the mortgaged *land* as the *customer's* main residence.

[Note: regulation 7(3) of CCAR 2004]

- (4) Where a *financial promotion* is for a mortgage or other loan secured on property and *repayments* are to be made in a currency other than sterling, the *financial promotion* must contain a warning in the form:

"CHANGES IN THE EXCHANGE RATE MAY INCREASE THE STERLING EQUIVALENT OF YOUR DEBT".

[Note: regulation 7(4) of CCAR 2004]

- (5) The warnings provided for in (2) and (4):
 - (a) must be given greater prominence in a *financial promotion* than is given to:
 - (i) any rate of charge other than the *typical APR*; and
 - (ii) any indication or incentive of a kind referred to in ■ CONC 3.6.6 R (1); and
 - (b) must be given no less prominence in a *financial promotion* than is given to any of the items listed in ■ CONC 3.6.10 R that appear in the *financial promotion*.

[Note: regulation 7(6) of CCAR 2004]

- (6) Paragraphs (2), (3), (4) and (5) do not apply in the case of a *financial promotion* which:
 - (a) is communicated by means of television or radio broadcast in the course of programming the primary purpose of which is not financial promotion; or
 - (b) is communicated by exhibition of a film (other than exhibition by television broadcast); or
 - (c) contains only the name of the *firm communicating* the *financial promotion*.

[Note: regulation 7(8) of CCAR 2004]

3.6.6
FCA

R

Annual percentage rate of charge

- (1) A *financial promotion* must specify the *typical APR* if the promotion:
 - (a) specifies any other rate of charge;
 - (b) includes any of the items of information listed in
 - CONC 3.6.10 R (5) to (7);
 - (c) indicates in any way, including by means of the name given to a business or of an address used by a business for the purposes of *electronic communication*, that:
 - (i) *credit* is available to *persons* who might otherwise consider their access to *credit* restricted; or
 - (ii) any of the terms on which *credit* is available is more favourable (either for a limited period or generally) than corresponding terms applied in any other case or by any other *lenders*; or
 - (iii) the way in which the *credit* is offered is more favourable (either for a limited period or generally) than corresponding ways used in any other case or by any other *lenders*; or
 - (d) includes any incentive (including but not limited to, gifts, special offers, discounts and rewards) to apply for *credit* or to enter into an agreement under which *credit* is provided;

[Note: regulation 8(1) of CCAR 2004]
 - (e) includes an incentive (in the form of a statement about the speed or ease of, processing, considering or granting an application or of making funds available) to apply for *credit* or to enter into an agreement under which *credit* is provided.
- (2) A *financial promotion* may not indicate the range of *APRs* charged where *credit* is provided otherwise than by specifying, with equal prominence, both:
 - (a) the *APR* which the *firm communicating* or *approving* the *financial promotion* reasonably expects, at the date on which the promotion is *communicated* or *approved*, would be the lowest *APR* at which *credit* would be provided under not less than 10% of the agreements which will be entered into as a result of that promotion; and
 - (b) the *APR* which the *firm communicating* or *approving* the *financial promotion* reasonably expects, at that date, would be the highest *APR* at which *credit* would be provided under any of the agreements which will be entered into as a result of that promotion.

[Note: regulation 8(2) of CCAR 2004]

- (3) An *APR* must be shown as "%APR".

[Note: regulation 8(3) of CCAR 2004]

- (4) Where an *APR* is subject to change it must be accompanied by the word "variable".

[Note: regulation 8(4) of CCAR 2004]

- (5) The *typical APR* in a *financial promotion* must be:
- (a) accompanied by the word "typical";
 - (b) presented together with any of the items listed in ■ CONC 3.6.10 R that are included in the promotion;
 - (c) given greater prominence in the promotion than:
 - (i) any other rate of charge;
 - (ii) any items listed in ■ CONC 3.6.10 R; and
 - (iii) any indication or incentive of a kind referred to in (1); and
 - (d) in the case of a promotion in printed or electronic form which includes any of the items listed in ■ CONC 3.6.10 R, shown in characters at least one and a half times the size of the characters in which those items appear.

[Note: regulation 8(5) of CCAR 2004]

- (6) In the case of a *financial promotion* relating to a *borrower-lender agreement* enabling the *customer* to overdraw on a current account under which the *lender* is the Bank of England or an *authorised* person with permission to accept deposits, there may be substituted for the *typical APR* a reference to the statement of:
- (a) a rate, expressed to be a rate of interest, being a rate determined as the rate of the *total charge for credit* calculated on the assumption that only interest is included in the *total charge for credit*, and
 - (b) the nature and amount of any other charge included in the *total charge for credit*.

[Note: regulation 8(6) of CCAR 2004]

G Whether or not a reference to speed or ease in ■ CONC 3.6.6 R (1)(e) constitutes an incentive to apply for *credit* or enter into an agreement under which *credit* is provided would depend

upon the circumstances, including whether it is likely to persuade or influence a *customer* to take those steps or is merely a factual statement about the product or service.

Restricted expressions

3.6.8

FCA

R

- (1) A *financial promotion* must not include:
 - (a) the word "overdraft" or any similar expression as describing any agreement for *running-account credit*, except where the agreement enables a *customer* to overdraw on a current account;
 - (b) the expression "interest free" or any similar expression indicating that a *customer* is liable to pay no greater amount in respect of a transaction financed by *credit* than he would be liable to pay as a cash purchaser for the like transaction, except where the *total amount payable* by the *customer* does not exceed the *cash price*;
 - (c) the expression "no deposit" or any similar expression, except where no *advance payments* are to be made;
 - (d) the expression "loan guaranteed" or "pre-approved" or "no credit checks" or any similar expression, except where the agreement is free of any conditions regarding the credit status of the *customer*;
 - (e) the expression "gift", "present" or any similar expression, except where there are no conditions which would require the *customer* to repay the *credit* or return the item that is the subject of the claim.

[Note: regulation 9 of CCAR 2004]

- (2) A *financial promotion* must not include for a *repayment of credit* the expression "weekly equivalent" or any expression to like effect or any expression of any other periodical equivalent, unless weekly repayments or the other periodical payments are provided for under the agreement.
- (3) In this *rule* "cash purchaser" means a person who for money consideration acquires *goods, land* or other things or is provided with services, under a transaction which is not financed by *credit*.

Total charge for credit and any APR: assumptions about running account credit

3.6.9

FCA

R

- (1) In the case of a *financial promotion about running-account credit*, the following assumptions have effect for the purpose of calculating the *total charge for credit* and any *APR*, notwithstanding the terms of the transaction advertised and in

place of any assumptions in ■ CONC App 1.1.11 R to ■ CONC App 1.1.18 R that might otherwise apply:

- (a) the amount of the *credit* to be provided must be taken to be £1,500 or, in a case where *credit* is to be provided subject to a *credit limit* of less than £1,500, an amount equal to that limit;
- (b) it must be assumed that the *credit* is provided for a period of one year beginning with the relevant date;
- (c) it must be assumed that the *credit* is provided in full on the relevant date;
- (d) where the rate of interest will change at a time provided in the transaction within a period of three years beginning with the relevant date, the rate must be taken to be the highest rate at any time obtaining under the transaction in that period;
- (e) where the agreement provides *credit* to finance the purchase of *goods*, services, *land* or other things and also provides one or more of:
 - (i) cash loans;
 - (ii) *credit* to refinance existing indebtedness of the *customer*, whether to the *lender* or another *person*; and
 - (iii) *credit* for any other purpose;

and either or both different rates of interest and different charges are payable for the *credit* provided for all or some of these purposes, it must be assumed that the rate of interest and charges payable for the whole of the *credit* are those applicable to the provision of *credit* for the purchase of *goods*, services, *land* or other things; and
- (f) it must be assumed that the *credit* is repaid:
 - (i) in twelve equal instalments; and
 - (ii) at *monthly* intervals, beginning one *month* after the relevant date.

[Note: paragraph 1 of schedule 1 to CCAR 2004]

Total charge for credit and any APR: tolerances in disclosure of an APR

- (2) For the purposes of ■ CONC 3.6, it is sufficient compliance with the requirement to show an *APR* if there is included in the *financial promotion*:
 - (a) a rate which exceeds the *APR* by not more than one; or
 - (b) a rate which falls short of the *APR* by not more than 0.1;

or in a case to which (3) or (4) applies, a rate determined in accordance with those sub-paragraphs or whichever of them applies to that case.

[Note: paragraph 2 of schedule 1 to CCAR 2004]

Total charge for credit and any APR: tolerance where repayments are nearly equal

- (3) In the case of an agreement under which all *repayments* but one are equal and that one *repayment* does not differ from any other *repayment* by more whole pence than there are *repayments of credit*, there may be included in a *financial promotion* about the agreement a rate found under ■ CONC App 1.1.9 R as if that one *repayment* were equal to the other *repayments* to be made under the agreement.

[Note: paragraph 3 of schedule 1 to CCAR 2004]

Total charge for credit and any APR: tolerance of interval between relevant date and first repayment

- (4) In the case of an agreement under which:
 - (a) three or more *repayments* are to be made at equal intervals; and
 - (b) the interval between the relevant date and the first *repayment* is greater than the interval between the *repayments*;

a *financial promotion* about the agreement may include a rate found under ■ CONC App 1.1.9 R as if the interval between the relevant date and the first *repayment* were shortened so as to be equal to the interval between *repayments*.

[Note: paragraph 4 of schedule 1 to CCAR 2004]

Information required in a financial promotion

3.6.10
FCA

R

- (1) The amount of *credit* which may be provided under a *credit agreement* or an indication of one or both of the maximum amount and the minimum amount of *credit* which may be provided.

[Note: paragraph 1 of schedule 2 to CCAR 2004]

Deposit of money in an account

- (2) A statement of any requirement to place on deposit any sum of money in any account with any *person*.

[Note: paragraph 2 of schedule 2 to CCAR 2004]

Cash price

- (3) In the case of a *financial promotion* about *credit* to be provided under a *borrower-lender-supplier agreement*, where the *financial promotion* specifies *goods*, *services*, *land* or other things having a particular *cash price*, the acquisition of which from an identified *dealer* may be financed by the *credit*, the *cash price* of such *goods*, *services*, *land* or other things.

[Note: paragraph 3 of schedule 2 to CCAR 2004]

Advance payment

- (4) A statement as to whether an *advance payment* is required and, if so, the amount or minimum amount of the payment expressed as a sum of money or a percentage.

[Note: paragraph 4 of schedule 2 to CCAR 2004]

Frequency, number and amount of repayments of credit

- (5) (a) In the case of a *financial promotion* about *running-account credit*, a statement of the frequency of the *repayments* of *credit* under the transaction and of the amount of each *repayment* stating whether it is a fixed or minimum amount, or a statement indicating the manner in which the amount will be determined.
- (b) In the case of other *financial promotions*, a statement of the frequency, number and amounts of *repayments* of *credit*.
- (c) The amount of any *repayment* under this sub-paragraph may be expressed as a sum of money or as a specified proportion of a specified amount (including the amount outstanding from time to time).

[Note: paragraph 5 of schedule 2 to CCAR 2004]

Other payments and charges

- (6) (a) Subject to (b) and (c), a statement indicating the description and amount of any other payments and charges which may be payable under the agreement promoted in the *financial promotion*.
- (b) Where the liability of the *customer* to make any payment cannot be ascertained at the date the *financial promotion* is *communicated*, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

- (c) Paragraphs (a) and (b) do not apply to any charge payable under the transaction to the *lender* or any other *person* on behalf of the *lender* upon failure by the *customer* or a relative of the *customer* to do or refrain from doing anything which the *customer* is required to do or refrain from doing, as the case may be.

[Note: paragraph 6 of schedule 2 to CCAR 2004]

Total amount payable by the customer

- (7) In the case of a *financial promotion* about *fixed-sum credit* to be provided under a *credit agreement* which is repayable at specified intervals or in specified amounts and other than cases under which the sum of the payments within (a) to (c) is not greater than the *cash price* referred to in (3), the *total amount payable*, being the total of:
 - (a) *advance payments*;
 - (b) the amount of *credit* repayable by the *customer*, and
 - (c) the amount of the *total charge for credit*.

[Note: paragraph 7 of schedule 2 to CCAR 2004]



3.7 Financial promotions and communications: credit brokers

Application

3.7.1 **R** This section applies to a *financial promotion* or a communication with a *customer* in relation to *credit broking* in relation to a *regulated credit agreement*.
FCA

3.7.2 **R** ■ CONC 3.7.4 G also applies to a *financial promotion* or a communication with a *customer* in relation to the activities specified in article 36A(1)(a) or (c) of the *Regulated Activities Order* in relation to a *credit agreement* that would be a *regulated credit agreement* but for the *relevant provisions*.
FCA

Credit brokers' status

3.7.3 **R** A *firm* must, in a *financial promotion* or a document which is intended for *individuals* which relates to its *credit broking*, indicate the extent of its powers and in particular whether it works exclusively with one or more *lenders* or works independently.
FCA

[Note: section 160A(3) of CCA]

[Note: article 21(a) of the *Consumer Credit Directive*]

3.7.4 **G** A *firm* should in a *financial promotion* or in a communication with a *customer*:
FCA

- (1) make clear, to the extent an average *customer* of the *firm* would understand, the nature of the service that the *firm* provides;

[Note: paragraphs 3.7e and 4.8b of CBG]

- (2) indicate to the *customer* in a prominent way the existence of any financial arrangements with a *lender* that might impact upon the *firm's* impartiality in promoting a credit product to a *customer*;

[Note: paragraphs 2.2, 6th bullet and 4.6 of CBG]

- (3) only describe itself as independent if it is able to provide access to a representative range of credit products from the relevant product market on competitive terms and is not constrained in providing such access, for example, because of one or more agreements with *lenders*; and

[Note: paragraph 4.5 of *CBG*]

- (4) ensure that any disclosure about the extent of its independence is prominent and in accordance with the clear, fair not misleading *rule* in ■ CONC 3.3.1 R, clear and easily comprehensible.

[Note: paragraph 4.6 of *CBG*]



3.8 Financial promotions and communications: lenders

Application

3.8.1
FCA

R

This section applies to a *financial promotion* or a communication with a *customer* in relation to *consumer credit lending*.

Unfair business practices

3.8.2
FCA

R

A *firm* must not in a *financial promotion* or a communication with a *customer*:

- (1) provide an application for *credit* with a pre-completed amount of credit which is not based on having carried out a *creditworthiness assessment* or an assessment required by ■ CONC 5.2.2 R (1); or

[Note: paragraph 5.3 of *ILG*]

- (2) suggest or state, expressly or by implication, that providing *credit* is dependent solely upon the value of the equity in property on which the agreement is to be secured; or

[Note: paragraph 5.4 of *ILG*]

- (3) promote *credit* where the *firm* knows, or has reason to believe, that the agreement would be unsuitable for that *customer* in the light of the *customer's* financial circumstances or, if known, intended use of the *credit*.

[Note: paragraph 5.5 of *ILG*]

3.8.3
FCA

G

An agreement is likely to be unsuitable for the purposes of ■ CONC 3.8.2 R (3) including in the following situations where a *firm*:

- (1) promotes, suggests or advises taking out a secured loan or to take out a secured loan to replace or convert an unsecured loan when it is clearly not in that *person's* best interests to do so at that time; or
- (2) promotes, suggests or advises taking out *high-cost short-term credit* which would be expensive as a means of longer term borrowing, as being suitable for sustained borrowing over a longer period.

[Note: paragraph 5.5 (box) of *ILG*]

3.8.4

FCA

G

For the purposes of ■ CONC 3.8.2 R (3) the unsuitability of an agreement does not apply to the question of whether a *customer* should enter into a *regulated credit agreement* at all.

[Note: paragraph 5.5 (box) of *ILG*]



3.9 Financial promotions and communications: debt counsellors and debt adjusters

Application

3.9.1
FCA

R

This section applies to a *financial promotion* or a communication with a *customer* in relation to *debt counselling* and to *debt adjusting*.

Financial promotions and communications

3.9.2
FCA

G

- (1) The clear, fair and not misleading *rule* in ■ CONC 3.3.1 R applies to a communication with a *customer* or the *communication* or *approval* for *communication* of a *financial promotion* in relation to *debt counselling* or *debt adjusting* and in relation to a communication with a *customer* in relation to *providing credit information services*.
- (2) In the light of the complexity of *debt counselling*, it is unlikely that media which provide restricted space for messages would be a suitable means of making *financial promotions* about *debt solutions*.

Contents of financial promotions and communications

3.9.3
FCA

R

A *firm* must ensure that a *financial promotion* or a communication with a *customer* (to the extent a previous communication to the same *customer* has not included the following information) includes:

- (1) a statement of the services the *firm* offers;
- (2) a statement of any relationship with a business associate which is relevant to the services offered in the promotion;

[Note: paragraph 2.5a of DMG]

- (3) a statement setting out the level of fees charged for the *firm's* services, how they are calculated, what service they cover and where it is not possible to state an exact amount, a reasonable estimate of the anticipated fees, or the average level of its fees, for the service in question;

[Note: paragraphs 2.5c and 3.18f of DMG]

- (4) a statement of whether any aspect of the services is provided by a third party or at extra cost;

[Note: paragraphs 2.5a and 3.18f of *DMG*]

- (5) a statement that a *customer* may be eligible under the *Financial Ombudsman Service* and referring by a link or otherwise to the information the *firm* is required to publish under
■ DISP 1.2.1 R (1);

[Note: paragraph 2.5b of *DMG*]

- (6) where this is the case, a statement that the *firm's* service is profit-seeking;

[Note: paragraphs 2.5c and 3.18a of *DMG*]

- (7) where this is the case, a statement that the *firm's* service is offered in return for payment from the *customer*;

[Note: paragraphs 2.5c and 3.18a of *DMG*]

- (8) other than for a *not-for-profit debt advice body*, a reference to impartial information and to sources of assistance from *not-for-profit debt advice bodies*;

[Note: paragraph 2.5d of *DMG*]

- (9) where the *financial promotion* or communication sets out detail of how a *customer* might resolve debt problems by explaining options, the most important actual or potential advantages, disadvantages and risk of each option, including those of the *debt solution* offered by the *firm*;

[Note: paragraphs 2.5d and 3.18h of *DMG*]

- (10) a statement setting out the likely adverse effect of entering into the *debt solution* in question on the *customer's* credit rating;

[Note: paragraph 3.18g of *DMG*]

- (11) a statement setting out that evidence of entering into an individual voluntary arrangement, a debt relief order or a protected trust deed will be entered on a public register;

[Note: paragraph 3.18g of *DMG*]

- (12) where applicable, a statement setting out that a *debt solution* is only available in a particular country of the *UK*;

[Note: paragraph 3.18i of *DMG*]

- (13) where entry into a *debt solution* with the *firm* will lead to a period when payments to a *customer's lenders* (in whole or in part) are not made or are retained by the *firm*, a warning of the likelihood of falling into arrears or increasing arrears and an explanation of when distributions would be made to *lenders*;

[Note: paragraph 3.18n of DMG]

- (14) a statement of the risks of entering into an individual voluntary arrangement or a protected trust deed, as the case may be, including of the following risks:
- (a) if the arrangement or deed fails, the risk of bankruptcy;
 - (b) homeowners may need to release equity from the value of their homes to pay off debts, and that a remortgage may attract higher interest rates or, if no remortgage is available, an individual voluntary arrangement may be extended for 12 *months*;
 - (c) there are restrictions on the expenditure of a person who enters into an individual voluntary arrangement or a protected trust deed;
 - (d) the *customer's lenders* may not approve the individual voluntary arrangement or the protected trust deed; and
 - (e) only unsecured debts included within the individual voluntary arrangement or protected trust deed may be discharged at the end of the period and unsecured debts not included remain outstanding; and

[Note: paragraph 3.18o of DMG]

- (15) a statement that where another option for dealing with a *customer's* debts is available, that another option is available and may be suitable for the *customer*.

[Note: paragraph 3.18r of DMG]

3.9.4
FCA

G In ■ CONC 3.9.3 R (8) making reference to impartial sources of information should include making *customers* aware of publications concerning dealing with creditors published by the Insolvency Service (England and Wales), the Department of Enterprise, Trade and Investment (Northern Ireland) or debt advice published by the Scottish Government.

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3.9.5
FCA

R A *financial promotion* or a communication with a *customer* by a *firm* must not:

- (1) falsely claim or imply that the help and debt advice is provided on a free, impartial or independent basis, where the *firm* has a profit-seeking motive;

[Note: paragraph 3.18b of DMG]

- (2) falsely claim in any way that the *firm* is, or represents, a charitable or *not-for-profit body* or government or local government organisation;

[Note: paragraph 3.18c of DMG]

- (3) promote a claims management service (within the meaning of section 4 of the Compensation Act 2006) as a way of managing a *customer's* debts;

[Note: paragraph 3.18k of DMG]

- (4) claim or imply that the *firm* can guarantee a favourable outcome in negotiations with a *lender* concerning the *customer's* debts;

[Note: paragraph 3.18m of DMG]

- (5) unfairly request, suggest or direct a *customer* to call the *firm* using a premium rate telephone number.

[Note: paragraph 3.18w of DMG]

3.9.6
FCA

G An example of unfairly directing a *customer* to a premium rate telephone number may be to direct a *person* wishing to complain to such a number.

On-line promotion of debt solutions

3.9.7
FCA

R A *firm* must not:

- (1) unless it is a *not-for-profit debt advice body* or a person who will provide such services, operate a look alike website designed to attract *customers* seeking free, charitable, not-for-profit or governmental or local governmental debt advice; or

[Note: paragraph 3.20a of DMG]

- (2) seek to use internet search tools or search engines so as to mislead a *customer* into visiting its website when the *customer* is seeking free, charitable, not-for-profit or governmental or local governmental debt advice.

[Note: paragraph 3.20b of DMG]



3.10 Financial promotions not in writing

Application

3.10.1

FCA

R

This section applies:

- (1) to a *financial promotion* in relation to *consumer credit lending, credit broking, debt counselling, debt adjusting, operating an electronic systems in relation to lending* in relation to prospective borrowers under *P2P agreements*;
- (2) in relation to the communication of a *financial promotion* that is not in writing.

Promotions that are not in writing

3.10.2

FCA

R

A *firm* must not *communicate* a solicited or unsolicited *financial promotion* that is not in writing, to a *customer* outside the *firm's* premises, unless the *person communicating* it:

- (1) only does so at an appropriate time of the day; and
- (2) identifies that *person* and the *firm* represented at the outset and makes clear the purpose of the communication.

[Note: paragraphs 3.9d of *CBG* and 3.12b of *DMG*]



3.11 Not approving certain financial promotions

3.11.1

FCA

R

This section applies to a *financial promotion* in relation to a *credit agreement*, *credit broking*, *debt counselling*, *debt adjusting* and *operating an electronic system in relation to lending* in relation to prospective *borrowers* or *borrowers* under *P2P agreements*.

Requirement not to approve certain financial promotions

3.11.2

FCA

R

A *firm* must not *approve* a *financial promotion* to be made in the course of a personal visit, telephone conversation or other interactive dialogue.

3.11.3

FCA

G

■ CONC 3.11.2 R does not prevent the communication by a *firm* itself (i.e. a firm with a permission) of a *financial promotion*. A *firm's* approval of a *financial promotion* concerns approval for the communication of the promotion by an *unauthorised person* which is prevented by ■ CONC 3.11.2 R.

Chapter 4

Pre-contractual requirements



4.1 Content of quotations

Application

4.1.1
FCA

R

This section, apart from ■ CONC 4.1.4 R, applies to:

- (1) a *firm* with respect to *consumer credit lending*; or
- (2) a *firm* with respect to *consumer hiring*;

including where the *firm* provides a quotation acting on behalf of a *customer*.

4.1.2
FCA

R

■ CONC 4.1.4 R applies to a *firm* with respect to *credit broking*, including where the *firm* provides a quotation acting on behalf of a *customer*.

Lenders and owners: contents of quotation for certain agreements

4.1.3
FCA

R

- (1) When a *firm* provides a quotation to a *customer* in connection with a prospective *credit agreement* which would or might be secured on the *customer's* home, the *firm* must include (or cause to be included) in the quotation a statement that such *security* would or might be required.

[Note: regulation 3a of SI 1999/2725]

- (2) When a *firm* provides a quotation to a *customer* (C) in connection with a prospective *credit agreement* which would or might be secured on C's home under which, while C continues to occupy the home as C's main residence and either:
 - (a) no instalment *repayments* of the *credit* secured by a mortgage on C's home and no payment of interest on the *credit* (other than interest charged when all or part of the *credit* is repaid voluntarily by C), are due or capable of becoming due; or
 - (b) the *lender* cannot enforce the *credit agreement* by taking possession of or selling (or concurring with any other *person* in selling) the home or any part of it while C continues to occupy it as C's main residence; and

- (c) where (b) applies, although interest payments may become due, no full or partial *repayment* of the *credit* secured by a mortgage is due or capable of becoming due.

[Note: regulation 3B of SI 1999/2725]

the *firm* must include (or cause to be included) in the quotation the following statement:

"CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN DOUBT, SEEK INDEPENDENT ADVICE."

[Note: regulation 3A of SI 1999/2725]

- (3) When a *firm* provides a quotation to a *customer* (C) in connection with a prospective *credit agreement* which would or might be secured on C's home, other than an agreement to which (2) applies, the *firm* must include (or cause to be included) in the quotation the following statement:

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT."

[Note: regulation 3b of SI 1999/2725]

- (4) When a *firm* provides a quotation to a *customer* in connection with a prospective *credit agreement* which would be secured on *land* and under which *repayments* would be made in a currency other than sterling, the *firm* must include (or cause to be included) in the quotation the following statement:

"THE STERLING EQUIVALENT OF YOUR LIABILITY UNDER A FOREIGN CURRENCY MORTGAGE MAY BE INCREASED BY EXCHANGE RATE MOVEMENT."

[Note: regulation 4 of SI 1999/2725]

- (5) When a *firm* provides a quotation to a *customer* in connection with a prospective agreement for the bailment of *goods* which would or might be secured on the *customer's* home, the *firm* must include (or cause to be included) in the quotation a statement that such security would or might be required.

[Note: regulation 5a of SI 1999/2725]

- (6) When a *firm* provides a quotation to a *customer* in connection with a prospective agreement for the bailment of *goods* which would or might be secured on the *customer's* home, the *firm* must include (or cause to be included) in the quotation the following statement:

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A HIRE AGREEMENT SECURED BY A MORTGAGE OR OTHER SECURITY ON YOUR HOME."

[Note: regulation 5b of SI 1999/2725]

Credit brokers: contents of quotation for certain agreements

- (1) When a *firm* provides a quotation to a *customer* in connection with a prospective *credit agreement* which would or might be secured on the *customer's* home, the *firm* must include (or cause to be included) in the quotation a statement that such *security* would or might be required.

[Note: regulation 6 of SI 1999/2725]

- (2) When a *firm* provides a quotation to a *customer* (C) in connection with a prospective *credit agreement* which would or might be secured on C's home under which, while C continues to occupy the home as C's main residence and either:
 - (a) no instalment *repayments* of the *credit* secured by a mortgage on C's home and no payment of interest on the *credit* (other than interest charged when all or part of the *credit* is repaid voluntarily by C), are due or capable of becoming due; or
 - (b) the *lender* cannot enforce the *credit agreement* by taking possession of or selling (or concurring with any other *person* in selling) the home or any part of it while C continues to occupy it as C's main residence; and
 - (c) where (b) applies, although interest payments may become due, no full or partial *repayment* of the *credit* secured by a mortgage is due or capable of becoming due;

the *firm* must include (or cause to be included) in the quotation the following statement:

"CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN DOUBT, SEEK INDEPENDENT ADVICE."

- (3) When a *firm* provides a quotation to a *customer* (C) in connection with a prospective *credit agreement* which would

or might be secured on C's home, other than an agreement to which (2) applies, the *firm* must include (or cause to be included) in the quotation the following statement:

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT."

- (4) When a *firm* provides a quotation to a *customer* in connection with a prospective *credit agreement* which would be secured on *land* and under which *repayments* would be made in a currency other than sterling, the *firm* must include (or cause to be included) in the quotation the following statement:

"THE STERLING EQUIVALENT OF YOUR LIABILITY UNDER A FOREIGN CURRENCY MORTGAGE MAY BE INCREASED BY EXCHANGE RATE MOVEMENT."

- (5) When a *firm* provides a quotation to a *customer* in connection with a prospective agreement for the bailment of *goods* which would or might be secured on the *customer's* home, the *firm* must include (or cause to be included) in the quotation a statement that such *security* would or might be required.

- (6) When a *firm* provides a quotation to a *customer* in connection with a prospective agreement for the bailment of *goods* which would or might be secured on the *customer's* home, the *firm* must include (or cause to be included) in the quotation the following statement:

"YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A HIRE AGREEMENT SECURED BY A MORTGAGE OR OTHER SECURITY ON YOUR HOME."

Interpretation: quotations

4.1.5
FCA

R

- (1) Paragraphs (2) to (5) apply to ■ CONC 4.1.3 R and ■ CONC 4.1.4 R (rules on content of quotations).
- (2) "Quotation" means any document by which a *person* gives a *customer* information about the terms on which the *person* or a *lender* or *owner* is prepared to do business, but it does not include:
 - (a) a communication which is also a *financial promotion*;
 - (b) any document given to a *customer* under section 58 of the CCA (opportunity for withdrawal from prospective land mortgage);
 - (c) any document sent to a *customer* for signature which embodies the terms or such of them as it is intended to reduce to writing of a *credit agreement* or a *consumer hire agreement*; or

- 4
- (d) any copy of an unexecuted agreement delivered or sent to a *customer* under section 62 of the CCA (duty to supply copy of unexecuted agreement).
 - (3) Where the words of a statement which must be included in a quotation are specified, the statement must be:
 - (a) in capital letters;
 - (b) clear and legible; and
 - (c) prominent.
 - (4) Providing a quotation includes making a quotation available temporarily.
 - (5) In these *rules* as they apply to Scotland:
 - (a) any reference to bailment is a reference to hiring; and
 - (b) any reference to a mortgage or a charge on *land* is a reference to a standard security over *land* within the meaning of the Conveyancing and Feudal Reform (Scotland) Act 1970.



4.2 Pre-contract disclosure and adequate explanations

Application

4.2.1

FCA

R

This section, unless otherwise stated in or in relation to a *rule*:

- (1) applies to a *firm* with respect to *consumer credit lending*;
- (2) applies to a *firm* with respect to *credit broking* where the *firm* has or takes on responsibility for providing the disclosures and explanations to *customers* required by this section;
- (3) does not apply to an agreement under which the *lender* provides the *customer* with *credit* which exceeds £60,260;
- (4) does not apply to an agreement secured on *land*; and
- (5) does not apply to a *borrower-lender agreement* enabling the *customer* to overdraw on a current account other than such an agreement which would be an *authorised non-business overdraft agreement*, but for the fact that the *credit* is not repayable on demand or within three *months*.

[Note: section 74(1D) of CCA]

4.2.2

FCA

G

For the agreements referred to in ■ CONC 4.2.1 R (3), ■ (4) and ■ (5), a *firm* within ■ CONC 4.2.1 R (1) or ■ CONC 4.2.1 R (2) should consider whether it is necessary or appropriate to provide explanations of the matters in ■ CONC 4.2.5 R (2); in particular, a *firm* should consider highlighting the principal consequences to the *customer* including the consequences of missing payments or under-paying, including, where applicable, the risk of repossession of the *customer's* property.

[Note: section 55A(6) of CCA and paragraphs 3.1(box) of ILG and 3.5 of SCLG]

Other disclosure requirements

4.2.3

FCA

G

- (1) The *disclosure regulations* made under section 55 of the CCA which require information to be disclosed before a *regulated credit agreement* is made remain in force.

- (2) Failure to comply with the *disclosure regulations* has the effect that agreements are enforceable against a borrower or hirer (as defined in the CCA) only with an order of court and enforcement for that purpose includes a retaking of goods or *land* to which the agreement relates.
- (3) Other relevant disclosure requirements are found in ■ CONC 2.7 (distance marketing) and ■ CONC 2.8 (electronic commerce), the Financial Services (Distance Marketing) Regulations 2004 (SI 2004/2095), the Electronic Commerce (EC Directive) Regulations 2002 (SI 2002/2013) and the Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/ 1277) and the Cancellation of Contracts made in the Consumer's home etc Regulations 2008 (SI 2008/1816).

4

4.2.4

FCA

G

The pre-contractual information disclosed under the *disclosure regulations* and the pre-contractual explanations required under ■ CONC 4.2.5 R should take into account any preferences expressed, or information provided by, the *customer* where the *firm* would in principle agree to offer *credit* on such terms

[Note: paragraph 3.13 (box) of *ILG*]

Pre-contractual adequate explanations

4.2.5

FCA

R

- (1) Before making a *regulated credit agreement* the *firm* must:
 - (a) provide the *customer* with an adequate explanation of the matters referred to in (2) in order to place the *customer* in a position to assess whether the agreement is adapted to the *customer's* needs and financial situation;
 - (b) advise the *customer*:
 - (i) to consider the information which is required to be disclosed under section 55 of the CCA; and
 - (ii) where the information is disclosed in person, that the *customer* is able to take it away;
 - (c) provide the *customer* with an opportunity to ask questions about the agreement; and
 - (d) advise the *customer* how to ask the *firm* for further information and explanation.

[Note: section 55A(1) of CCA]

- (2) The matters referred to in (1)(a) are:
 - (a) the features of the agreement which may make the *credit* to be provided under the agreement unsuitable for particular types of use;
 - (b) how much the *customer* will have to pay periodically and, where the amount can be determined, in total under the agreement;

- (c) the features of the agreement which may operate in a manner which would have a significant adverse effect on the *customer* in a way which the *customer* is unlikely to foresee;
- (d) the principal consequences for the *customer* arising from a failure to make payments under the agreement at the times required by the agreement including, where applicable and depending upon the type and amount of *credit* and the circumstances of the *customer*:
 - (i) the total cost of the debt growing;
 - (ii) incurring any default charges or interest for late or missed payment or under-payment;
 - (iii) impaired credit rating and its effect on future access to or cost of *credit*;
 - (iv) legal proceedings, including reference to charging orders (or, in Scotland, inhibitions), and to the associated costs of such proceedings;
 - (v) repossession of the *customer's* home or other property; and
 - (vi) where an article is taken in *pawn*, that the article might be sold, if not redeemed; and
- (e) the effect of the exercise of any right to withdraw from the agreement and how and when this right may be exercised.

[Note: section 55A(2) of CCA and paragraph 3.13 of ILG]

- (3) The adequate explanation and advice in (1) may be given orally or in writing, except where (4) applies.

[Note: section 55A(3) of CCA]

- (4) Where the matters in (2)(a), (b) or (c) are given orally or to the *customer* in person, the explanation of the matters in (2)(c) and (d) and the advice required in (1)(b) must be given orally to the *customer*.

[Note: section 55A(4) of CCA]

- (5) Paragraphs (1) to (4) do not apply to a *lender* if a *credit broker* has complied with those sub-paragraphs in respect of the agreement.

[Note: section 55A(5) of CCA]

- (6) Where the *regulated credit agreement* is an agreement under which a person takes an article in *pawn*:
- (a) the requirement in (1)(a) only relates to the matters in (2)(d) and (e); and
 - (b) the requirements in (1)(b) and (d) do not apply.

[Note: section 55A(7) of CCA]

- (7) This *rule* does not apply to:
- (a) a *non-commercial agreement*;
 - (b) a *small borrower-lender-supplier agreement* for *restricted-use credit*

[Note: section 74(1) of CCA]

- (8) Where this *rule* applies to a *borrower-lender agreement* to finance the making of payments arising on or connected with the death of a person, the payments in question are set out in (9).

[Note: section 74(1F) of CCA]

- (9) The payments referred to in (8) are:
- (a) inheritance tax chargeable in the *UK* on the death of any person;
 - (b) fees payable to a court:
 - (i) in England, Wales or Northern Ireland on an application for a grant of probate or of letters of administration;
 - (ii) in Scotland, in connection with a grant of confirmation; and
 - (iii) in the *UK*, on an application for resealing of a Commonwealth or colonial grant of probate or of letters of administration; and
 - (c) payments in England, Wales or Northern Ireland to a surety in connection with a guarantee required as a condition of a grant of letters of administration or payments in Scotland to a cautioner in connection with a bond of caution required as a condition of issuing a grant of confirmation.

[Note: regulation 2 of SI 1983/1554]

[Note: article 5(6) of the *Consumer Credit Directive*]

4.2.6

FCA

G

The explanation provided by a *lender* or a *credit broker* under ■ CONC 4.2.5 R should enable the *customer* to make a reasonable assessment as to whether the *customer* can afford the *credit* and to understand the key associated risks.

[Note: paragraph 3.3 (box) of ILG]

4.2.7

FCA

G

In deciding on the level and extent of explanation required by ■ CONC 4.2.5 R, the *lender* or *credit broker* should consider (and each of them should ensure that anyone acting on its behalf should consider), to the extent appropriate to do so, factors including:

- (1) the type of *credit* being sought;
- (2) the amount of *credit* to be provided and the associated cost and risk to the *customer* (the risk to the *customer* is likely to be greater the higher the total cost of the *credit* relative to the *customer's* financial situation);
- (3) to the extent it is evident and discernible, the *customer's* level of understanding of the explanation provided; and
- (4) the channel or medium through which the credit transaction takes place.

[Note: paragraph 3.4 of ILG]

4.2.8

FCA

R

Where the *regulated credit agreement* is *high-cost short-term credit*, the *lender* or a *credit broker* must explain under ■ CONC 4.2.5 R (1)(a) that entering into that agreement would be unsuitable to support sustained borrowing over long periods and would be expensive as a means of longer term borrowing.

[Note: paragraph 3.13 (box) of ILG]

4.2.9

FCA

R

Even where a *customer* states or implies that there is no need for an explanation of the *regulated credit agreement*, the *lender* or *credit broker* must continue to comply with ■ CONC 4.2.5 R.

[Note: paragraph 3.10 of ILG]

4.2.10

FCA

R

A *lender* or a *credit broker* must not encourage or induce a *customer* to waive the rights in ■ CONC 4.2.5 R.

[Note: paragraph 3.10 of ILG]

4.2.11

FCA

R

Before a *lender* concludes that ■ CONC 4.2.5 R (1) to ■ CONC 4.2.5 R (4) do not apply to it in relation to a *regulated credit agreement* by virtue of ■ CONC 4.2.5 R (5), the *lender* must take reasonable steps to satisfy itself that an explanation of that agreement complying with ■ CONC 4.2.5 R has been provided to the *customer* by the *credit broker*.

[Note: paragraph 3.11 (box) of ILG]

4.2.12
FCA

R The *lender* or the *credit broker* must enable a *customer* to request and obtain further information and explanation about a *regulated credit agreement* without incurring undue cost or delay.

[Note: paragraph 3.16 (box) of *ILG*]

4.2.13
FCA

R Neither a *lender* nor a *credit broker* may require a *customer* to acknowledge that the information and explanations it has provided are adequate to satisfy the requirements of ■ CONC 4.2.5 R.

[Note: paragraph 3.30 (box) of *ILG*]

4.2.14
FCA

G A *lender* or *credit broker* may require an acknowledgement that it has provided an explanation, and of receipt of any written information that forms a part of the explanation, but not an acknowledgement as to its adequacy. ■ CONC 4.2.13 R does not prevent the *lender* or *credit broker* asking if the *customer* has understood an explanation given.

[Note: paragraph 3.30 (box) of *ILG*]

Adequate explanations in relation to particular regulated credit agreements

4.2.15
FCA

R The following information must be provided by the *lender* or a *credit broker* as part of, and in addition to that provided under, the adequate explanation required by ■ CONC 4.2.5 R, where applicable, in the specified cases:

- (1) for *credit token agreements*:
 - (a) different rates of interest and different charges apply to different elements of the *credit* provided (for example, a higher cost of withdrawing cash);
 - (b) the implications of only making minimum *repayments*;
 - (c) interest rates may be increased;
 - (d) where applicable, the interest rates may be increased based on the risks presented by the individual *customer*;
 - (e) the limitations on any zero percentage or low interest or other introductory offer; and
 - (f) conditions on any balance transfers, including any fees and charges which may apply;
- (2) for *credit card cheques*, the higher associated costs relative to payment by credit card;
- (3) for *home credit loan agreements* and *high-cost short-term credit*, the effect of refinancing (within the meaning in ■ CONC 6.7.17 R)

or otherwise extending the duration of the *credit* or of the *credit agreement*;

- (4) for *bill of sale loan agreements*:
- (a) the risk of losing the asset which is the subject of the bill of sale and the loss this could entail;
 - (b) that repossession can take place without a court order;
 - (c) that repossession may not clear the debt owed; and
 - (d) unlike in the case of *hire-purchase agreements* and *conditional sale agreements*, the *customer* is not protected under this arrangement from repossession of the asset where one third or more of the *total amount payable* has been paid off;
- (5) for *hire purchase agreements* and *conditional sale agreements*:
- (a) the *customer* does not own the *goods* until the sums required under the agreements have been paid, including any option to purchase fee and any other conditions have been satisfied;
 - (b) *goods* can be repossessed without a court order in the event of default, unless in relation to a *regulated credit agreement* the *customer* has paid a third or more of the *total amount payable*;
- (6) for a *credit agreement* which is used to consolidate existing debts of the *customer* (whether to the same *lender* or to another *person*) and where applicable in each case:
- (a) the effect of consolidating the debts will involve payment of a higher rate of interest or charges or both (if the relevant information about existing debts is known to the *lender* or *credit broker*);
 - (b) the effect of consolidating the debts will involve increasing the period required for repayment (if the relevant information about existing debts is known to the *lender* or *credit broker*); and
 - (c) the *credit agreement* would be secured on the *customer's* property;
- (7) for a *credit agreement* which includes a condition requiring a guarantor, the requirement for the *customer* to provide *security* in the form of a guarantee.

[Note: paragraph 4.26c of *CBG*]

[Note: paragraph 3.13 of *ILG*]

4.2.16
FCA

G

Where a *customer* does not have a good understanding of the English language, the *lender* or *credit broker* may need to consider alternative methods of providing relevant information concerning the explanation required by ■ CONC 4.2.5 R in order for the *customer* to make an informed decision, such as, providing the information to a person with such understanding who can assist the *customer*, for example, a friend or relative.

[Note: paragraph 3.4 (box) of ILG]

Guidance for adequate explanations where agreements are marketed by distance or electronic means

4.2.17
FCA

G

Since the use of distance means of communication (such as the internet) by their nature limit the *lender's* or *credit broker's* ability to ascertain the *customer's* level of understanding of explanations provided, a *lender* or *credit broker* using those means may, for example, wish to provide local rate telephone number for *customers* who wish to seek further explanation.

[Note: paragraph 3.6 (box) of ILG]

4.2.18
FCA

G

Interaction is an important part of compliance with the requirement in ■ CONC 4.2.5 R (1), for example, where the agreement is marketed and concluded by *electronic means*. For an online application, the requirement in ■ CONC 4.2.5 R (1)(c) (the right to ask questions) may be complied with by the *customer* being able to access an appropriately comprehensive set of answers to frequently asked questions about the agreement or by being able to speak to a representative of the online provider.

[Note: paragraph 3.8 (box) of ILG]

4.2.19
FCA

G

For a *regulated credit agreement* marketed and concluded by *electronic means* to comply with ■ CONC 4.2.5 R the *customer* should pass through screens containing the required information and explanations, giving the *customer* the opportunity to see and read the explanations provided. Merely providing a link to where such information can be found is unlikely to satisfy the requirements in ■ CONC 4.2.5 R, where the agreement can be concluded without accessing the link.

[Note: paragraph 3.15 (box) of ILG]

4.2.20
FCA

G

For telephone or face-to-face transactions, interaction between the *customer* and the *firm's* representative is also important. It should be made clear to the *customer* that the *customer* can ask questions or request further information or explanation and, for example, the representative solely providing the *customer* with a written explanation of an agreement, or relying solely on a written script in relation to an agreement, is unlikely to comply with the requirement in ■ CONC 4.2.5 R.

[Note: paragraph 3.9 (box) of ILG]

4.2.21
FCA

G

Where a *regulated credit agreement* is a modifying agreement under section 82(2) of the CCA, the requirements in ■ CONC 4.2 apply before the agreement is made.

[Note: paragraph 3.12 of ILG]

4.3 Adequate explanations: P2P agreements

Application

4.3.1 **R** This section applies to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* or a prospective *borrower* under a *P2P agreement*.
FCA

4.3.2 **R** This section (apart from **CONC 4.3.6 R**) does not apply to:

FCA

- (1) an agreement under which the *lender* provides the prospective *borrower* with *credit* which exceeds £60,260; or
- (2) an agreement secured on *land*.

4.3.3 **G** For the agreements referred to in **CONC 4.3.2 R**, a *firm* should consider whether it is necessary or appropriate to provide explanations of the matters in **CONC 4.5.3 R (2)**, in particular, a *firm* should consider highlighting key risks to the *borrower* including the consequences of missing payments or under-paying, including, where applicable, the risk of repossession of the *borrower's* property.
FCA

[Note: section 55A(6) of CCA and paragraph 3.1 of ILG]

[Note: Until the end of 30 September 2014, transitional provisions apply to **CONC 4.3.3 G**: see **CONC TP 4.1**]

Adequate explanations

- 4.3.4** **R** (1) Before a *P2P agreement* is made, the *firm* must:
- FCA**
- (a) provide the prospective *borrower* with an adequate explanation of the matters referred to in (2) in order to place the *borrower* in a position to assess whether the agreement is adapted to the *borrower's* needs and financial situation;
 - (b) where the *P2P agreement* is not a *non-commercial agreement*, advise the prospective *borrower*:
 - (i) to consider the information which is required to be disclosed under section 55(1) of the CCA; and

- (ii) where the information is disclosed in person, that the *borrower* is able to take it away;
- (c) provide the prospective *borrower* with an opportunity to ask questions about the agreement; and
- (d) advise the prospective *borrower* how to ask the *firm* for further information and explanation.
- (2) The matters referred to in (1)(a) are:
- (a) the features of the agreement which may make the *credit* to be provided under the agreement unsuitable for particular types of use;
- (b) how much the *borrower* will have to pay periodically and, where the amount can be determined, in total under the agreement;
- (c) the features of the agreement which may operate in a manner which would have a significant adverse effect on the *borrower* in a way which the prospective *borrower* is unlikely to foresee;
- (d) the principal consequences for the *borrower* arising from a failure to make payments under the agreement at the times required by the agreement, including legal proceedings and, where this is a possibility, repossession of the *borrower's* home; and
- (e) the effect of the exercise of any right to withdraw from the agreement and how and when this right may be exercised.
- (3) Except where (4) applies, the adequate explanation and advice in (1) may be given orally or in writing.
- (4) Where the matters in (2)(a), (b) or (e) are given orally or to the prospective *borrower* in person, the explanation of the matters in (2)(c) and (d) and the advice required in (1)(b) must be given orally to the *borrower*.
- (5) Where this *rule* applies to a *borrower-lender agreement* to finance the making of payments arising on or connected with the death of a person, this *rule* applies to the agreement to the extent the payments are:
- (a) inheritance tax chargeable in the *UK* on the death of any person;
- (b) fees payable to a court:
- (i) in England, Wales or Northern Ireland on an application for a grant of probate or of letters of administration;

- (ii) in Scotland, in connection with a grant of confirmation; and
- (iii) in the UK, on an application for resealing of a Commonwealth or colonial grant of probate or of letters of administration; and
- (c) payments in England, Wales or Northern Ireland to a surety in connection with a guarantee required as a condition of a grant of letters of administration or payments in Scotland to a cautioner in connection with a bond of caution required as a condition of issuing a grant of confirmation.

[Note: section 74(1F) of CCA and SI 1983/1554]

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 4.3.4 R: see ■ CONC TP 4.1]

4.3.5

FCA

R

Where ■ CONC 4.3.4 R applies to a *firm*, the *firm* must comply with the *rules*, and observe the *guidance*, in ■ CONC 4.2 to the same extent as if it were the *lender* under an agreement to which those *rules* apply.

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 4.3.5 R: see ■ CONC TP 4.1]

4.3.6

FCA

R

Before a *P2P agreement* which is secured on the *borrower's* home is made, a *firm* must in a prominent way give the following warning:

"YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT"



4.4 Pre-contractual requirements: credit brokers

Application

4.4.1
FCA

R This section applies to a *firm* carrying on *credit broking* in relation to a *regulated credit agreement*.

Pre-contractual requirements

4.4.2
FCA

R (1) A *firm* must disclose to the *customer* the fee, if any, payable by a *customer* to the *firm* for its services.

[Note: section 160A(4) of CCA]

(2) Any fee to be paid by the *customer* to the *firm* must be agreed between the *customer* and the *firm*, and that agreement must be recorded in writing or other *durable medium* before a *regulated credit agreement* is entered into.

[Note: section 160A(4) of CCA]

(3) A *firm* must disclose to the *lender* the fee, if any, for its activity payable by the *customer* for the purpose of enabling the *lender* to calculate the *annual percentage rate of charge* for the *credit agreement*.

[Note: section 160A(5) of CCA]

(4) A *firm* must disclose to the *customer* how and when any fee for its service is payable and in what circumstances a refund may be payable, including how and when a refund is available under section 155 of the CCA.

[Note: paragraphs 2.2 and 4.17b of CBG]

[Note: article 21(b) and (c) of the *Consumer Credit Directive*]

4.5 Commissions

Application

4.5.1

FCA

R

- (1) ■ CONC 4.5.2 G applies to a *firm* with respect to *consumer credit lending*.
- (2) ■ CONC 4.5.3 R and ■ CONC 4.5.4 R apply to a *firm* with respect to *credit broking* in relation to:
 - (a) *regulated credit agreements*; and
 - (b) *regulated consumer hire agreements*.
- (3) ■ CONC 4.5.3 R and ■ CONC 4.5.4 R also apply to a *firm* carrying on the activities specified in article 36A(1)(a) or (c) of the *Regulated Activities Order* in relation to:
 - (a) *credit agreements* that would be *regulated credit agreements* but for the *relevant provisions*; and
 - (b) *consumer hire agreements* that would be *regulated consumer hire agreements* but for articles 60O and 60Q of the *Regulated Activities Order*.

Commissions lenders to credit brokers

4.5.2

FCA

G

A *lender* should only offer to, or enter into with, a *firm* a commission agreement providing for differential commission rates or providing for payments based on the volume and profitability of business where such payments are justified based on the extra work of the *firm* involved in that business.

[Note: paragraph 5.5 (box) of *ILG*]

Commissions: credit brokers

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4.5.3

FCA

R

A *credit broker* must disclose to a *customer* in good time before a *credit agreement* or a *consumer hire agreement* is entered into, the existence of any commission or fee or other remuneration payable to the *credit broker* by the *lender* or *owner* or a third party in relation to a *credit agreement* or a *consumer hire agreement*, where knowledge of the existence or amount of the commission could actually or potentially:

- (1) affect the impartiality of the *credit broker* in recommending a particular product; or
- (2) have a material impact on the *customer's* transactional decision.

[Note: paragraph 3.7i (box) and 3.7j of *CBG* and 5.5 (box) of *ILG*]

4.5.4

FCA

R

At the request of the *customer*, a *credit broker* must disclose to the *customer*, in good time before a *regulated credit agreement* or a *regulated consumer hire agreement* is entered into, the amount (or if the precise amount is not known, the likely amount) of any commission or fee or other remuneration payable to the *credit broker* by the *lender* or *owner* or a third party.

[Note: paragraph 3.7i (box) of *CBG*]

4.6 Pre-contract disclosure: continuous payment authorities

Application

4.6.1

FCA

R

- (1) This section applies to:
 - (a) a *firm* with respect to *consumer credit lending*; or
 - (b) a *firm* with respect to *consumer hiring*; or
 - (c) a *firm* with respect to *operating an electronic system in relation to lending* in relation to a prospective *borrower* under a *P2P agreement*.

Disclosure of continuous payment authorities

4.6.2

FCA

R

- (1) Before entering into a *regulated credit agreement* or *regulated consumer hire agreement*, or before a *P2P agreement* is entered into, under which the *customer* may grant a *continuous payment authority*, the *firm* must provide the *customer* with an adequate explanation of the matters in (2).
- (2) The matters referred to in (1) are:
 - (a) what a *continuous payment authority* is and how it works;
 - (b) how the *continuous payment authority* will be applied by the *firm*, including where the *firm* provides *high-cost short-term credit* that it may only be used twice to collect the whole sum due in relation to the agreement or where the agreement provides for repayment in instalments, in relation to an instalment;
 - (c) how the *customer* can cancel the *continuous payment authority*;
 - (d) whether alternative repayment options are available;
 - (e) the choice of an appropriate due date for payment;
 - (f) the choice of an alternative payment date (if applicable);
 - (g) the consequences if sufficient funds are not available on the due date (or an alternative payment date if agreed);

- (h) whether further attempts may be made to collect payment and, if so, the basis on which further attempts would be made, the days or period over which the further attempts would be made and the frequency of the further attempts;
- (i) other than in relation to *high-cost short-term credit*, whether part payment (a sum due which less than the full sum due at the time the *firm's* payment request is made) may be sought and, if so, the basis on which and frequency with which payment would be sought and whether part payments would be subject to a minimum amount or percentage;
- (j) in relation to *high-cost short-term credit*, the *firm* will not seek part payment (a sum due which is less than the full sum due at the time the *firm's* payment request is made) unless the *firm* is willing to accept such less sum and, after being notified of that sum and when a payment request would be made, the *customer* has given express consent to the *firm* to make such a payment request; and
- (k) whether default fees and other charges may be added and, if so, the circumstances in which these may be incurred and the amount of such fees and charges or the basis on which they will be calculated.

[Note: paragraph 3.9miii of DCG]

4.6.3

FCA

R

A *firm* must include the terms of the *continuous payment authority* as part of the *credit agreement* or *consumer hire agreement* presented to the *customer* or *P2P agreement* presented to the *borrower*.

[Note: paragraph 3.9miii of DCG]

4.6.4

FCA

R

A *firm* must set out, in plain and intelligible language, the scope of the agreed *continuous payment authority* and how it will operate.

[Note: paragraph 3.9miii of DCG]



4.7 Information to be provided on entering a current account agreement

Application

4.7.1
FCA

R This section applies to a *firm* with respect to *consumer credit lending*.

Information on entering into current account

4.7.2
FCA

- R** (1) When a *firm* enters into a current account agreement where:
- (a) there is a possibility that the account-holder may be allowed to overdraw on the current account without a pre-arranged overdraft or exceed a pre-arranged overdraft limit; and
 - (b) if the account-holder did so, this would be a *regulated credit agreement*;

the current account agreement must contain the information in (2) and (3).

[Note: section 74A(1) of CCA]

- (2) The information required by (1) is:
- (a) the rate of interest charged on the amount by which the account-holder overdraws on the current account or exceeds the pre-arranged overdraft limit;
 - (b) any conditions applicable to that rate;
 - (c) any reference rate on which that rate is based;
 - (d) information on any changes to that rate of interest (including the periods that the rate applies to and any conditions or procedure applicable to changing that rate); and
 - (e) any other charges payable by the account holder under the agreement (and the conditions under which those charges may be varied).

[Note: section 74A(2) of CCA]

- (3) Where different rates of interest are charged in different circumstances, the *firm* must provide the information in (2)(a) to (d) in respect of each rate.

[Note: section 74A(4) of CCA]

[Note: article 18 of the *Consumer Credit Directive*]



4.8 Pre-contract: unfair business practices: consumer credit lending

Application

4.8.1 **R** This section applies to a *firm* carrying on *consumer credit lending*.
FCA

Unfair business practices

4.8.2 **R** A *firm* must not unfairly encourage, incentivise or induce a *customer* to enter into a *regulated credit agreement* quickly without allowing the *customer* time to consider the pre-contract information under section 55 of the CCA and the explanations provided under ■ CONC 4.2.5 R.

[Note: paragraph 5.10 of ILG]

4.8.3 **G** Stating an end date for a promotion would not amount to the behaviour in ■ CONC 4.8.2 R.
FCA

[Note: paragraph 5.10 (box) of ILG]

4.8.4 **R** A *firm* must not unfairly encourage, incentivise or induce a *customer* to enter into a *regulated credit agreement* for an amount higher than the *customer* requests.
FCA

[Note: paragraph 5.11 of ILG]

4.8.5 **G** Merely offering a *customer* more *credit* than the *customer* requested would not amount to the behaviour in ■ CONC 4.8.4 R where:

- (1) the offer of the higher amount was based on a proper *creditworthiness assessment* or assessment required by ■ CONC 5.2.2 R (1); or
- (2) the *firm* offers more advantageous terms, conditions or prices to *customers* for larger loans, provided that such offers are sufficiently transparent and a proper *creditworthiness assessment* or assessment required by ■ CONC 5.2.2 R (1) has been carried out;

and the *customer* was not pressurised or unfairly coerced into accepting the higher amount of *credit*.

[Note: paragraph 5.11 (box) of ILG]

4.8.6

FCA

R

A *firm* must not lead a *customer* to believe that the *customer's* current debt *repayments* can be reduced under a *regulated credit agreement* over the same term when this is not the case.

[Note: paragraph 5.13 of *ILG*]

Chapter 5

Responsible lending



5.1 Application

5.1.1

FCA

R

This chapter applies to a *firm* with respect to *consumer credit lending*, unless otherwise stated in, or in relation to, a *rule*.

5.2 Creditworthiness assessment: before agreement

5.2.1

FCA

R

- (1) Before making a *regulated credit agreement* the *firm* must undertake an assessment of the creditworthiness of the *customer*.

[Note: section 55B(1) of CCA]

- (2) A *firm* carrying out the assessment required in (1) must consider:
- (a) the potential for the commitments under the *regulated credit agreement* to adversely impact the *customer's* financial situation, taking into account the information of which the *firm* is aware at the time the *regulated credit agreement* is to be made; and

[Note: paragraph 4.1 of ILG]

- (b) the ability of the *customer* to make *repayments* as they fall due over the life of the *regulated credit agreement*, or for such an agreement which is an *open-end agreement*, to make *repayments* within a reasonable period.

[Note: paragraph 4.3 of ILG]

- (3) A creditworthiness assessment must be based on sufficient information obtained from:
- (a) the *customer*, where appropriate; and
- (b) a *credit reference agency*, where necessary.

[Note: section 55B(3) of CCA]

- (4) This *rule* does not apply to:
- (a) an agreement secured on *land*; or
- (b) an agreement under which a *person* takes an article in *pawn*.

[Note: section 55B(4) of CCA]

- (5) This *rule* does not apply, except to the agreements in (6), to:
- (a) a *non-commercial agreement*; or
 - (b) a *borrower-lender agreement* enabling the *borrower* to overdraw on a current account; or
 - (c) a *small borrower-lender-supplier agreement* for *restricted-use credit*.

[Note: section 74 of CCA]

- (6) The agreements referred to in (5) and therefore to which this *rule* does apply are:
- (a) a *borrower-lender agreement* enabling the *borrower* to overdraw on a current account which is an *authorised business overdraft agreement* or an *authorised non-business overdraft agreement*; and

[Note: section 74(1B) and (1C) of CCA]

- (b) a *borrower-lender agreement* enabling the *borrower* to overdraw on a current account which would be an *authorised non-business overdraft agreement* but for the fact that the *credit* is not repayable on demand or within three *months*.

[Note: section 74(1D) of CCA]

- (7) Where the *borrower-lender agreement* in question is to finance the making of payments arising on or connected with the death of a person, this *rule* applies to the agreement to the extent the payments are:
- (a) inheritance tax chargeable in the *UK* on the death of any person;
 - (b) fees payable to a court:
 - (i) in England, Wales or Northern Ireland on an application for a grant of probate or of letters of administration;
 - (ii) in Scotland, in connection with a grant of confirmation; and
 - (iii) in the *UK*, on an application for resealing of a Commonwealth or colonial grant of probate or of letters of administration; and
 - (c) payments in England, Wales or Northern Ireland to a surety in connection with a guarantee required as a condition of a grant of letters of administration or payments in Scotland

to a cautioner in connection with a bond of caution required as a condition of issuing a grant of confirmation.

[Note: section 74(1F) of CCA and SI 1983/1554]

[Note: article 8 of the *Consumer Credit Directive*]

Scope of the pre-contract assessments

5.2.2
FCA

R

- (1) Before entering into a *regulated credit agreement* which is excluded from ■ CONC 5.2.1 R (see (4), (5) and (6)), a *firm* must carry out an assessment of the potential for the commitments under the agreement to adversely impact the *customer's* financial situation, taking into account the information of which the *firm* is aware at the time the agreement is to be made.

[Note: paragraphs 1.14 and 4.1 of ILG]

- (2) Paragraph (1) does not apply to an agreement to which ■ CONC 4.7.2 R (1) applies (overrunning).
- (3) A *firm* must consider sufficient information to enable it to make a reasonable *creditworthiness assessment* or a reasonable assessment required by (1).

[Note: paragraph 4.21 of ILG]

5.2.3
FCA

G

The extent and scope of the *creditworthiness assessment* or the assessment required by ■ CONC 5.2.2 R (1), in a given case, should be dependent upon and proportionate to factors which may include one or more of the following:

- (1) the type of *credit*;
- (2) the amount of the *credit*;
- (3) the cost of the *credit*;
- (4) the financial position of the *customer* at the time of seeking the *credit*;
- (5) the *customer's* credit history, including any indications that the *customer* is experiencing or has experienced financial difficulties;
- (6) the *customer's* existing financial commitments including any repayments due in respect of other *credit agreements*, *consumer hire agreements*, *regulated mortgage contracts*, payments for rent, council tax, electricity, gas, telecommunications, water and other major outgoings known to the *firm*;
- (7) any future financial commitments of the *customer*;
- (8) any future changes in circumstances which could be reasonably expected to have a significant financial adverse impact on the *customer*;

5

- (9) the vulnerability of the *customer*, in particular where the *firm* understands the *customer* has some form of mental capacity limitation or reasonably suspects this to be so because the *customer* displays indications of some form of mental capacity limitation (see ■ CONC 2.10).

[Note: paragraph 4.10 of *ILG*]

Proportionality of assessments

5.2.4
FCA

G

- (1) To consider all of the factors set out in ■ CONC 5.2.3 G in all cases is likely to be disproportionate.

[Note: paragraph 4.11 of *ILG*]

- (2) A *firm* should consider what is appropriate in any particular circumstances dependent on, for example, the type and amount of the *credit* being sought and the potential risks to the *customer*. The risk of *credit* not being *sustainable* directly relates to the amount of *credit* granted and the *total charge for credit* relative to the *customer's* financial situation.

[Note: paragraph 4.11 and part of 4.16 of *ILG*]

- (3) A *firm* should consider the types and sources of information to use in its *creditworthiness assessment* and assessment required by ■ CONC 5.2.2 R (1), which may, depending on the circumstances, include some or all of the following:
- (a) its record of previous dealings;
 - (b) evidence of income;
 - (c) evidence of expenditure;
 - (d) a credit score;
 - (e) a *credit reference agency* report; and
 - (f) information provided by the *customer*.

[Note: paragraph 4.12 of *ILG*]

- (4) A high level of scrutiny in the assessment required by ■ CONC 5.2.2 R (1) would normally be expected before the *lender* enters into a *regulated credit agreement* secured by a second or subsequent charge on the *customer's* home.

[Note: paragraph 4.17 of *ILG*]



5.3 Conduct of business in relation to creditworthiness and affordability

Creditworthiness and sustainability

5.3.1

FCA

G

- (1) In making the *creditworthiness assessment* or the assessment required by ■ CONC 5.2.2 R (1), a *firm* should take into account more than assessing the *customer's* ability to repay the *credit*.

[Note: paragraph 4.2 of ILG]

- (2) The *creditworthiness assessment* and the assessment required by ■ CONC 5.2.2 R (1) should include the *firm* taking reasonable steps to assess the *customer's* ability to meet *repayments* under a *regulated credit agreement* in a *sustainable* manner without the *customer* incurring financial difficulties or experiencing significant adverse consequences.

[Note: paragraph 4.1 (box) and 4.2 of ILG]

- (3) A *firm* in making its *creditworthiness assessment* or the assessment required by ■ CONC 5.2.2 R (1) may take into account future increases in income or future decreases in expenditure, where there is appropriate evidence of the change and the *repayments* are expected to be *sustainable* in the light of the change.

[Note: paragraph 4.9 of ILG]

- (4) If a *firm* takes income or expenditure into account in its *creditworthiness assessment* or its assessment required under ■ CONC 5.2.2 R (1):
 - (a) the *firm* should take account of actual current income or expenditure and reasonably expected future income or expenditure (to the extent it is proportionate to do so) where it is reasonably foreseeable that it will differ from actual current income or expenditure over the anticipated repayment period of the agreement;
 - (b) it is not generally sufficient for a *firm* to rely solely for its assessment of the *customer's* income and expenditure, on a statement of those matters made by the *customer*;
 - (c) its assessment should be based on what the *firm* knows at the time of the assessment.

[Note: paragraph 4.13, 4.14 and 4.15 of ILG]

- (5) An example of where it may be reasonable to take into account expected future income would be, in the case of loans to fund the provision of further or higher

5

education, provided that an appropriate assessment required by this chapter is carried out and there is an appropriate exercise of forbearance in respect of initial repayments, for example, deferring or limiting the obligation to repay until the *customer's* income has reached a specified level. Any assumptions regarding future income should be reasonable and capable of substantiation in the individual case and the products should be designed in a way to minimise the risks to the *customer*.

[Note: footnote 21 to paragraph 4.9 (box) of *ILG*]

- (6) For the purposes of *CONC* "sustainable" means the *repayments* under the *regulated credit agreement* can be made by the *customer*:
- (a) without undue difficulties, in particular:
 - (i) the *customer* should be able to make *repayments* on time, while meeting other reasonable commitments; and
 - (ii) without having to borrow to meet the *repayments*;
 - (b) over the life of the agreement, or for such an agreement which is an *open-end agreement*, within a reasonable period; and
 - (c) out of income and savings without having to realise security or assets; and

"unsustainable" has the opposite meaning.

[Note: paragraphs 4.3 and 4.4 of *ILG*]

- (7) For a *regulated credit agreement* which is an *open-end agreement* the *firm*, in making its *creditworthiness assessment* or the assessment required by ■ *CONC 5.2.2 R (1)*, should:
- (a) make a reasonable assessment of whether the *customer* is able to meet the *repayments* in a *sustainable* manner; and
 - (b) make the assessment based on reasonable assumptions about the likely duration of the *credit*.

[Note: paragraph 4.5 of *ILG*]

- (8) For a *regulated credit agreement* for *running-account credit* the *firm*, in making its *creditworthiness assessment* or the assessment required by ■ *CONC 5.2.2 R (1)*:
- (a) should consider the *customer's* ability to repay the maximum amount of *credit* available (equivalent to the *credit limit*) under the agreement within a reasonable period;
 - (b) may, in considering what is a reasonable period in which to repay the maximum amount of *credit* available, have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the *credit limit*; and
 - (c) should not use the assumption of the amount necessary to make only the minimum *repayment* each *month*.

[Note: paragraph 4.6 of *ILG*]

- (9) For a *regulated credit agreement for running-account credit* the *firm* should set the *credit limit* based on the *creditworthiness assessment* or the assessment required by ■ CONC 5.2.2 R (1) and taking into account the matters in ■ CONC 5.2.3 G, and, in particular, the information it has on the *customer's* current disposable income taking into account any reasonably foreseeable future changes.

[Note: paragraph 4.6 (box) of ILG]

- (10) An example of a reasonably foreseeable future change in disposable income which a *firm* should take into account in setting a *credit limit* may include where a *customer* is known to be, or it is reasonably foreseeable that a *customer* is, close to retirement and faces a significant fall in disposable income.

[Note: paragraph 4.6 (box) of ILG]

- (11) Where a *firm* requests information from a *customer* for its *creditworthiness assessment* or its assessment required by ■ CONC 5.2.2 R (1) and the information provided by the *customer* is false and the *firm* has no reason to know this is the case, the *firm* should not contravene ■ CONC 5.2.1 R or ■ CONC 5.2.2 R.

[Note: paragraph 4.10 of ILG]

- (12) Subject to the relevant legal constraints, FCA encourages the sharing between *lenders* of accurate data about the performance of a *customer's* account and the settlement of outstanding debts, as the process of making the assessments in this chapter is assisted by *lenders* registering such data with *credit reference agencies*, in a timely manner.

5.3.2
FCA

R A *firm* must establish and implement clear and effective policies and procedures to make a reasonable *creditworthiness assessment* or a reasonable assessment required by ■ CONC 5.2.2 R (1).

[Note: paragraph 4.19 of ILG]

5.3.3
FCA

G Under the procedures required by ■ CONC 5.3.2 R a *firm* should take adequate steps, insofar as it is reasonable and practicable to do so, to ensure that information (including information supplied by the *customer*) on an application for *credit* relevant to a *creditworthiness assessment* or an assessment required by ■ CONC 5.2.2 R (1) is complete and correct.

[Note: paragraph 4.29 of ILG]

Unfair business practices: lenders

5.3.4
FCA

R A *firm* must not base its *creditworthiness assessment*, or its assessment required under ■ CONC 5.2.2 R (1), primarily or solely on the value of any *security* provided by the *customer*, but this *rule* does not apply in relation to a *regulated credit agreement* under which the *firm* takes an article in *pawn* and the *customer's* liability is limited to the value of the article plus interest on the *credit* and there are no additional charges.

5.3.5
FCA

R A *firm* must not advise or encourage a *customer* to enter into a *regulated credit agreement* for an amount of *credit* higher than the *customer* initially requested if the *creditworthiness assessment* or the assessment required by **■ CONC 5.2.2 R (1)** indicates that repayment of the higher amount would not be *sustainable* or the *firm* ought reasonably to suspect that that is the case.

[Note: paragraph 4.28 of *ILG*]

5.3.6
FCA

R A *firm* must not complete some or all of those parts of an application for *credit* under a *regulated credit agreement* intended to be completed by the *customer*, without the consent of the *customer*, unless the *customer* is permitted to check the application before signing the agreement.

[Note: paragraph 4.30 of *ILG*]

5.3.7
FCA

R A *firm* must not accept an application for *credit* under a *regulated credit agreement* where the *firm* knows or ought reasonably to suspect that the *customer* has not been truthful in completing the application in relation to information supplied by the *customer* relevant to the *creditworthiness assessment* or the assessment required by **■ CONC 5.2.2 R (1)**.

[Note: paragraph 4.31 of *ILG*]

5.3.8
FCA

G An example of where a *firm* ought reasonably to suspect that the *customer* has not been truthful may be that the information supplied by the *customer* concerning income or employment status is clearly inconsistent with other available information.



5.4 Conduct of business: credit brokers

Application

5.4.1

FCA

R

This section applies to a *firm* with respect to *credit broking*.

Conduct of business

5.4.2

FCA

R

- (1) In giving explanations or advice, or in making recommendations, a *firm* must pay due regard to the *customer's* needs and circumstances.
- (2) In complying with (1) a *firm* must pay due regard to whether the *credit* product is affordable and whether there are any factors that the *firm* knows, or reasonably ought to know, that may make the product unsuitable for that *customer*.

[Note: paragraphs 4.32 to 4.36 of CBG]

5.4.3

FCA

R

A *firm* which undertakes to search the product market or a part of it before effecting an introduction must, before doing so, search the product market to the extent stated to the *customer*.

[Note: paragraph 4.41j of CBG]



5.5 Creditworthiness assessment: P2P agreements

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 5.5: see ■ CONC TP 4.2]

Application

5.5.1

FCA

R

This section applies to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a prospective *borrower* under a *P2P agreement*.

5.5.2

FCA

G

- (1) This section contains *rules* that apply to the *person* operating the electronic system that facilitates *persons* becoming *lenders* and *borrowers* under *P2P agreements*, in contrast to ■ CONC 5.2 which applies to the *lender*.
- (2) A *P2P agreement* may also be a *credit agreement* or a *regulated credit agreement* in which case applicable provisions of the CCA or CONC will apply to such agreements. The extent to which CCA provisions apply to a *lender* will depend largely on whether the *lender* makes the *credit agreement* in the course of carrying on a business.

Creditworthiness assessment

5.5.3

FCA

R

- (1) Before a *P2P agreement* is made, a *firm* must undertake an assessment of the creditworthiness of the prospective *borrower*.
- (2) A *firm* carrying out the assessment in (1) must consider:
 - (a) the potential for the commitments under the *P2P agreement* to adversely impact the prospective *borrower's* financial situation, taking into account the information of which the *firm* is aware at the time the *P2P agreement* is to be made; and
 - (b) the ability of the prospective *borrower* to make *repayments* as they fall due over the life of the *P2P agreement*, or for such an agreement which is an *open-end agreement*, to make *repayments* within a reasonable period.
- (3) A creditworthiness assessment must be based on sufficient information obtained from:

- (a) a prospective *borrower*, where appropriate; and
- (b) a *credit reference agency*, where necessary.

(4) This *rule* does not apply to an agreement under which a *person* takes an article in *pawn*.

5.5.4

FCA

R

Where ■ CONC 5.5.3 R applies to a *firm*, the *firm* must comply with ■ CONC 5.3.2 R, ■ CONC 5.3.4 R, ■ CONC 5.3.5 R, ■ CONC 5.3.6 R and ■ CONC 5.3.7 R to the same extent as if it were the *lender* under an agreement to which those *rules* apply and should take into account the *guidance* in ■ CONC 5.3 to the same extent, and should also take into account ■ CONC 5.2.3 G and ■ CONC 5.2.4 G treating them as guidance on ■ CONC 5.5.3 R.

5.5.5

FCA

R

A *firm* must consider sufficient information to enable it to make a reasonable assessment required by ■ CONC 5.5.3 R.

[Note: paragraph 4.21 of *ILG*]

5.5.6

FCA

R

Before a *P2P agreement* is entered into under which a *person* takes an article in *pawn*, the *firm* must:

- (1) undertake the assessment referred to in ■ CONC 5.2.2 R (1) of the prospective *borrower*; and
- (2) comply with ■ CONC 5.3.2 R, ■ CONC 5.3.4 R, ■ CONC 5.3.5 R, ■ CONC 5.3.6 R and ■ CONC 5.3.7 R to the same extent as if it were the *lender* under an agreement to which those *rules* apply, and should also take into account the *guidance* in ■ CONC 5.2.3 G and ■ CONC 5.2.4 G and ■ CONC 5.3 to the same extent.

Chapter 6

Post contractual requirements

6.1 Application

6.1.1

FCA

R

This chapter applies, unless otherwise stated in a *rule*, or in relation to a *rule*, to a *firm* with respect to *consumer credit lending*.

6.1.2

FCA

G

- (1) ■ CONC 6.2, ■ CONC 6.5 and ■ CONC 6.7 apply to firms with respect to *consumer credit lending*.
- (2) ■ CONC 6.3 applies to current account agreements that would be *regulated credit agreements* if the *customer* overdraws on the account.
- (3) ■ CONC 6.4 and ■ CONC 6.6 apply to *firms* which carry on *consumer credit lending* in relation to *regulated credit agreements* and *firms* which carry on *consumer hiring* in relation to *regulated consumer hire agreements*.
- (4) ■ CONC 6.7.17 R to ■ CONC 6.7.26 R also apply to *firms* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* in relation to a *P2P agreement*.
- (5) ■ CONC 6.8 applies to *credit broking*.

6.2 Assessment of creditworthiness: during agreement

6.2.1

FCA

R

- (1) Before significantly increasing:
- (a) the amount of *credit* to be provided under a *regulated credit agreement*; or
 - (b) a *credit limit* for *running-account credit* under a *regulated credit agreement*;

the *lender* must undertake an assessment of the *customer's* creditworthiness.

[Note: section 55B(2) of CCA]

- (2) A *firm* carrying out the assessment in (1) must consider:
- (a) the potential for the commitments under the *regulated credit agreement* to adversely impact the *customer's* financial situation, taking into account the information of which the *firm* is aware at the time that the increase in (1) is to be granted; and
 - (b) the ability of the *customer* to make *repayments* as they fall due over the life of the *regulated credit agreement*, or for such an agreement which is an *open-end agreement*, to make *repayments* within a reasonable period.

[Note: paragraphs 4.1 and 4.3 of ILG]

- (3) A creditworthiness assessment must be based on sufficient information obtained from:
- (a) the *customer*, where appropriate, and
 - (b) a *credit reference agency*, where necessary.

- (4) This *rule* does not apply to:
- (a) an agreement secured on *land*; or
 - (b) an agreement under which a *person* takes an article in *pawn*.

- (5) This *rule* does not apply, except to the agreements in (6), to:
- (a) a *non-commercial agreement*;
 - (b) a *borrower-lender agreement* enabling the *borrower* to overdraw on a current account;
 - (c) a *small borrower-lender-supplier agreement* for restricted-use credit.
- (6) The agreements referred to in (5) and therefore to which this *rule* does apply are:
- (a) a *borrower-lender agreement* enabling the *borrower* to overdraw on a current account which is an *authorised business overdraft agreement* or an *authorised non-business overdraft agreement*; or
- [Note: section 74(1B)/(1C) of CCA]
- (b) a *borrower-lender agreement* enabling the *borrower* to overdraw on a current account which would be an *authorised non-business overdraft agreement* but for the fact that the *credit* is not repayable on demand within three *months*.

[Note: section 74(1D) of CCA].

6.2.2

FCA

R Where ■ CONC 6.2.1 R applies to a *firm*:

[Note: paragraph 4.2 of ILG]

- (1) the *firm* must comply with ■ CONC 5.3.2 R, ■ CONC 5.3.4 R, ■ CONC 5.3.5 R, ■ CONC 5.3.6 R and ■ CONC 5.3.7 R
- (2) the *rules* in ■ CONC 5.3 referred to in (1) apply with the modifications necessary to take into account that ■ CONC 6.2.1 R concerns increases in the amount of *credit* and in *credit limits* and when the increase is to take place; and
- (3) the *guidance* in ■ CONC 5.3 applies accordingly and ■ CONC 5.2.3 G and ■ CONC 5.3.4 R apply treating them as guidance on ■ CONC 6.2.1 R.

6.2.3

FCA

R A *firm* must consider sufficient information available to it at the time of the increase referred to in ■ CONC 6.2.1 R to enable it to make a reasonable assessment required by that *rule*.

[Note: paragraph 4.21 of ILG]



6.3 Information to be provided on a current account agreement and on significant overdrawn

Application

6.3.1
FCA

R This section applies:

- (1) to a *firm* with respect to *consumer credit lending*; and
- (2) where a *firm* has entered into a current account agreement where:
 - (a) there is a possibility that the account-holder may be allowed to overdraw on the current account without a pre-arranged overdraft or exceed a pre-arranged overdraft limit; and
 - (b) if the account-holder did so, this would be a *regulated credit agreement*.

6.3.2
FCA

R ■ CONC 6.3.3 R does not apply where the overdraft or excess would be secured on *land*.

Current account information

6.3.3
FCA

R A *firm* must provide to the account-holder, in writing, the information in ■ CONC 4.7.2 R (2) at least annually.

[Note: section 74A of CCA (partial implementation of article 18 of the *Consumer Credit Directive*)]

Information to be provided on significant overdrawn without prior arrangement

6.3.4
FCA

- R**
- (1) A *firm* must inform the account-holder in writing of the matters in (2) without delay where:
 - (a) the account-holder overdraws on the current account without a pre-arranged overdraft, or exceeds a pre-arranged overdraft limit, for a period exceeding one *month*;
 - (b) the amount of that overdraft or excess is significant throughout that period;
 - (c) the overdraft or excess is a *regulated credit agreement*; and

- (d) the account-holder has not been informed in writing of the matters in (2) within that period.
- (2) The matters in (1) are:
- (a) the fact that the account is overdrawn or the overdraft limit has been exceeded;
 - (b) the amount of that overdraft or excess;
 - (c) the rate of interest charged on it; and
 - (d) any other charges payable by the *customer* in relation to it (including any penalties and any interest on those charges).
- (3) For the purposes of (1)(b) the amount of the overdraft or excess is significant if:
- (a) the account-holder is liable to pay a charge for which he would not otherwise be liable; or
 - (b) the overdraft or excess is likely to have an adverse effect on the *customer's* ability to receive further *credit* (including any effect on the information about the *customer* held by a *credit reference agency*); or
 - (c) it otherwise appears significant, having regard to all the circumstances.
- (4) Where the overdraft or excess is secured on *land*, (1)(a) is to be read as if the reference to one *month* were a reference to three *months*.

[Note: section 74B of CCA]

[Note: article 18 of the *Consumer Credit Directive*]

6.4 Appropriation of payments

Application

6.4.1

FCA

R

This section applies to

- (1) a *firm* with respect to *consumer credit lending*;
- (2) a *firm* with respect to *consumer hiring*.

Appropriation

6.4.2

FCA

R

- (1) Where a *firm* is entitled to payments from the same *customer* in respect of two or more *regulated agreements*, the *firm* must allow the *customer*, on making any payment in respect of those agreements which is not sufficient to discharge the total amount then due under all the agreements, to appropriate the sum paid by him:
 - (a) in or towards the satisfaction of the sum due under any one of the agreements; or
 - (b) in or towards the satisfaction of the sums due under any two or more of the agreements in such proportions as the *customer* thinks fit.

[Note: section 81(1) of CCA]

- (2) If the *customer* fails to make any such appropriation where one or more of the agreements is:
 - (a) a *hire-purchase agreement* or *conditional sale agreement*; or
 - (b) a *consumer hire agreement*; or
 - (c) an agreement in relation to which any *security* is provided;the *firm* must appropriate the payment towards satisfaction of the sums due under the agreements in the proportions which those sums bear to one another.

[Note: section 81(2) of CCA]

6.5 Assignment of rights

Application

6.5.1

FCA

R

This section applies to a *firm* with respect to *consumer credit lending*.

Notice of assignment

6.5.2

FCA

R

(1) Where rights of a *lender* under a *regulated credit agreement* are assigned to a *firm*, that *firm* must arrange for notice of the assignment to be given to the *customer*:

- (a) as soon as reasonably possible; or
- (b) if, after the assignment, the arrangements for servicing the *credit* under the agreement do not change as far as the *customer* is concerned, on or before the first occasion they do.

[Note: section 82A of CCA]

(2) Paragraph (1) does not apply to an agreement secured on *land*.

(3) A *firm* may assign the rights of a *lender* under a *regulated credit agreement* to a third party only if:

- (a) the third party is a *firm*; or
- (b) where the third party does not require *authorisation*, the *firm* has an agreement with the third party which requires the third party to arrange for a notice of assignment in accordance with (1).

[Note: article 17 of the *Consumer Credit Directive*]

6.6 Pawn broking: conduct of business

Application

6.6.1

FCA

R

This section applies to:

- (1) a *firm* with respect to *consumer credit lending*;
- (2) a *firm* with respect to *consumer hiring*.

Failure to supply copies of pledge agreement etc

6.6.2

FCA

G

Sections 62 to 64 and 114(1) of the CCA continue to apply to a *regulated agreement* under which a *person* takes any article in *pawn*. A *firm* which fails to observe its obligations under those provisions may be subject to disciplinary action by the FCA.

[Note: section 115 of CCA]

Pawn records: relating to articles under a regulated credit agreement

6.6.3

FCA

R

A *firm* which takes any article in *pawn* under a *regulated credit agreement* must keep such books or other records as are sufficient to show and explain readily at any time all dealings with the article, including:

- (1) the taking of the article in *pawn*;
- (2) any redemption of the article; and
- (3) where the article has become realisable by the *firm*, any sale of the article under section 121(1) of the CCA.

[Note: regulation 2(1) of SI 1983/1565]

6.6.4

FCA

R

Without prejudice to the generality of ■ CONC 6.6.3 R, the entries in the books or other records in respect of the dealings mentioned in ■ CONC 6.6.3 R (1) to ■ CONC 6.6.3 R (3) must contain the information in ■ CONC 6.6.7 R to ■ CONC 6.6.9 R.

[Note: regulation 2(2) of SI 1983/1565]

6.6.5

FCA

R

Where the entries in relation to any article taken in *pawn* in ■ CONC 6.6.4 R are not shown together as a whole but are shown in separate places, then in each place where entries are made the record must show:

- (1) the date and the number or other reference of the agreement under which the article was taken in *pawn* and, where separate from any document embodying the agreement, the number or other reference of the pawn-receipt;
- (2) the date on which the article was taken in *pawn*; and
- (3) the name of the *customer*.

[Note: regulation 2(3) of SI 1983/1565]

6.6.6

FCA

R

A *firm* must retain the books or other records required by ■ CONC 6.6.3 R at least until the expiration of whichever is the longer of the following periods:

- (1) five years from the date on which the article was taken in *pawn*; or
- (2) where an article has become realisable by the *firm*, three years from the date of sale under section 121(1) of the CCA or the redemption of the article, as the case may be.

[Note: regulation 2(4) of SI 1983/1565]

Information to be kept by a person who takes any article in pawn.....

6.6.7

FCA

R

The entries in the books or other records, in relation to the taking of the article in *pawn*, must contain the following information:

- (1) the date and the number or other reference of the agreement under which the article was taken in *pawn*, and of the pawn-receipt if separate, sufficient to identify it or them;
- (2) the date on which the article was taken in *pawn*;
- (3) the name and a postal address and, where appropriate, other address of the *customer*;
- (4) the description that appears in the pawn-receipt of the article taken in *pawn*;
- (5) the amount of the *credit* secured by the *pledge*;
- (6) the date of the end of the redemption period; and

- (7) the rate of interest, and the amount or rate of any other charges for *credit*, as provided for in the agreement under which the article was taken in *pawn*.

[Note: paragraph 1 of Schedule to SI 1983/1565]

6.6.8

FCA

R

The entries in the books or other records in relation to any redemption of the article must contain the date of the redemption.

[Note: paragraph 2 of Schedule to SI 1983/1565]

6.6.9

FCA

R

The entries in the books or other records, where the article has become realisable by the *firm*, in relation to any sale of the article under section 121(1) of the CCA, must contain the following information:

- (1) the date of the sale;
- (2) where the article was sold by auction, the name and a postal address of the auctioneer;
- (3) where the article was not sold by auction, the postal address of the premises at which the sale took place;
- (4) the gross amount realised;
- (5) the itemised expenses, if any, of the sale;
- (6) where (5) applies, the net proceeds of sale, being the difference between the gross amount in (4) and the total amount of the expenses in (5);
- (7) the amount which would have been payable under the agreement under which the article was taken in *pawn* if the article had been redeemed on the date of the sale;
- (8) where the net proceeds of sale are not less than the sum which, if the article taken in *pawn* had been redeemed on the date of the sale, would have been payable for its redemption, the amount of any surplus payable to the *customer*;
- (9) where (8) does not apply, the amount by which the net proceeds of sale fall short of the sum which would have been payable for the redemption of the article taken in *pawn* on the date of the sale, being the amount for which the *customer* remains liable under section 121(4) of the CCA;
- (10) the date on which any surplus in (8) was paid to the *customer*;

(11) the date on which any amount in (9) for which the *customer* remained liable under section 121(4) of the CCA was received from the *customer*.

[Note: paragraph 3 to Schedule to SI 1983/1565]



6.7 Post contract: business practices

Application

6.7.1
FCA

R

- (1) This section applies to a *firm* with respect to *consumer credit lending*.
- (2) ■ CONC 6.7.17 R to ■ CONC 6.7.26 R also apply to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* under a *P2P agreement* and references in those provisions to a *firm* refinancing an agreement refer to any action taken by an *operator of an electronic system in relation to lending* which has the result that a *P2P agreement* is refinanced.

Business practices

6.7.2
FCA

R

A *firm* must monitor a *customer's* repayment record and take appropriate action where there are signs of actual or possible repayment difficulties.

[Note: paragraph 6.2 of *ILG*]

6.7.3
FCA

G

The action referred to in ■ CONC 6.7.2 R should generally include:

- (1) notifying the *customer* of the risk of escalating debt, additional interest or charges and of potential financial difficulties; and

[Note: paragraph 6.16 of *ILG*]

- (2) providing contact details for *not-for-profit debt advice bodies*.

[Note: paragraph 6.2 (box) of *ILG*]

Credit card and store card requirements

6.7.4
FCA

R

A *firm* must first allocate a *repayment* to the debt subject to the highest rate of interest for:

- (1) the outstanding balance on a credit card; or
- (2) the outstanding balance on a store card; or

- (3) a credit card or a store card, in relation to which there is a *fixed-sum credit* element, to *repayments* beyond those required to satisfy the fixed instalments.

[Note: paragraph 6.3 of *ILG*]

6.7.5

FCA

R

- (1) A *firm* must set the minimum required *repayment* under a *regulated credit agreement* for a credit card or a store card at an amount equal to at least that amount which repays the interest, fees and charges that have been applied to the *customer's* account, plus one percentage of the amount outstanding.

[Note: paragraph 6.4 of *ILG*]

- (2) Where (1) applies and a *firm* applies interest to a period of more than one *month*, for the purpose of calculating the amount of the interest part of the minimum required *repayment* the *firm* may disregard any interest applied in respect of a period prior to the period of the statement in question.

[Note: paragraph 6.4 (box) of *ILG*]

- (3) Paragraph (1) applies to agreements made on or after 1 April 2011.

6.7.6

FCA

R

A *firm* under a *regulated credit agreement* for a credit card or a store card must provide a *customer* with the option to pay any amount they choose (equal to or more than the minimum required repayment but less than the full outstanding balance) on a regular basis, when making automated *repayments*.

[Note: paragraph 6.5 of *ILG*]

6.7.7

FCA

R

A *firm* must not increase, nor offer to increase, the *customer's credit limit* on a credit card or store card where:

- (1) the *firm* has been advised that the *customer* does not wish to have any *credit limit* increases; or
- (2) a *customer* is at risk of financial difficulties.

[Note: paragraphs 6.6 and 6.7 of *ILG*]

6.7.8

FCA

R

A *firm* under a *regulated credit agreement* for a credit card or a store card must:

- (1) permit a *customer* at any time to reduce or decline offers to increase the *credit limit*; and

- (2) permit a *customer* to decline to receive offers of *credit limit* increases.

[Note: paragraphs 6.8 and 6.9 of *ILG*]

6.7.9

FCA

R

- (1) A *firm* under a *regulated credit agreement* for a credit card or store card must notify the *customer* at least 30 days before a *credit limit* increase under the agreement comes into effect. [Note: paragraph 6.17 of *ILG*]

- (2) Paragraph (1) does not apply where a *customer* requests a temporary *credit limit* increase to deal with an emergency situation and, where ■ CONC 6.2.1 R applies, the *firm* carries out the required creditworthiness assessment in relation to any such increase.

6.7.10

FCA

R

Where a *customer* is at risk of financial difficulties, a *firm* under a *regulated credit agreement* for a credit card or a store card must, other than where a promotional rate of interest ends, not increase the rate of interest under the agreement.

[Note: paragraph 6.10 of *ILG*]

6.7.11

FCA

G

For the purposes of ■ CONC 6.7.7 R and ■ CONC 6.7.10 R a *customer* is at risk of financial difficulties if the *customer*:

- (1) is two or more payments in arrears; or
- (2) has agreed a repayment plan with the *firm* in question; or
- (3) is in serious discussion with a *firm* which carries on *debt counselling* with a view to entering into a *debt management plan* and the *firm* has been notified of this fact.

[Note: paragraph 6.10 (box) of *ILG*]

6.7.12

FCA

R

- (1) A *firm* under a *regulated credit agreement* for a credit card or store card must notify a *customer* at least 30 days before an increase in the rate of interest under the agreement comes into effect.

[Note: paragraph 6.18) of *ILG*]

- (2) Paragraph (1) does not apply in the following cases where in relation to an agreement:
 - (a) the interest rate is set to directly track the movement in an external index (such as a base rate), which was adequately explained under ■ CONC 4.2.15 R and was clearly stated in the agreement; or
 - (b) the period of a promotional interest rate has come to an end.

6.7.13

FCA

R

Where a *firm* proposes to exercise a power under a *regulated credit agreement* for a credit card or store card to increase the interest rate, the *firm* must:

- (1) permit the *customer* sixty days, from the date of the *firm's* notice of the proposed increase during which period the *customer* may give notice to the *firm* requiring it to close the account;
- (2) permit the *customer* to pay off the outstanding balance at the rate of interest before the proposed increase and over a reasonable period; and
- (3) give notice to the *customer* of the rights in (1) and (2).

[Note: paragraphs 6.11 and 6.19 of *ILG*]

Interest rate variations

6.7.14

FCA

R

Where a *firm* has a right to increase the interest rate under a *regulated credit agreement*, the *firm* must not increase the interest rate unless there is a valid reason for doing so.

[Note: paragraph 6.20 of *ILG*]

6.7.15

FCA

G

Examples of valid reasons for increasing the rate of interest in ■ CONC 6.7.14 R include:

- (1) recovering the genuine increased costs of funding the provision of *credit* under the agreement; and
- (2) a change in the risk presented by the *customer* which justifies the change in the interest rate, which would not generally include missing a single *repayment* or failing to repay in full on one or two occasions

[Note: paragraph 6.20 (box) of *ILG*]

6.7.16

FCA

R

Where a *firm* increases a rate of interest based on a change in the risk presented by the *customer*, the *firm* must:

- (1) notify the *customer* that the rate of interest has been increased based on a change in risk presented by the *customer*; and
- (2) if requested by the *customer* provide a suitable explanation which may be a generic explanation for such increases.

[Note: paragraph 6.20 (box) of *ILG*]

Rules on refinancing: general

6.7.17

FCA

R

- (1) In ■ CONC 6.7.18 R to ■ CONC 6.7.23 R "refinance" means to extend, or purport to extend, the period over which one or more *repayment* is to be made by a *customer* whether by:

- (a) agreeing with the *customer* to replace, vary or supplement an existing *regulated credit agreement*;
- (b) exercising a contractual power contained in an existing *regulated credit agreement*; or
- (c) other means, for example, granting an indulgence or waiver to the *customer*.

(2) "Exercise forbearance" means to refinance a *regulated credit agreement* where the result is that no interest accrues at any time in relation to that agreement or any which replaces, varies or supplements it from the date of the refinancing and either:

- (a) there is no charge in connection with the refinancing; or
- (b) the only additional charge is a reasonable estimate of the actual and necessary cost of the additional administration required in connection with the refinancing.

(3) The term "refinance" within paragraph (1) does not include where under a *regulated credit agreement* repayable in instalments a *customer* requests a change in the regular payment date and as a result there is no charge or additional interest in connection with the change.

6.7.18
FCA

R A *firm* must not encourage a *customer* to refinance a *regulated credit agreement* if the result would be the *customer's* commitments are not *sustainable*.

[Note: paragraph 4.27 of *ILG*]

6.7.19
FCA

R A *firm* must not refinance a *customer's* existing *credit* with the *firm* (other than by exercising forbearance), unless:

- (1) the *firm* does so at the *customer's* request or with the *customer's* consent; and
- (2) the *firm* reasonably believes that it is not against the *customer's* best interests to do so.

[Note: paragraph 6.24 of *ILG*]

Rules on refinancing: high-cost short-term credit

PAGE 17
6.7.20
FCA

R Before a *firm* agrees to refinance *high-cost short-term credit*, it must:

- (1) give or send an information sheet to the *customer*; and
- (2) where reasonably practicable to do so, bring the sheet to the attention of the *customer* before the refinance;

in the form of the arrears information sheet issued by the *FCA* referred to in section 86A of the *CCA* with the following modifications:

- (3) for the title and first sentence of the information sheet substitute:

"High-cost short-term loans

Failing to repay on time

Think carefully - rolling over or extending your loan may not be the best option and may make things worse."; and

- (4) for the bullet points substitute: "

- Think carefully before borrowing more. Borrowing more money is likely to worsen your situation.

- Work out how much you owe. To do this, you will need to make a list of all the organisations you owe money to. A debt adviser can help you

- Put priority debts first. Some debts are more urgent than others because the consequences of not paying them can be more serious than for other debts, for example, mortgage, rent, council tax/ rates, or gas or electricity arrears. A debt adviser can help you to budget to keep your finances under control

Discuss options with your lender

- If you are having trouble paying back on time talk to your lender who can suggest ways to repay and make sure it is affordable for you.

- If you don't, you may quickly face increased costs from interest or charges. Missed payments could affect your credit rating and make it more difficult to get credit in future.

Get free help and advice

- People that access advice resolve their issues more quickly than those that don't and hundreds of thousands get free debt advice every year.

- Contact one of these organisations for free debt advice."

- (5) in relation to an arrears sheet to be used by an *operator of an electronic system in relation to lending*:

- (a) for the bullet point headed "Work out how much money you owe" substitute:

"Work out how much money you owe. To do this, you will need to make a list of all those you owe money to. A debt adviser can help you.";

(b) for the title " Discuss options with your lender" substitute

"Discuss options with your peer to peer lending platform (P2P platform)";

(c) for the bullet point which begins "If you are having trouble ?" substitute

"If you are having trouble paying back on time talk to your P2P platform who can suggest ways to repay and make sure it is affordable for you.".

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 6.7.20 R: see ■ CONC TP 32]

6.7.21
FCA

G A *firm* should not refinance *high-cost short-term credit* where to do so is *unsustainable* or otherwise harmful.

[Note: paragraph 6.25 of *ILG*]

6.7.22
FCA

G A *firm* should not allow a *customer* to enter into consecutive agreements with the *firm* for *high-cost short-term credit* if the cumulative effect of the agreements would be that the *total amount payable* by the *customer* is *unsustainable*.

[Note: paragraph 6.25 (box) of *ILG*]

6.7.23
FCA

R A *firm* must not refinance *high-cost short-term credit* (other than by exercising forbearance) on more than two occasions.

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 6.7.23 R: see ■ CONC TP 3.3]

Continuous payments authority: post agreement obligations

6.7.24
FCA

R A *firm* must not amend the terms of a *continuous payment authority* without first obtaining the *customer's* consent, after having fully explained to the *customer* the reason for the amendment.

[Note: paragraph 3.9miii of *DCG*]

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6.7.25
FCA

R ■ CONC 6.7.24 R does not preclude the *firm* from:

- (1) making amendments pursuant to a variation clause to which the *customer* has previously given consent, after it was fully explained to the *customer* the reason for the amendment; or

- (2) reducing or waiving payments unilaterally, for example, under a repayment plan, provided that this is explained to the *customer*.

[Note: paragraph 3.9miii of DCG]

6.7.26

FCA

R

A *firm* must use the correct category code and identifier when presenting a payment request to the *payment service provider*.

[Note: paragraph 3.9miii of DCG]



6.8 Post contract business practices credit brokers

Application

6.8.1
FCA

R This section applies to a *firm* with respect to *credit broking*.

Business practices

6.8.2
FCA

G Where a *firm* takes on responsibility for giving information to a *customer* or receiving information from a *customer* in accordance with provisions of the CCA (for example, supplying a copy of an executed *regulated credit agreement* under section 61A of the CCA) the *firm* should ensure it is familiar with the relevant statutory requirements and has adequate system and procedures in place to comply with the provision in question.

Refunds of brokers' fees

6.8.3
FCA

G (1) Under section 155 of the CCA an *individual* has a right to a refund of the *firm's* fee (less £5) (or for that fee not to be payable) where, following an introduction to a source of *credit* or of bailment (or in Scotland of hire), the *individual* has not entered into an agreement to which section 155 applies within six *months* of an introduction.

[Note: paragraph 6.1 of CBG]

(2) It is immaterial for the purposes of section 155 of the CCA why no agreement has been entered into (for example, an *individual* should be entitled to a refund where the *individual* decides for any reason not to enter into an agreement within the relevant time period).

[Note: paragraph 6.2 of CBG]

(3) Section 155 does not apply where the introduction is for a *regulated mortgage contract* or a *home purchase plan* and the *person* charging the fee is an *authorised person* or an *appointed representative*. Arranging and advising in relation to *regulated mortgages contracts* and *home purchase plans* are *regulated activities* under the *Regulated Activities Order* and carrying on those activities would require *permissions* covering those activities.

[Note: paragraph 6.4 of CBG]

(4) In relation to a *credit agreement* the refund would apply to any sum which is an amount that is or would enter in to the *total charge for credit* paid or payable to or via the *credit broker* whether or not the *firm* describes it as a fee or commission.

[Note: paragraphs 6.11 and 6.13 of CBG]

- (5) Where an *individual* withdraws from a *regulated credit agreement* under section 66A of the CCA or cancels a cancellable agreement (see section 67 of the CCA) under section 69 of the CCA the agreement is treated as never have been entered into and hence the period referred to in section 155 continues to apply in these circumstances.

[Note: paragraph 6.10 of CBG]

6.8.4

FCA

R

Where section 155 of the CCA applies, a *firm* must respond to a request for a refund.

[Note: paragraph 6.17 of CBG]

6.8.5

FCA

G

- (1) An *individual* does not need to refer to the right under section 155 of the CCA in order to be entitled to a refund.
- (2) A *firm* should respond promptly to a request for a refund.
- (3) In circumstances where *individuals* request refunds and the *firm* knows, or ought to know, that agreements to which section 155 applies would not be entered into within six *months*, the *firm* should not make the *individuals* wait for the six-month period to elapse before making the refund.

[Note: paragraphs 6.17 and 6.18 of CBG]

Chapter 7

Arrears, default and recovery (including repossessions)



7.1 Application

Who? What?

7.1.1
FCA

R This chapter applies, unless otherwise stated in or in relation to a *rule*, to:

- (1) a *firm* with respect to *consumer credit lending*;
- (2) a *firm* with respect to *consumer hiring*;
- (3) a *firm* with respect to *operating an electronic system in relation to lending*, in relation to a *borrower* under a *P2P agreement*;
- (4) a *firm* with respect to *debt collecting*.

7.1.2
FCA

G The following sections provide otherwise for application:

- (1) ■ CONC 7.12 (lenders' responsibilities in relation to debt) applies only to *firms* in respect of *consumer credit lending*;
- (2) ■ CONC 7.17 to ■ CONC 7.19 apply only to *firms operating electronic systems in relation to lending* in relation to *borrowers* under *P2P agreements* as set out in those sections.

7.1.3
FCA

- G**
- (1) In accordance with ■ CONC 1.2.2 R *firms* must ensure that their employees and agents comply with *CONC* and must take reasonable steps to ensure that other *persons* acting on the *firm's* behalf act in accordance with *CONC*.
 - (2) The *rule* in ■ CONC 1.2.2 R is particularly important in relation to the requirements in ■ CONC 7, for example, in dealing with an *individual* from whom the *person* referred to in the *rule* is seeking to collect a debt.
 - (3) In this chapter the expression "arrears" includes any shortfall in one or more payment due from a *customer* under an agreement to which the chapter applies.



7.2 Clear effective and appropriate arrears policies and procedures

Arrears policies

7.2.1

FCA

R

A *firm* must establish and implement clear, effective and appropriate policies and procedures for:

- (1) dealing with *customers* whose accounts fall into arrears;

[Note: paragraph 7.2 of *ILG*]

- (2) the fair and appropriate treatment of *customers*, who the *firm* understands or reasonably suspects to be particularly vulnerable.

[Note: paragraphs 7.2 and 7.2(box) of *ILG* and 2.2 (box) of *DCG*]

7.2.2

FCA

G

Customers who have mental health difficulties or mental capacity limitations may fall into the category of particularly vulnerable *customers*.

[Note: paragraph 2.2 (box) of *DCG*]

7.2.3

FCA

G

In developing procedures and policies for dealing with *customers* who may not have the mental capacity to make financial decisions, *firms* may wish to have regard to the principles outlined in the Money Advice Liaison Group (MALG) Guidelines "Good Practice Awareness Guidelines for Consumers with Mental Health Problems and Debt".

[Note: paragraph 3.7r (box) of *DCG*]



7.3 Treatment of customers in default or arrears (including repossessions): lenders, owners and debt collectors

7.3.1
FCA

G

- (1) In relation to *debt collecting* and *debt administration*, the definition of *customer* refers to an *individual* from whom the payment of a debt is sought; this would include where a *firm* mistakenly treats an *individual* as the *borrower* under an agreement and mistakenly or wrongly pursues the *individual* for a debt.

[Note: paragraph 1.12 of DCG]

- (2) In relation to *debt collecting* and *debt administration*, the definitions of *customer* and *borrower* are given extended meanings to include, as well as those other people they generally include, a person providing a guarantee or indemnity under a *credit agreement* and also a person to whom rights and duties are under the agreement are passed by assignment or operation of law. This reflects article 39M of the *Regulated Activities Order*.

Dealing fairly with customers in arrears or default

7.3.2
FCA

G

When dealing with *customers* in default or in arrears difficulties a *firm* should pay due regard to its obligations under *Principle 6* (Customers' interests) to treat its *customers* fairly.

[Note: paragraphs 7.12 of ILG and 2.2 of DCG]

Forbearance and due consideration

7.3.3
FCA

G

Where a *customer* under a *regulated credit agreement* fails to make an occasional payment when it becomes due, a *firm* should, in accordance with *Principle 6*, allow for such unmade payments to be made within the original term of the agreement unless:

- (1) the *firm* reasonably believes that it is appropriate to allow a longer period for repayment and has no reason to believe that doing so will increase the *total amount payable* to be *unsustainable* or otherwise cause a *customer* to be in financial difficulties; or

[Note: paragraph 4.7 of ILG]

- (2) the *firm* reasonably believes that terminating the agreement will mitigate such adverse consequences for the *customer* and before terminating the agreement it explains this to the *customer*.

7.3.4

FCA

R

A *firm* must treat *customers* in default or in arrears difficulties with forbearance and due consideration.

[Note: paragraphs 7.3 and 7.4 of *ILG* and 2.2 of *DCG*]

7.3.5

FCA

G

Examples of treating a *customer* with forbearance would include the *firm* doing one or more of the following, as may be relevant in the circumstances:

- (1) considering suspending, reducing, waiving or cancelling any further interest or charges (for example, when a *customer* provides evidence of financial difficulties and is unable to meet *repayments* as they fall due or is only able to make token *repayments*, where in either case the level of debt would continue to rise if interest and charges continue to be applied);

[Note: paragraph 7.4 (box) of *ILG*]

- (2) allowing deferment of payment of arrears:
 - (a) where immediate payment of arrears may increase the *customer's* *repayments* to an *unsustainable* level; or
 - (b) provided that doing so does not make the term for the *repayments* unreasonably excessive;
- (3) accepting token payments for a reasonable period of time in order to allow a *customer* to recover from an unexpected income shock, from a *customer* who demonstrates that meeting the *customer's* existing debts would mean not being able to meet the *customer's* priority debts or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills).

7.3.6

FCA

G

Where a *customer* is in default or in arrears difficulties, a *firm* should allow the *customer* reasonable time and opportunity to repay the debt.

[Note: paragraph 2.2 of *DCG*]

7.3.7

FCA

G

Where appropriate, a *firm* should direct a *customer* in default or in arrears difficulties to sources of free and independent debt advice.

[Note: paragraph 2.2 of *DCG*]

7.3.8

FCA

G

An example of where a *firm* is likely to contravene *Principle 6* and ■ CONC 7.3.4 R is where the *firm* does not allow for alternative, affordable payment amounts to repay the debt due in full, where the *customer* is in default or arrears difficulties and the *customer* makes a reasonable proposal for repaying the debt or a *debt counsellor* or another *person* acting on the *customer's* behalf makes such a proposal.

[Note: paragraphs 7.16 of *ILG* and 3.7j of *DCG*]

7.3.9
FCA

R A *firm* must not operate a policy of refusing to negotiate with a *customer* who is developing a repayment plan.

[Note: paragraph 3.9d (box) of DCG]

7.3.10
FCA

R A *firm* must not pressurise a *customer*:

- (1) to pay a debt in one single or very few *repayments* or in unreasonably large amounts, when to do so would have an adverse impact on the *customer's* financial circumstances;

[Note: paragraph 7.18 of ILG]

- (2) to pay a debt within an unreasonably short period of time; or

[Note: paragraphs 3.7i of DCG and 7.18 of ILG]

- (3) to raise funds to repay the debt by selling their property, borrowing money or increasing existing borrowing.

[Note: paragraph 3.7b of DCG]

7.3.11
FCA

R A *firm* must suspend the active pursuit of recovery of a debt from a *customer* for a reasonable period where the *customer* informs the *firm* that a *debt counsellor* or another *person* acting on the *customer's* behalf or the *customer* is developing a repayment plan.

[Note: paragraphs 7.12 of ILG and 3.7m of DCG]

7.3.12
FCA

G A "reasonable period" in ■ CONC 7.3.11 R should generally be for thirty days where there is evidence of a genuine intention to develop a plan and the *firm* should consider extending the period for a further thirty days where there is reasonable evidence demonstrating progress to agreeing a plan.

[Note: paragraphs 7.12 (box) ILG and 3.7m of DCG]

7.3.13
FCA

G A *firm* seeking to recover debts should have regard, where appropriate, to the provisions in the Common Financial Statement or equivalent guidance.

[Note: paragraphs 7.16 (box) of ILG and 3.7k of DCG]

Proportionality

7.3.14
FCA

R (1) A *firm* must not take disproportionate action against a *customer* in arrears or default.

[Note: paragraphs 7.14 (box) of ILG and 3.7t of DCG]

- (2) In accordance with (1) a *firm* must not, in particular, apply to court for an order for sale or submit a bankruptcy petition,

without first having fully explored any more proportionate options.

[Note: paragraph 7.14 (box) of *ILG*]

7.3.15

FCA

G

A *firm* should not make undue, excessive or otherwise unfair use of statutory demands (within the meaning of section 268 of the Insolvency Act 1986) when seeking to recover a debt from a *customer*.

[Note: paragraphs 7.10 of *ILG* and 3.7n of *DCG*]

Enforcement of debts

7.3.16

FCA

G

A *firm* should not take steps to enforce a debt if it is aware that the *customer* is subject to a bankruptcy order (or in Scotland where sequestration is awarded in relation to the *customer*), a debt relief order or an individual voluntary arrangement (or, in Scotland, a protected trust deed or a Debt Arrangement Scheme).

[Note: paragraph 3.9h of *DCG*]

7.3.17

FCA

R

A *firm* must not take steps to repossess a *customer's* home other than as a last resort, having explored all other possible options.

[Note: paragraphs 7.14 of *ILG*, 3.7t of *DCG* and 6.3 of *SCLG*]

7.3.18

FCA

R

A *firm* must not threaten to commence court action, including an application for a charging order or (in Scotland) an inhibition or an order for sale, in order to pressurise a *customer* in default or arrears difficulties to pay more than they can reasonably afford.

[Note: paragraphs 7.14 of *ILG* and 3.7i (box) of *DCG*]

7.3.19

FCA

G

Firms seeking to recover debts under *regulated credit agreements* secured by second or subsequent charges in England and Wales should have regard to the requirements of the relevant pre-action protocol (PAP) issued by the Civil Justice Council. The aims of the PAP are to ensure that a *firm* and a *customer* act fairly and reasonably with each other in resolving any matter concerning arrears, and to encourage more pre-action contact in an effort to seek agreement between the parties on alternatives to repossession. The Pre-action Protocol on Possession Proceedings applies to all mortgage repossession cases in Northern Ireland. The Home Owner and Debtor Protection (Scotland) Act 2010 provides for pre-action requirements to be placed on secured *lenders* in Scotland.

[Note: paragraphs 7.14 of *ILG* and 3.7s of *DCG*]



7.4 Information on status of debts

7.4.1
FCA

R A *firm* must provide the *customer* or another *person* acting on behalf of the *customer* with information on the amount of any arrears and the balance owing.

[Note: paragraph 3.3f of DCG]

7.4.2
FCA

R Where:

- (1) a *customer* offers a settlement payment lower than the total amount owing; or
- (2) a *lender* under a *regulated credit agreement* or an *owner* under a *regulated consumer hire agreement* decides to stop pursuing a *customer* in respect of a debt arising under the agreement;

and the debt (or part of it) continues to exist notwithstanding the acceptance of the *customer's* offer or the decision to cease to pursue the debt, the *lender* or *owner* must ensure that the continuing existence of the debt and the possibility of the *customer* being pursued by another *firm* who purchases the debt is explained in clear terms to the *customer*.

[Note: paragraph 3.3i of DCG]

7.5 Pursuing and recovering repayments

7.5.1
FCA

G

- (1) Failure to comply with ■ CONC 6.5.2 R, which sets out when a *firm* must give notice to a *customer* where a *regulated credit agreement* has been assigned to a third party, will be taken into account by the *FCA* in taking decisions about a *firm's permission* or about taking other action.

[Note: paragraph 3.7g of DCG]

- (2) ■ CONC 6.5.2 R makes it clear that where arrangements for servicing the *credit* change at the time of the assignment of a *regulated credit agreement*, notice must be given to the *customer* as soon as reasonably possible. A *firm* should give notice as required under that *rule* in order that any change should not adversely impact on a *customer's* existing repayment arrangements. In addition, if arrangements for servicing the debt otherwise change so far as the *customer* is concerned, the *firm* should notify the *customer* on or before that change.

[Note: paragraph 3.7h of DCG]

7.5.2
FCA

R

A *firm* must not pursue an *individual* whom the *firm* knows or believes might not be the *borrower* or *hirer* under a *credit agreement* or a *consumer hire agreement*.

[Note: paragraph 3.5f of DCG]

7.5.3
FCA

R

A *firm* must not ignore or disregard a *customer's* claim that a debt has been settled or is disputed and must not continue to make demands for payment without providing clear justification and/or evidence as to why the *customer's* claim is not valid.

[Note: paragraph 3.7o of DCG]

7.5.4
FCA

R

A *firm* acting on behalf of a *lender* or *owner* must, unless the *firm* has authority from the *lender* or *owner* to accept such an offer, refer a reasonable offer by the *customer* to pay by instalments to the *lender* or *owner*.

[Note: paragraph 3.9f of DCG]

7.5.5

FCA

R

A *firm* acting on behalf of a *lender* or *owner* must pass on payments received from a *customer* and/or details of a *customer's* outstanding balance to the *lender* or *owner* in a timely manner or, provided the effect of the agreement does not impact adversely on the *customer*, in accordance with an agreement between the *firm* and *lender* or *owner* in question

[Note: paragraph 3.9g of DCG]

7.5.6

FCA

G

A timely manner in **■** CONC 7.5.5 R would normally be within five *working days* of receipt of payment by the *firm*.

[Note: paragraph 3.9g of DCG]

7.6 Exercise of continuous payment authority

Recovery and continuous payment authorities etc.

7.6.1

FCA

R

- (1) A *firm* must not exercise its rights under a *continuous payment authority* (or purport to do so):
 - (a) unless it has been explained to the *customer* that the *continuous payment authority* would be used in the way in question; and
 - (b) other than in accordance with the terms specified in the *credit agreement* or the *P2P agreement*.
- (2) If a *firm* wishes a *customer* to change the terms of a *continuous payment authority* it must contact the *customer* and:
 - (a) provide the *customer* with an adequate explanation of the reason for and effect of the proposed change, including any effect it would have on the matters in ■ CONC 4.6.2 R (2); and
 - (b) once it has done so, obtain the consent of the *customer*.

[Note: paragraph 3.9mi of DCG]

7.6.2

FCA

G

A *firm* should not:

- (1) request a *payment service provider* to make a payment from the *customer's* payment account unless:
 - (a) (i) the amount of the payment (or the basis on which payments may be taken) is specified in or permitted by the *credit agreement* or *P2P agreement*; and
 - (ii) the amount of the payment (or the basis on which payments may be taken) was referred to in the adequate explanation required by ■ CONC 4.6.2 R; or
- (b) the *firm* has complied in relation to such a request with ■ CONC 7.6.1 R (2);
- (2) request a *payment service provider* to make a payment to recover default fees or other sums unless:
 - (a) (i) the amount (or the basis on which default fees or other sums may be taken) is specified in the *credit agreement* or *P2P agreement*; and

- (ii) the amount (or the basis on which default fees or other sums may be taken) was referred to in the adequate explanation required by ■ CONC 4.6.2 R; or
- (b) the *firm* has complied in relation to such a request with ■ CONC 7.6.1 R (2);
- (3) other than where ■ CONC 7.6.14 R (2) applies, request a *payment service provider* to make a payment from the *customer's* payment account of an amount that is less than the amount due at the time of the request, unless the *firm*:
 - (a) (i) is permitted to do so by the *credit agreement* or *P2P agreement*; and
 - (ii) the adequate explanation required by ■ CONC 4.6.2 R indicated that part payment (a sum due which is less than the full sum due at the time the *firm's payment request* is made) could be requested if the full amount was not available and specified the basis on which and the frequency with which such requests for payment could be made and any minimum amount or percentage that would be requested; or
 - (b) the *firm* has complied in relation to such a request with ■ CONC 7.6.1 R (2).
- (4) request a *payment service provider* to make a payment from the *customer's* payment account before the due date of payment as specified in the *credit agreement* or *P2P agreement*, unless the *firm* has complied with ■ CONC 7.6.1 R (2);
- (5) request a *payment service provider* to make a payment from the *customer's* payment account after the due date on a date, or within a period, or with a frequency other than as specified in the *credit agreement* or *P2P agreement* and referred to in the adequate explanation, unless the *firm* has complied with ■ CONC 7.6.1 R (2);
- (6) request a *payment service provider* to make a payment from the payment account of a third party other than as specifically agreed with the third party or agreed with the *customer* following the third party's confirmation to the *firm* that the third party consents to the arrangement.

[Note: paragraph 3.9mi of DCG]

7.6.3
FCA

R

A *firm* must exercise its rights under a *continuous payment authority* in a manner which is reasonable, proportionate and not excessive and must exercise appropriate forbearance if it becomes aware that the *customer* is or may be experiencing financial difficulties.

[Note: paragraph 3.9mii of DCG]

7.6.4

FCA

G

Whether exercising rights under a *continuous payment authority* is reasonable, proportionate and not excessive (as regards the frequency or period of collection attempts), will depend on the circumstances, including:

- (1) whether the *firm* is aware or has reason to believe that the *customer* is in actual or potential financial difficulties which the exercise of rights under a *continuous payment authority* may exacerbate; and
- (2) whether the *customer* has been notified of the failure to collect the payment and has responded to contact from the *firm*.

[Note: paragraph 3.9mii of DCG]

7.6.5

FCA

G

A *firm* is likely to contravene ■ CONC 7.6.3 R if it:

- (1) requests a *payment service provider* to make a payment from the *customer's* payment account before income or other funds may reasonably be expected to reach the account; for example, this is likely to be relevant where a *firm* is aware of the *customer's* salary payment date; or
- (2) requests a *payment service provider* to make a payment from the *customer's* payment account where it has reason to believe that there are insufficient funds in the account or that taking the payment would leave insufficient funds for priority debts or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills or utility bills); or
- (3) requests a *payment service provider* to make a part payment (a sum due which less than the full sum due at the time the *firm's* payment request is made) of the sum due from the *customer's* payment account before it has made reasonable attempts to collect the full payment of the sum due on the due date; or
- (4) continues to exercise its rights under the *continuous payment authority* for an unreasonable period after the payment due date without taking steps to establish the reason for the payment failure.

[Note: paragraph 3.9mii of DCG]

7.6.6

FCA

G

Where permissible, a *firm* should only make a reasonable number of payment requests to a *payment service provider* to collect a part payment (a sum due which is less than the full sum due at the time the *firm's* payment request is made) from the *customer's* payment account, having regard to the possibility that the *customer* may be in financial difficulties.

[Note: paragraph 3.9mii (box) of DCG]

7.6.7

FCA

R

A *firm* must not exercise its rights under a *continuous payment authority*:

- (1) if the *customer* provides reasonable evidence to the *firm* of being in financial difficulties and the *customer* cannot afford to repay the debt; or

- (2) where the *firm* otherwise becomes aware of the *customer* being in financial difficulties and that the *customer* cannot afford to repay the debt.

[Note: paragraph 3.9mii (box) of DCG]

7.6.8
FCA

G

- (1) If a *firm* becomes aware that a *customer* is in financial difficulties, the *firm* should reassess the payment arrangement and should consider reasonable proposals to revise the payment schedule and alternative repayment arrangements.

[Note: paragraph 3.9mii (box) of DCG]

- (2) Where a *customer* informs a *firm* of being in financial difficulties, pending receipt of evidence to that effect, a *firm* should consider suspending exercise of its rights under a *continuous payment authority*.

7.6.9
FCA

G

In the FCA's view, a *firm's* inability to recover the whole of the amount due by the end of the next *working day* after the date on which it was due would indicate that the *customer* may be experiencing financial difficulties. In such a case, a *firm* should suspend exercising its rights under the *continuous payment authority* until it has made reasonable efforts to contact the *customer* to establish the reason why payment was unsuccessful and whether the *customer* is in financial difficulties.

[Note: paragraph 3.9mii (box) of DCG]

7.6.10
FCA

G

If the *firm* and the *customer* have agreed an alternative payment date as a contingency option if payment is not available on the due date, the *firm* should suspend the exercise of its rights under the *continuous payment authority* after the due date, and again after the alternative payment date (if the *firm* is unable to recover the amount due at the end of that day) and make reasonable efforts (in accordance with ■ CONC 7.6.9 G) to contact the *customer* to establish the reason why payment was unsuccessful and whether the *customer* is in financial difficulties.

[Note: paragraph 3.9mii (box) of DCG]

7.6.11
FCA

G

If reasonable efforts to contact the *customer* are unsuccessful or a *customer* refuses to engage with the *firm* and there is no further evidence of financial difficulties, any subsequent exercise of its rights under the *continuous payment authority* should be reasonable and not excessive, having regard to the possibility that an unresponsive *customer* may nevertheless be in financial difficulties and that a *customer* who was not in financial difficulties at the time of contact may subsequently be in financial difficulties.

[Note: paragraph 3.9mii (box) of DCG]

Continuous payment authorities and high-cost short-term credit

7.6.12
FCA

R

- (1) Subject to (3) to (5), a *firm* must not request a *payment service provider* to make a payment, under a *continuous payment authority*, to collect (in whole or in part) a sum due for *high-cost short-term credit* if it has done so in connection with the same

agreement for *high-cost short-term credit* on two previous occasions and those previous payment requests have been refused.

- (2) For the purposes of (1) and (3):
 - (a) if *high-cost short-term credit* has been refinanced, except in exercise of forbearance, the agreement is to be regarded as the same agreement; and
 - (b) "refinance" and "exercise forbearance" have the same meaning as in ■ CONC 6.7.17 R.
- (3) Where a *firm* exercises forbearance:
 - (a) paragraph (1) applies or continues to apply to the agreement; but
 - (b) any refusal of a payment request that took place before the time at which the forbearance was granted is to be disregarded for the purposes of (1).
- (4) Paragraph (5) applies following the refusal of two payment requests a *firm* has made to a *payment service provider* under a *continuous payment authority* to collect a sum due for *high-cost short-term credit*, where the *firm* proposes to refinance the *high-cost short term credit* in question in accordance with ■ CONC 6.7.17 R to ■ CONC 6.7.23 R.
- (5) If the *firm* contacts the *customer* and, in the course of an dialogue between the *firm* and the *customer*:
 - (a) the *firm* notifies the *customer* of the refusal of the payment requests;
 - (b) the *firm* reminds the *customer* of the matters in ■ CONC 4.6.2 R (2), taking account of any proposed changes to the terms of the *continuous payment authority* that will apply following the refinance if the *customer* consents; and
 - (c) the *customer* gives express consent to the *firm* further exercising its rights under the *continuous payment authority* following the refinance;

the *firm* may then make further payment requests under the *continuous payment authority* following the refinance in accordance with ■ CONC 7.6, and paragraph (1) applies as if the *firm* had not made a payment request under the *continuous payment authority* before the refinance.

- (6) This *rule* does not apply to an agreement which provides for repayment in instalments.

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 7.6.12 R: see ■ CONC TP 3.4]

**Continuous payment authorities and high-cost short-term credit:
instalment payments**

7.6.13

FCA

R

(1) Where:

- (a) *high-cost short-term credit* provides for *repayment* in instalments; and
- (b) a *firm* has on two previous occasions made a payment request, under a *continuous payment authority*, to collect (in whole or in part) the same instalment due under the agreement, which have been refused;

subject to (3) and (4), the *firm* must not make a further payment request under the *continuous payment authority* to collect that instalment.

(2) The *firm* must not make a further payment request under the *continuous payment authority* to collect any other instalment that is or becomes due under the agreement, unless any request is in accordance with ■ CONC 7.6 and in the course of a dialogue between the *firm* and the *customer*:

- (a) the *firm* notifies the *customer* of the refusal of the payment requests;
- (b) repayment of the instalment referred to in (1)(b) has been made using a method other than a *continuous payment authority* and the *customer* is not in arrears; and
- (c) where (a) and (b) apply, the *firm* has reminded the *customer* of the date and amount of the next instalment.

(3) If, where the prohibition in (1) applies, a *firm* exercises forbearance within the meaning of ■ CONC 6.7.17 R the *firm* must not make a further payment request under the *continuous payment authority* to collect the instalment referred to in (1) or a payment request for any other instalment that is or becomes due under the agreement, unless:

- (a) a payment request is in accordance with ■ CONC 7.6;
- (b) the *firm* notifies the *customer* of the refusal of the payment requests; and
- (c) in the course of a dialogue between the *firm* and the *customer*, the *firm* reminds the *customer* of the date and amount of the next instalment and following which the *customer* gives express consent to further payment requests being made under the *continuous payment authority*.

- (4) If, where the prohibition in (1) applies, a *firm* adds no charge or additional interest in connection with missing a payment on the due date, the *firm* must not make a further payment request under the *continuous payment authority* to collect the instalment referred to in (1) or a payment request for any other instalment that is or becomes due under the agreement, unless:
- (a) a payment request is in accordance with ■ CONC 7.6;
 - (b) the *customer* has missed making a payment on the due date; and
 - (c) in the course of a dialogue between the *firm* and the *customer*, the *firm* reminds the *customer* of the date and amount of the next instalment and following which the *customer* gives express consent to further payment requests being made under the *continuous payment authority*.

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 7.6.13 R: see ■ CONC TP 3.5]

7.6.14

FCA

R

- (1) Subject to (2), a *firm* must not request a *payment service provider* to make a payment under a *continuous payment authority* to collect a sum due for *high-cost short-term credit* if that sum is less than the full sum due at the time the request is made.

- (2) Where a *firm*:

- (a) following contact with a *customer*, refinances the agreement in accordance with ■ CONC 6.7.17 R to ■ CONC 6.7.23 R by granting an indulgence which allows for one or more *repayment* of a reduced amount under a repayment plan;
- (b) notifies the *customer* of the number and frequency of *repayments* and their amount under the repayment plan; and
- (c) the *customer* gives express consent to the *firm* to make payment requests to collect the *repayments* notified under the plan;

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 7.6.14 R: see ■ CONC TP 3.6]

paragraph (1) does not prevent the *firm* from making a payment request in accordance with ■ CONC 7.6 under a *continuous payment authority* to collect *repayments* of those amounts in accordance with the plan.

7.6.15

FCA

G

- (1) ■ CONC 7.6.12 R, ■ CONC 7.6.13 R and ■ CONC 7.6.14 R do not prevent a *firm* accepting payment (including a part payment) from a *customer* using a means of payment other than under a *continuous payment authority*. If, for example, a *customer* consents separately that a single payment of a specified amount may be taken on the same day or on another specified day using his or her debit card details, this is excluded from the definition of *continuous payment authority*.

- (2) ■ CONC 7.6.14 R does not prevent a *firm* from making a payment request concerning a sum due where the *firm* has varied an agreement so that the sum due is less than it was before the variation.
- (3) *Firms* are reminded of their record-keeping obligations under ■ SYSC 9.1.1 R (general rules on record-keeping) which in particular require sufficient records to be kept to ascertain that the *firm* has complied with all obligations with respect to *customers*. These should include, for example, arranging to keep records of payment requests (including refusals of payment requests) made under *continuous payment authorities* and to keep suitable written or other records of the consents referred to in ■ CONC 7.6.1 R, ■ CONC 7.6.12 R, ■ CONC 7.6.13 R and ■ CONC 7.6.14 R.

Cancelling a continuous payment authority

7.6.16
FCA

R

A *firm* must not by any means improperly or unfairly inhibit or discourage a *customer* from cancelling a *continuous payment authority* including by:

- (1) misleading the *customer*, expressly or by omission, regarding the right to cancel and how it may be exercised; or
- (2) failing to respond promptly to requests by or on behalf of the *customer* to amend or cancel the *continuous payment authority*; or
- (3) intimidating a *customer* who wishes to cancel the *continuous payment authority*; or
- (4) requiring *customers* who wish to cancel the *continuous payment authority* to go through an unduly complicated process.

[Note: paragraph 3.9miv of DCG]

7.6.17
FCA

R

A *firm* must cease to exercise its rights under the *continuous payment authority* once it is notified that the *continuous payment authority* has been cancelled.

[Note: paragraph 3.9miv of DCG]

7.7 Application of interest and charges

7.7.1 **G** When levying charges for debt recovery on *customers* in default or arrears difficulties *firms* should consider their obligation under *Principle 6* to pay due regard to the interests of *customers* and treat them fairly.

FCA

[Note: paragraphs 3.1 and 3.10 of DCG]

7.7.2 **R** A *firm* must not claim the costs of recovering a debt from a *customer* if it has no contractual right to claim such costs.

FCA

[Note: paragraph 3.11b of DCG]

7.7.3 **R** A *firm* must not cause a *customer* to believe that the *customer* is legally liable to pay the costs of recovery where no such obligation exists.

FCA

[Note: paragraph 3.11a of DCG]

7.7.4 **G** Where a *firm* has a contractual right to levy default charges, a *regulated credit agreement* must state the charges and the conditions for making the charge under, as the case may be, the Consumer Credit (Agreements) Regulations 2010 (SI 2010/1014) or the Consumer Credit (Agreements) Regulations 1983 (SI 1983/1553).

FCA

[Note: paragraphs 3.11c of DCG and 7.15 of ILG]

7.7.5 **R** A *firm* must not impose charges on *customers* in default or arrears difficulties unless the charges are no higher than necessary to cover the reasonable costs of the *firm*.

FCA

[Note: paragraphs 3.11 of DCG and 7.15 of ILG]



7.8 Jurisdictional requirements

7.8.1

FCA

R

A *firm* dealing with a *customer* who is resident in a different jurisdiction to the jurisdiction of the *firm's* place of business must ensure that it takes appropriate account of any differences in law and court procedure that may have a significant impact on the *customer's* rights.

[Note: paragraph 2.3 of DCG]

7.8.2

FCA

G

■ CONC 7.8.1 R will apply, for example, where a *firm's* place of business is in England and the *customer* resides in Scotland.

[Note: paragraph 2.3 of DCG]

7.8.3

FCA

R

A *firm* must not commence proceedings or threaten to commence proceedings in the wrong jurisdiction.

[Note: paragraph 3.5g of DCG]

7.9 Contact with customers

Contacting customers

7.9.1
FCA

R

A *firm* must ensure that a *person* contacting a *customer* on its behalf explains to the *customer* the following matters:

- (1) who the *person* contacting the *customer* works for;
- (2) the *person's* role in or relationship with the *firm*; and
- (3) the purpose of the contact.

[Note: paragraph 3.3c of DCG]

7.9.2
FCA

R

A *firm* must not in a communication with the *customer* make a statement which may induce the *customer* to contact the *firm* misunderstanding the reason for making contact.

[Note: paragraph 3.3d of DCG]

7.9.3
FCA

G

- (1) An example of a misleading communication in ■ CONC 7.9.2 R is a calling card left at the *customer's* address which states or implies that the *customer* has missed a delivery and encourages the *customer* to make contact.

[Note: paragraph 3.3d (box) of DCG]

- (2) The clear fair and not misleading *rule* in ■ CONC 3.3.1 R also applies to a *firm* in relation to a communication with a *customer* in relation to *credit agreement* or a *consumer hire agreement*.

7.9.4
FCA

R

A *firm* must not contact *customers* at unreasonable times and must pay due regard to the reasonable requests of *customers* (for example, *customers* who work in a shift pattern) in respect of when, where and how they may be contacted.

[Note: paragraphs 3.3j and k of DCG]

7.9.5 **R** A *firm* must not require a *customer* to make contact on a premium rate or other special rate telephone number the charge for which is higher than to a standard geographic telephone number.
FCA

[Note: paragraph 3.3l of DCG]

Communication with third parties

7.9.6 **R** A *firm* must not unfairly disclose or threaten to disclose information relating to the *customer's* debt to a third party.
FCA

[Note: paragraph 3.7p of DCG]

7.9.7 **R** When contacting a *customer*:
FCA

- (1) a *firm* must ensure that it does not act in a way likely to be publicly embarrassing to the *customer*; and
- (2) a *firm* must take reasonable steps to ensure that third parties do not become aware that the *customer* is being pursued in respect of a debt

[Note: paragraph 3.7q of DCG].

7.9.8 **G** The reasonable steps required by ■ CONC 7.9.7 R may, for example, require a *firm* to ensure that:
FCA

- (1) post sent by the *firm* is properly addressed to the *customer* and marked "private and confidential" or an expression to the same effect;
- (2) where the *firm* has a name which indicates its debt collection activities, its name is not shown so that third parties may see the name on the *firm's* communications.

7.9.9 **G** ■ CONC 7.9.7 R would not preclude a *firm* sending a statutory notice to a *customer's* last known address, where it takes reasonable steps including those referred to in ■ CONC 7.9.8 G.
FCA

7.9.10 **R** A *firm* must not disclose details of a debt to an *individual* without first establishing, by suitably appropriate means, that the *individual* is (or acts on behalf of) the *borrower* or *hirer* under the relevant agreement).
FCA

[Note: paragraph 3.9b of DCG]

7.9.11 **G** A *firm* which:
FCA

- (1) threatens debt recovery action against the "occupier" of particular premises; or

- (2) sends a payment demand to all persons sharing the same name and date of birth or address as the *customer*;

is likely to contravene ■ CONC 7.9.10 R.

[Note: paragraphs 3.9a (box) and 3.9b (box) of DCG]

Debt collection visits

7.9.12

FCA

R

A *firm* must ensure that a *person* visiting a *customer* on its behalf:

- (1) clearly explains to the *customer* the purpose and intended outcome of the proposed visit; and

[Note: paragraph 3.12 of DCG]

- (2) gives the *customer* adequate notice of the date and likely time (at a reasonable time of day) of the visit.

[Note: paragraph 3.13g of DCG]

7.9.13

FCA

G

Failure to give adequate notice prior to an initial visit to the *customer* may not contravene ■ CONC 7.9.12 R if the *customer* is happy to speak to the *person* pursuing recovery of the debt at that time. However, where, at the initial visit the *customer* indicates a preference to use the first visit to agree a more convenient time for a future visit, the *person* pursuing recovery of the debt should respect the *customer's* wishes. It is important that the *customer* is given reasonable time to prepare for a visit and should not be coerced or pressurised into immediate discussions or decisions.

[Note: paragraph 3.13g (box) of DCG]

7.9.14

FCA

R

A *firm* must ensure that all *persons* visiting a *customer's* property on its behalf act at all times in accordance with the requirements of ■ CONC 7 and do not:

- (1) act in a threatening manner towards a *customer*;
- (2) visit a *customer* at a time when they know or suspect that the *customer* is, or may be, particularly vulnerable;
- (3) visit at an inappropriate location unless the *customer* has expressly consented to the visit;
- (4) enter a *customer's* property without the *customer's* consent or an appropriate court order;
- (5) refuse to leave a *customer's* property when it becomes apparent that the *customer* is unduly distressed or might not have the mental capacity to make an informed repayment decision or to engage in the debt recovery process;

- (6) refuse to leave a *customer's* property when reasonably asked to do so;
- (7) visit or threaten to visit a *customer* without the *customer's* prior agreement when a debt is deadlocked or reasonably queried or disputed (see ■ CONC 7.14 (Settlements, disputed and deadlocked debt)).

[Note: paragraphs 3.12 and 3.13 of DCG]

7.9.15

FCA

G

It would normally be inappropriate to visit a *customer* at the *customer* place of work or at a hospital where the *customer* is a patient.



7.10 Treatment of customers with mental capacity limitations

7.10.1

FCA

R

A *firm* must suspend the pursuit of recovery of a debt from a *customer* when:

- (1) the *firm* has been notified that the *customer* might not have the mental capacity to make relevant financial decisions about the management of the *customer's* debt and/or to engage in the debt recovery process at the time; or
- (2) the *firm* understands or ought reasonably to be aware that the *customer* lacks mental capacity to make relevant financial decisions about the management of the *customer's* debt and/or to engage in the debt recovery process at the time.

[Note: paragraphs 3.7r of DCG and 7.13 of ILG]

7.10.2

FCA

G

A *firm* should allow a *customer* or a *person* acting on behalf of the *customer* a reasonable period of time to provide evidence as to the likely impact of any mental capacity limitation on the *customer's* ability to engage with the *firm*.

[Note: paragraph 3.7r (box) of DCG]

7.10.3

FCA

G

■ CONC 7.10.1 R does not prevent a *firm* from pursuing the debt through a responsible third party acting on behalf of the *customer*, where the *customer* has given prior consent, for example, pursuant to a registered lasting power of attorney.

[Note: paragraph 3.7r (box) of DCG]

7.10.4

FCA

G

Firms should note ■ CONC 7.2.1 R (and its accompanying *guidance*) which requires *firms* to establish and implement policies and procedures for the fair and appropriate treatment of particularly vulnerable *customers*.



7.11 Disclosures relating to "authority" or "status"

7.11.1 **R** When contacting *customers*, a *firm* must not misrepresent its authority or its legal position with regards to the debt or debt recovery process.

FCA

[Note: paragraph 3.4 of DCG]

7.11.2 **G** For example, a *person* misrepresents authority or the legal position if they claim to work on instructions from the courts as bailiffs or, in Scotland, sheriff officers or messengers-at-arms, or in Northern Ireland, to work on instructions from the Enforcement of Judgements Office when this is untrue.

FCA

[Note: paragraph 3.5a of DCG]

7.11.3 **R** A *firm* must not use official looking documents which are designed to, or are likely to, mislead a *customer* as to the status of the *firm*.

FCA

[Note: paragraph 3.3a of DCG]

7.11.4 **R** A *firm* must not falsely suggest or state that it is a member of a trade body or is accredited by a trade body.

FCA

[Note: paragraph 3.5c (box) of DCG]

7.11.5 **G** It is an offence under section 17 of the Legal Services Act 2007 to falsely imply that a *person* is entitled to carry on a reserved legal activity, for example, to conduct litigation or to appear before and address a court, or to take or use any relevant name, title or description, for example, "solicitor".

FCA

[Note: paragraph 3.5c (box) of DCG]

7.11.6 **R** A *firm* must not suggest or state that action can or will be taken when legally it cannot be taken.

FCA

[Note: paragraph 3.5b of DCG]

7.11.7

FCA

G

Examples of where a *firm* is likely to contravene ■ CONC 7.11.6 R include where a *firm* or a *person* acting on its behalf:

- (1) states or implies that bankruptcy or sequestration proceedings may be initiated when the balance of the outstanding debt is too low to qualify for such proceedings;
- (2) states or implies that steps will be taken to enforce a debt where the *customer* is making payments under a Debt Payment Programme Arrangement agreed under the Debt Arrangement and Attachment (Scotland) Act 2002;
- (3) claims a right of entry will be exercised when no court order to this effect has been granted; or
- (4) states that *goods* will be repossessed when they are "protected goods" (as defined under section 90(7) of the CCA) and no specific authorisation to repossess the *goods* has been granted by a court.

[Note: paragraph 3.5b (box) of DCG]

7.11.8

FCA

R

A *firm* must not suggest or state that it will commence proceedings for a warrant of execution or an attachment of earnings order when a court judgment has not been obtained, or that it will take any other enforcement action before it is possible to know whether such action will be permissible.

[Note: paragraph 3.5c of DCG]

7.11.9

FCA

R

A *firm* must not suggest or state that an action has been taken when no such action has been taken.

[Note: paragraph 3.5d (box) of DCG]



7.12 Lenders' responsibilities in relation to debt

Application

7.12.1

FCA

R

This section applies to a *firm* with respect to *consumer credit lending*.

Unfair business practices

7.12.2

FCA

R

A *firm* must not:

- (1) refuse to deal with a *not-for-profit debt advice body*, *debt counsellor*, *debt adjuster* or with another *person* acting on behalf of a *customer*, unless there is an objectively justifiable reason for doing so;

[Note: paragraphs 3.9c of DCG and 3.48 of DMG]

- (2) unless the *credit agreement* requires payments to be made to a third party, refuse to accept a payment tendered to the *firm* by the *customer* or by a *person* acting on behalf of the *customer*;

[Note: paragraphs 3.8 of DCG and 3.49a of DMG]

- (3) refuse to deal with a *customer* who is developing a repayment plan, a third party who is assisting a *customer* to develop a repayment plan or a third party who is developing a *debt management plan* for the *customer's* debts, unless there is an objectively justifiable reason for doing so;

[Note: paragraphs 3.9c of DCG and 3.49b of DMG]

- (4) where a *person* is acting on behalf of a *customer*, directly contact the *customer* without the *customer's* consent, unless there is an objectively justifiable reason for doing so;

[Note: paragraph 3.9d of DCG]

- (5) operate a policy:
 - (a) of only negotiating the freezing of interest and charges on a *customer's* debts where the *lender* has an existing

arrangement with a *person* acting on behalf of the *customer*;
or

[Note: paragraph 3.49e of DMG]

- (b) of refusing to negotiate with certain third parties or with a *customer* developing their own repayment plan; or

[Note: paragraph 3.49c (box) of DMG]

- (6) return or refuse a *repayment* or refuse to credit a *repayment* to a *customer's* account merely because the *repayment* is tendered by a *debt management firm*.

[Note: paragraph 3.49a of DCG]

7.12.3

FCA

G

- (1) ■ CONC 1.2.2 R requires a *firm* to ensure its employees and agents comply with CONC and that it takes reasonable steps to ensure other *persons* who act on its behalf do so. This *rule* would apply where a *debt collector* acts as agent or on behalf of a *lender*.

- (2) Situations where it may be justified for a *firm* to refuse to deal with a *person* acting on behalf of a *customer* may include, for example, refusing to deal with that *person* where the *firm* is able to show that the *person* has failed to comply with consumer protection legislation or with *FCA rules*.

[Note: paragraph 3.48 of DMG]

- (3) It may be justified for a *firm* to contact a *customer* directly where:
- (a) repeated unsuccessful efforts have been made to contact a *person* acting on behalf of the *customer*; or

[Note: paragraphs 3.9d of DCG and 3.49c (box) of DMG]

- (b) the *firm* reasonably believes the *person* acting on behalf of the *customer* is acting against the best interests of the *customer*.
- (4) Situations where it would be justified for a *firm* to contact a *customer* directly include, for example:
- (a) sending a statutory notice, taking the reasonable steps required by ■ CONC 7.9.7 R; or
- (b) where the sole purpose of the contact is to signpost the *customer* to *not-for-profit debt advice bodies*.

- (5) Where a *firm* is in dispute with a *person* acting on behalf of the *customer* it should make its position known to that *person* and to the *customer* as soon as practicable.

[Note: paragraph 3.49d of DMG]

-
- (6) The *FCA* does not believe it is justified to bypass contacting a *person* acting on behalf of a *customer* merely because that *person* has not agreed to comply with the Insolvency Service's Debt Management Protocol.



7.13 Data accuracy and outsourced activities

Data accuracy

7.13.1

FCA

G

The obtaining, recording, holding and passing on of information about individuals for the purposes of tracing a *customer* and/or recovering a debt due under a *credit agreement* or a *consumer hire agreement* or a *P2P agreement* will involve the processing of personal data. Accordingly, *firms* processing such data are data controllers or data processors and are obliged to comply with the Data Protection Act 1998 and, in particular, to adhere to the eight data protection principles.

[Note: paragraph 3.16 of DCG]

7.13.2

FCA

R

A *firm* must take reasonable steps to ensure that it maintains accurate and adequate data (including in respect of debt and repayment history) so as to avoid the risk that:

- (1) an *individual* who is not the true *borrower* or *hirer* is pursued for the repayment of a debt; and
- (2) the *borrower* or *hirer* is pursued for an incorrect amount.

[Note: paragraphs 3.19 of DCG and 7.11 (box) of ILG]

7.13.3

FCA

R

A *firm* must endeavour to ensure that the information it passes on to its agent or to a *debt collector* or to a tracing agent (a person that carries on the activity in article 54 of the *Exemption Order*), whether for the *firm's* or another person's business, or to any other *person* involved in recovering the debt or, where appropriate, to a *credit reference agency* is accurate and adequate so as to facilitate the tracing and identification of the true *borrower* or *hirer*.

[Note: paragraphs 3.20 of DCG and 7.11 (box) ILG]

7.13.4

FCA

R

Before pursuing a *customer* for the repayment of a debt, a *firm* must take reasonable steps to verify the accuracy and adequacy of the available data so as to ensure that the true *customer* is pursued for the debt and that they are pursued for the correct amount.

[Note: paragraphs 3.7e and 3.23a of DCG]

7.13.5
FCA

G

A *firm* should ensure (subject to any legal requirements) that adequate and accurate information it holds about a *customer* in relation to a debt is made available to *persons* involved on its behalf in the debt recovery process. Information relating to the *customer* which should be made available to agents or employees includes, for example:

- (1) being in financial difficulties;
- (2) being particularly vulnerable;
- (3) disputing the debt;
- (4) a repayment plan or forbearance being in place;
- (5) having a representative acting on the *customer's* behalf.

[Note: paragraph 3.23b (box) of DCG]

7.13.6
FCA

G

A *firm* should not impose limitations on the number or the extent of reasonable applications that can be made to it for documents or other relevant information pertaining to a *customer* in respect of which it is, or has been, the *lender* or *owner*, by a *firm* seeking such information to facilitate its pursuance of the relevant debt.

[Note: paragraph 3.23i of DCG]

7.13.7
FCA

R

Where a *firm* has established that an *individual* being pursued for a debt is not the true *borrower* or *hirer* under the *credit agreement*, *regulated credit agreement*, *consumer hire agreement* or *regulated consumer hire agreement* or that the debt has been paid, the *firm* must update its records and the data supplied to the *credit reference agencies* (where applicable).

[Note: paragraph 3.23f of DCG]

Outsourcing

7.13.8
FCA

G

■ SYSC 8.1 includes *rules* and *guidance* on outsourcing with which *firms* must or should comply as appropriate.

7.13.9
FCA

G

A *firm* seeking to instruct a third party to pursue the recovery of debts or to trace *customers* on its behalf should exercise due care in selecting the third party.

[Note: paragraph 2.5 of DCG]

7.13.10
FCA

G

A *firm* should take reasonable steps to seek to ensure that, where it has engaged a third party to recover debts on its behalf, the *customer* is not subject to multiple approaches by different *persons*, resulting in repetitive or frequent contact with the *customer* by different parties.

[Note: paragraph 3.7c of DCG]

7.13.11 **G** Where a *firm* has engaged a third party to recover debts or to trace *customers* on its behalf, it should properly investigate complaints about the third party.

FCA

[Note: paragraph 2.5 of *DCG*]

7.13.12 **G** ■ CONC 1.2.2 R requires a *firm* to ensure its employees and agents comply with *CONC* and that it takes reasonable steps to ensure other *persons* who act on its behalf do so.

FCA

7.13.13 **R** A *firm* must ensure that a third party engaged by it, where required, has the appropriate *Part 4A permission* to engage in the *regulated activities* undertaken in the course of the third party's business.

FCA

[Note: paragraph 2.6 of *DCG*]



7.14 Settlements, disputed and deadlocked debt

Disputed debt

7.14.1
FCA

R

- (1) A *firm* must suspend any steps it takes or its agent takes in the recovery of a debt from a *customer* where the *customer* disputes the debt on valid grounds or what may be valid grounds.

[Note: paragraph 3.9k of DCG]

- (2) Paragraph (1) does not apply where a *customer* under a green deal consumer credit agreement (within the meaning of section 189B of the CCA) alleges that the disclosure and acknowledgement provisions in Part 7 of the Green Deal Framework (Disclosure, Acknowledgement, Redress etc) Regulations 2012 (SI 2012/2079) have been breached, but the *lender* reasonably believes this not to be the case.

7.14.2
FCA

G

Valid grounds for disputing a debt include that:

- (1) the *individual* being pursued for the debt is not the true *borrower* or *hirer* under the agreement in question; or
- (2) the debt does not exist; or
- (3) the amount of the debt being pursued is incorrect.

[Note: annex A3 of DCG]

7.14.3
FCA

R

Where a *customer* disputes a debt on valid grounds or what may be valid grounds, the *firm* must investigate the dispute and provide details of the debt to the *customer* in a timely manner.

[Note: paragraph 3.9i of DCG]

7.14.4
FCA

R

Where there is a dispute as to the identity of the *borrower* or *hirer* or as to the amount of the debt, it is for the *firm* (and not the *customer*) to establish, as the case may be, that the *customer* is the correct *person* in relation to the debt or that the amount is the correct amount owed under the agreement.

[Note: paragraphs 3.9j of *DCG* and 7.11 (box) of *ILG*]

7.14.5
FCA

R A *firm* must provide a *customer* with information on the outcome of its investigations into a debt which the *customer* disputed on valid grounds.

[Note: paragraph 3.3g of *DCG*]

7.14.6
FCA

R Where a *customer* disputes a debt and the *firm* seeking to recover the debt is not the *lender* or the *owner*, the *firm* must:

- (1) pass the information provided by the *customer* to the *lender* or the *owner*; or

[Note: paragraph 3.23h of *DCG*]

- (2) if the *firm* has authority from the *lender* or *owner* to investigate a dispute, it must notify the *lender* or *owner* of the outcome of the investigation.

Settlements and deadlocked debt etc

7.14.7
FCA

G A debt repayment is deadlocked where the *customer* (or the *customer's* representative) has acknowledged the *customer's* liability for a debt and has proposed a repayment plan, but the proposed repayment plan is not acceptable to the *firm* seeking to recover the debt.

[Note: annex A4 of *DCG*]

7.14.8
FCA

R A *firm* must give due consideration to a reasonable offer of repayment made by the *customer* or the *customer's* representative.

[Note: annex A5 of *DCG*]

7.14.9
FCA

R Where a *firm* rejects a proposal for repayment from a *customer* in default or in arrears difficulties or from the *customer's* representative, the *firm's* response must include a clear explanation of the reason for the rejection.

[Note: paragraph 7.16 (box) of *ILG*]

7.14.10
FCA

R If a *firm* rejects a repayment offer because it is unacceptable, the *firm* must not engage in any conduct intended to, or likely to, have the effect of intimidating the customer into increasing the offer.

[Note: annex A5 of *DCG*]

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35

7.14.11
FCA

G Examples of conduct that may contravene **CONC 7.14.10 R** would, depending on the circumstances, include where following an unacceptable offer a *firm* immediately:

- (1) sends field agents to visit the *customer* or communicates to the *customer* that it will do so;

[Note: annex A5 (box) to DCG]

- (2) substantially increases the rate of interest or imposes a substantial charge or communicates that it will do either of those things.

7.14.12

FCA

G

In considering the *customer's* repayment offer, a *firm* should have regard, where appropriate, to the provisions in the Common Financial Statement or equivalent guidance.

[Note: annex A6 of DCG]

7.14.13

FCA

G

- (1) Merely making a counter-offer to a *customer's* repayment offer or merely taking steps to enforce an agreement would not contravene ■ CONC 7.14.10 R.
- (2) A *firm* which makes a counter offer to a proposal made by or on behalf of the *customer*, should allow the *customer* or the *customer's* representative, a reasonable period of time to consider and respond to the counter offer.

[Note: paragraph 7.16 of ILG]

7.14.14

FCA

R

If a *firm* accepts a *customer's* offer to settle a debt, it must communicate formally and unequivocally that the offer accompanied by the relevant payment has been accepted as settlement of the *customer's* liability.

[Note: paragraph 3.3h of DCG]

7.15 Statute barred debts

7.15.1

FCA

G

A debt is statute barred where the prescribed period within which a claim in relation to the debt may be brought expires. In England, Wales and Northern Ireland, the limitation period is generally six years in relation to debt. In Scotland, the prescriptive period is five years in relation to debt.

[Note: annex B1 of DCG]

7.15.2

FCA

G

In England, Wales and Northern Ireland, a statute barred debt still exists and is recoverable.

[Note: paragraph 3.15a and annex B3 of DCG]

7.15.3

FCA

G

In Scotland, a statute barred debt ceases to exist and is no longer recoverable if:

- (1) a relevant claim on behalf of the *lender* or *owner* has not been made during the relevant limitation period; and
- (2) the debt has not been acknowledged by, or on behalf of, the *customer* during the relevant limitation period.

[Note: annex B3 of DCG]

7.15.4

FCA

R

Notwithstanding that a debt may be recoverable, a *firm* must not attempt to recover a statute barred debt in England, Wales or Northern Ireland if the *lender* or *owner* has not been in contact with the *customer* during the limitation period.

[Note: paragraph 3.15b of DCG]

7.15.5

FCA

G

If the *lender* or *owner* has been in regular contact with the *customer* during the limitation period, the *firm* may continue to attempt to recover the debt.

[Note: paragraph 3.15b of DCG]

7.15.6

FCA

R

A *firm* must endeavour to ensure that it does not mislead a *customer* as to the *customer's* rights and obligations.

[Note: paragraph 3.15b of DCG]

7.15.7

FCA

G

It is misleading for a *firm* to suggest or state that a *customer* may be the subject of court action for the sum of the statute barred debt when the *firm* knows, or reasonably ought to know, that the relevant limitation period has expired.

[Note: paragraph 3.15b of DCG]

7.15.8

FCA

R

A *firm* must not continue to demand payment from a *customer* after the *customer* has stated that he will not be paying the debt because it is statute barred.

[Note: paragraph 3.15b of DCG]

7.15.9

FCA

R

A *firm* must identify for prospective purchasers of debts arising under *credit agreements* or *consumer hire agreements* or *P2P agreements* those debts which it knows or ought reasonably to know are statute barred, so as to avoid a *firm* taking inappropriate action against *customers* in relation to such debts.

[Note: paragraph 3.23c of DCG]

Complaints to the Financial Ombudsman Service and initiating legal proceedings

7.15.10

FCA

R

A *lender* must not initiate legal proceedings in relation to a *regulated credit agreement* where the *lender* is aware that the *customer* has submitted a valid complaint or what appears to the *firm* may be a valid complaint relating to the agreement in question that is being considered by the *Financial Ombudsman Service*.

[Note: paragraph 7.9 (box) of ILG]



7.16 **Passing data to lead generators etc.**

7.16.1

FCA

R

A firm must not pass on a customer's details to third parties, including lead generators, debt management firms, lenders, owners, debt collectors or credit brokers, unless it is appropriate to do so.

[Note: paragraph 3.9e of DCG]

7.16.2

FCA

G

[deleted]



7.17 Notice of sums in arrears under P2P agreements for fixed-sum credit

Application

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 7.17: see ■ CONC TP 4.3]

7.17.1
FCA

R This section applies to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* under a *P2P agreement for fixed-sum credit*.

7.17.2
FCA

- R**
- (1) Subject to (2), this section does not apply where the *P2P agreement* provides for *credit* of less than £50.
 - (2) Paragraph (1) does not apply where two or more *P2P agreements* in relation to the same *borrower* (whether or not with the same *lender*) are entered into at or about the same time.
 - (3) Where (2) applies, the *firm's* obligations in ■ CONC 7.17 apply as if all of the *P2P agreements* made with a *borrower* at or about the same time were a single agreement.

7.17.3
FCA

R **Notice of sums in arrears for fixed-sum credit**
A *firm* must comply with this section where the following conditions are satisfied:

- (1) a *borrower* is required to have made at least two payments under the agreement before that time;
- (2) the total sum paid under the agreement by the *borrower* is less than the total sum required to have been paid before that time;
- (3) the amount of the shortfall is no less than the sum of the last two payments which the *borrower* is required to have made before that time;
- (4) the *firm* is not already under a duty to give the *borrower* notices under ■ CONC 7.17.4 R in relation to the agreement;

- (5) the *lender* is not already under a duty to give the *borrower* notice under section 86B of the CCA; and
- (6) if a judgment has been given in relation to the agreement before that time, there is no sum still to be paid under the judgment by the *borrower*.

7.17.4

FCA

R

- (1) The *firm* must, within the period of 14 days beginning with the day on which the conditions in ■ CONC 7.17.3 R are satisfied, give the *borrower* a notice including the information set out in ■ CONC 7.17.7 R and ■ CONC 7.17.8 R.
- (2) After giving that notice, the *firm* must give the *borrower* further notices including the information in ■ CONC 7.17.7 R and ■ CONC 7.17.8 R at intervals of not more than six *months*.

7.17.5

FCA

R

- (1) The duty of the *firm* to give the *borrower* notices under ■ CONC 7.17.4 R will cease when either of the conditions mentioned in (2) is satisfied but, if either of those conditions is satisfied before the notice required by ■ CONC 7.17.4 R (1) is given, the duty will not cease until that notice is given.
- (2) The conditions referred to in (1) are:
 - (a) that the *borrower* ceases to be in arrears;
 - (b) that a judgment is given in relation to the agreement under which a sum is required to be paid by the *borrower*.
- (3) For the purposes of (2)(a) the *borrower* ceases to be in arrears when:
 - (a) no payments, which the *borrower* has ever failed to make under the agreement when required, are still owing;
 - (b) no default sum, which has ever become payable under the agreement in connection with the *borrower's* failure to pay any sum under the agreement when required, is still owing;
 - (c) no sum of interest, which has ever become payable under the agreement in connection with such a default sum, is still owing; and
 - (d) no other sum of interest, which has ever become payable under the agreement in connection with the *borrower's* failure to pay any sum under the agreement when required, is still owing.
- (4) A *firm* must accompany the notice required by ■ CONC 7.17.4 R with a copy of the current arrears information sheet under section 86A of the CCA with the following modifications:

- (a) for the bullet point headed "Work out how much money you owe" substitute:

"Work out how much money you owe. To do this, you will need to make a list of all those you owe money to. A debt adviser can help you.";

- (b) for the bullet point headed "Contact the organisations you owe money to" substitute:

"Contact the peer-to-peer (P2P) platform which arranged your loan. Let them know you are having problems. They may be able to discuss options for paying back what you owe.";

- (c) For the paragraph headed "Doing nothing could make things worse." substitute:

"Doing nothing could make things worse.

You could end up paying more in interest and charges. Missed payments could affect your credit rating and make it more difficult to get credit in future. If you continue not to make payment this could lead to legal action against you for repayment or the return of goods on hire purchase."

- (5) The *firm* must not charge the *borrower* a fee in connection with preparation of or the giving of the notice required by
 - CONC 7.18.4 R.

7.17.6
FCA

R In this section "payments" means payments to be made at predetermined intervals provided for under the terms of the agreement.

Content of arrears notices: fixed-sum credit

7.17.7
FCA

R The notice required by ■ CONC 7.17.4 R must contain the following information:

- (1) a form of wording to the effect that the notice is given in compliance with the *rules* because the *borrower* is behind with the sums payable under the agreement;
- (2) a form of wording encouraging the *borrower* to discuss the state of his account with the *firm*;
- (3) the date of the notice;
- (4) (a) the name, telephone number or numbers, the postal address, and, where appropriate, any other address of the *firm*; or

(b) where the *firm* and the *borrower* have entered into an arrangement under which the *borrower* has been given details of a particular employee or category of employee of the *firm* whom the *borrower* is entitled to contact for all the *borrower's* dealings with the *firm*, the *firm* may, instead of including the telephone number or numbers in (a), refer to that arrangement;

(5) a description sufficient to identify any agreements and the opening balance under any agreements at the date on which the duty to give the notice arose;

(6) (a) where default sums or interest (other than any set out in the notice) may be payable in connection with the amounts set out in the notice, a statement in the following form:

"Default sums and interest

You may have to pay default sums and interest in relation to the missed or partly made payments referred to in this notice. Please contact us if you would like further details. This notice does not take account of any payments received after the date of the notice."; or

(b) in any other case, a statement in the following form:

"Default sums and interest

You will not incur any default sums or extra interest in relation to the missed or partly made payments referred to in this notice. This notice does not take account of any payments received after the date of the notice.";

(7) a statement in the following form:

"Notices

For so long as you continue to be behind with your payments by any amount, you will be sent notices about this at least every six months. We are not required to send you notices more frequently than this, even if you get further behind with your payments in between notices."; and

(8) a statement in the following form:

"Financial Conduct Authority Information Sheet

This notice should include a copy of the current arrears information sheet prepared by the Financial Conduct Authority. This contains important information about your rights and where to go for

support and advice, for example to think carefully before borrowing money to repay debts as well as our right to charge you interest. If it is not included you should contact us to get one. Please refer to the Financial Conduct Authority information sheet for more information about how to get advice on dealing with your debt."

Content of first required arrears notices

7.17.8
FCA

R

Where the notice is given under ■ CONC 7.17.4 R (1) the notice must also state the amount of the shortfall under the agreement which gave rise to the duty to give the notice and the *firm* must:

- (1) within 15 *working days* of receiving the *borrower's* request for further information about the shortfall which gave rise to the duty to give the notice, give the *borrower* in relation to each of the sums which comprise the shortfall, notice of:
 - (a) the amount of the sums due which comprise the shortfall;
 - (b) the date on which the sums became due; and
 - (c) the amounts the *borrower* has paid in respect of the sums due and the dates of those payments;

- (2) except where the original notice contained all the information specified in (1), include a statement in the following form

"If you want more information about which payments you failed to make please get in touch with us. We are required to give you this information within fifteen working days of receiving your request for it."; and

- (3) where the *firm* and the *borrower* have entered into an agreement to aggregate, the references to sums due and to amounts paid in (1) may be construed as a reference to the aggregated sums due to the *firm* (on behalf of the *lender*) and the aggregated amounts paid by the *borrower* in accordance with the terms of that agreement.

Content of required arrears notices except first required notices

7.17.9
FCA

R

Where the notice is given under ■ CONC 7.17.4 R (2) the notice must also contain the following information:

- (1) that part of the opening balance referred to in ■ CONC 7.17.7 R (5) which comprises any sum which the *borrower* has failed to pay in full when it became due under the agreement, whether or not such sums have been included in a previous notice;

- (2) the amount and date of any sums paid into the account by, or to the credit of, the *borrower* during the period to which the notice relates;
- (3) the amount and date of any interest or other charges payable by the *borrower* which became due during the period to which the notice relates, whether or not the interest or other charges relate only to that period. But where the rate or rates of interest provided for under the agreement are not applicable on a per annum basis, this sub-paragraph does not require amounts and dates of interest which became due during the period to which the notice relates to be set out separately in the notice;
- (4) the amount and date of any movement in the account during the period to which the notice relates which is not required to be included in the notice under (2) and (3);
- (5) the balance under the agreement at the end of the period to which the notice relates;
- (6) that part of the balance referred to in (5) which comprises any sum which the *borrower* has failed to pay in full when it became due under the agreement and which remains unpaid at the end of the period to which the notice relates, whether or not such a sum has been included in a previous notice; and
- (7) add the following words to the end of the first sentence of the statement in ■ CONC 7.17.7 R (6)(a): "(in addition to any default sums and interest included in this notice)."

7.17.10

FCA

R

Where the notice includes a form of wording to the effect that it is not a demand for immediate payment, the *firm* must include wording explaining why it is not such a demand.

7.17.11

FCA

R

The reference to the account in ■ CONC 7.17.9 R (2) and ■ CONC 7.17.9 R (4) are to be construed as a reference to all accounts maintained by the *firm* (on behalf of a *lender*) which relate to the agreement with the *borrower*.



7.18 Notice of sums in arrears under P2P agreements for running-account credit

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 7.18: see ■ CONC TP 4.4]

Application

7.18.1
FCA

R This section applies to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* under a P2P agreement for *running account credit*.

Notice of sums in arrears for running account credit

7.18.2
FCA

R A *firm* must comply with this section where the following conditions are satisfied:

- (1) a *borrower* is required to have made at least two *repayments* under the agreement;
- (2) the last two *repayments* which the *borrower* is required to have made before that time have not been made;
- (3) the *firm* has not already been required to give a notice under ■ CONC 7.18.3 R in relation to the agreement;
- (4) the *lender* is not already under a duty to give the *borrower* notice under section 86C of the CCA; and
- (5) if a judgment has been given in relation to the agreement before that time, that there is no sum still to be paid under the judgment by the *borrower*.

7.18.3
FCA

- R**
- (1) The *firm* must, when the *firm* next sends a statement to the *borrower*, give or send the *borrower* a notice including the information set out in ■ CONC 7.18.5 R.
 - (2) A *firm* must accompany the notice required by (1) with a copy of the current arrears information sheet under section 86A of the CCA with the following modifications:

- (a) for the bullet point headed "Work out how much money you owe" substitute:

"Work out how much money you owe. To do this, you will need to make a list of all those you owe money to. A debt adviser can help you."

- (b) for the bullet point headed "Contact the organisations you owe money to" substitute:

"Contact the peer-to-peer (P2P) platform which arranged your loan. Let them know you are having problems. They may be able to discuss options for paying back what you owe."

- (c) For the paragraph headed "Doing nothing could make things worse." substitute:

"Doing nothing could make things worse.

You could end up paying more in interest and charges. Missed payments could affect your credit rating and make it more difficult to get credit in future. If you continue not to make payment this could lead to legal action against you for repayment or the return of goods on hire purchase."

- (3) The *firm* must not charge the *borrower* a fee in connection with the preparation of or the giving of the notice required by (1).
- (4) The notice required by (1) may be incorporated in a statement or other notice which the *firm* gives to the borrower in relation to the agreement by virtue of *FCA rules* or the *CCA*.

7.18.4
FCA

R In this section "payments" means payments to be made at predetermined intervals provided for under the terms of the agreement.

7.18.5
FCA

R Content of arrears notices: running account credit
The notice referred to in **CONC 7.18.3 R** must contain the following information:

- (1) a form of wording to the effect that it is given in compliance with the *rules* because the *borrower* is behind with his payments under the agreement;
- (2) a form of wording encouraging the *borrower* to discuss the state of his account with the *firm*;
- (3) the date of the notice;
- (4) a description of the agreement sufficient to identify it;

- (5) (a) the name, telephone number, postal address and, where appropriate, any other address of the *firm*; or
- (b) where the *firm* and the *borrower* have entered into an arrangement under which the *firm* has given the *borrower* details of a particular employee or category of employee of the *firm* whom the *borrower* is entitled to contact for all his dealings with the *firm*, the *firm* may, instead of including the telephone number or numbers referred to in (a), refer to that arrangement;
- (6) in relation to each of the last two payments which the *borrower* is required under the agreement to have made and which have not been paid or not fully paid:
- (a) the amount payable;
- (b) the date on which that amount became due;
- (c) in the event that the *borrower* has paid part of that amount, the amount the *borrower* has paid and the date on which that payment was made;
- (d) the nature of the amount due; and
- (e) the aggregate of the amounts payable as shown under (a), less the aggregate of the amounts paid as shown under (c);

- (7) a statement in the following form:

"Missed and partly made payments

This notice does not give details of missed or partly made payments previously notified whether or not they remain unpaid."

- (8) (a) where default sums or interest (other than any set out in the notice) may be payable in connection with the amounts set out in the notice, a statement in the following form:

"Default sums and Interest

You may have to pay default sums and interest in relation to the missed or partly made payments indicated above in addition to any default sums and interest already included in this notice. Please contact us if you would like further details. This notice does not take account of any payments received after the date of the notice."; or

- (b) in any other case, a statement in the following form:

"Default sums and Interest

You will not incur any default sums or extra interest in relation to the missed or partly made payments indicated above. This notice does not take account of any payments received after the date of the notice."; and

- (9) a statement in the following form:

"Financial Conduct Authority Information Sheet

This notice should include a copy of the current arrears information sheet issued by the Financial Conduct Authority. This contains important information about your rights and where to go for support and advice, for example, to think carefully before borrowing money to repay debts, as well as our right to charge you interest. If it is not included you should contact us to get one. Please refer to the Financial Conduct Authority information sheet for more information about how to get advice on dealing with your debt."

7.18.6

FCA

R

Where the notice includes a form of wording to the effect that it is not a demand for immediate payment, the *firm* must include wording explaining why it is not such a demand.

7.18.7

FCA

R

- (1) Subject to (2), where the total amount which the *borrower* has failed to pay in relation to the last two payments due under the agreement prior to the date on which the *firm* came under a duty to give the *borrower* a notice under ■ CONC 7.18.3 R is not more than £2, the notice:

- (a) need not include any of the information or statements referred to in ■ CONC 7.18.4 R;
- (b) but, in that event, shall contain a statement in the following form:

"You have failed to make two minimum payments

Failing to make minimum payments can mean that you have broken the terms of this credit agreement. This could result in your having to pay additional costs. A copy of the Financial Conduct Authority Arrears information sheet is enclosed, which contains more information about what to do when you get behind with your payments.";

- (2) Paragraph (1) does not apply where at the date on which the duty to give notice arose a default sum or other charge has become payable as a result of the *borrower's* failure to pay sums as set out in (1).



7.19 Notice of default sums under P2P agreements

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 7.19: see ■ CONC TP 4.5]

Application

7.19.1
FCA

R This section applies to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* under a *P2P agreement*.

7.19.2
FCA

- R**
- (1) Subject to (2), this section does not apply where the *P2P agreement* provides for *credit* of less than £50.
 - (2) Paragraph (1) does not apply where two or more *P2P agreements* in relation to the same *borrower* (but whether or not with the same *lender*) are entered into at or about the same time.
 - (3) Where (2) applies, the *firm's* obligation in ■ CONC 7.19.4 R applies as if all of the *P2P agreements* made with a *borrower* at or about the same time were a single agreement.

7.19.3
FCA

- R**
- (1) In this section "default sum" means in relation to the *borrower* under a *P2P agreement*, a sum (other than a sum of interest) which is payable by the *borrower* under the agreement in connection with a breach of the agreement by the *borrower*.
 - (2) But a sum is not a default sum in relation to the *borrower* simply because as a consequence of the breach of the agreement the *borrower* is required to pay the sum earlier than would otherwise have been the case.

Notice of default sums

7.19.4
FCA

R Where a default sum becomes payable under a *P2P agreement* by the *borrower*, the *firm* must give notice to the *borrower* within 35 days of a default sum becoming payable by the *borrower*.

7.19.5

FCA

R

The notice required by ■ CONC 7.19.4 R must contain:

- (1) a form of wording to the effect that it relates to default sums and is given in compliance with *FCA rules*;
- (2) the date of the notice;
- (3) a description of the agreement sufficient to identify it;
- (4) the *firm's* name, telephone number, postal address and, where appropriate, any other address;
- (5) the amount and nature of each default sum payable under the agreement which has not been the subject of a previous notice of default sums;
- (6) the date upon which each default sum referred to in the notice became payable under the agreement;
- (7) the following statement:

"This notice does not take account of default sums which we have already told you about in another default sum notice, whether or not those sums remain unpaid."; and
- (8) the total amount of all the default sums included in the notice.

7

Chapter 8

Debt advice

8.1 Application

8.1.1
FCA

R This chapter applies, unless otherwise stated in or in relation to a *rule* to every *firm* with respect to:

- (1) *debt counselling*;
- (2) *debt adjusting*; and
- (3) to the extent of giving the advice referred to in article 89A(2) of the *Regulated Activities Order*, *providing credit information services*.

8.1.2
FCA

G ■ CONC 8.10 (Conduct of business: providing credit information services) sets out that that section applies to every *firm* with respect to *providing credit information services* and with respect to *operating an electronic system in relation to lending*.

8.1.3
FCA

G ■ CONC 8 covers all *firms* with respect to *debt counselling*, *debt adjusting* and *providing credit information services*, which includes profit-seeking as well as *not-for-profit bodies* which hold such *permissions* and in that case include those bodies with *permission* by virtue of article 62 of the *Regulated Activities Order*.

[Note: paragraph 1.10 of DMG]

8.1.4
FCA

G The activities of *debt counselling* and *debt adjusting* apply to *credit agreements* and *consumer hire agreements* whether they are regulated or not.



8.2 Conduct standards: debt advice

Overarching principles

8.2.1
FCA

G

The Principles for Businesses (*PRIN*) apply as a whole to *firms* with respect to *debt counselling, debt adjusting and providing credit information services*.

8.2.2
FCA

G

- (1) One aspect of conducting a *firm's* business with due skill, care and diligence under *Principle 2* is that a *firm* should ensure that it gives appropriate advice to *customers* residing in the different countries of the *UK*. Failure to pay proper regard to the differences in options for *debt solutions* available to those *customers* and to the differences in enforcement actions and procedures is likely to contravene *Principle 2* and may contravene other *Principles*.

[Note: paragraph 3.23d of *DMG*]

- (2) Recommending a *debt solution* which a *firm* knows, believes or ought to suspect is unaffordable for the *customer* is likely to contravene *Principle 2, Principle 6* and *Principle 9* and may contravene other *Principles*.

[Note: paragraph 3.26j of *DMG*]

- (3) An example of behaviour that is likely to contravene *Principle 6* and may contravene other *Principles* in this field is for a *firm* to actively discourage a *customer* from considering alternative sources of *debt counselling*.

[Note: paragraph 3.23m of *DMG*]

8.2.3
FCA

G

A *firm* covered by ■ CONC 8 has obligations under the *FCA's* Dispute Resolution: Complaints sourcebook (*DISP*) to treat complainants fairly; these are set out in ■ DISP 1.

Signposting to sources of free debt counselling, etc

8.2.4
FCA

R

A *debt management firm* must prominently include:

- (1) in its first written or oral communication with the *customer* a statement that free *debt counselling, debt adjusting and providing of credit information services* is available to *customers* and that the *customer* can find out more by contacting the Money Advice Service; and

- (2) on its web-site the following link to the Money Advice Service web-site (<https://www.moneyadviceservice.org.uk/en/articles/where-to-go-to-get-free-debt-advice>).

[Note: paragraph 1.7 of Debt Management Protocol]

Dealing with lenders of customers

8.2.5

FCA

R

A *firm's* communications to *lenders* (or to *lenders'* representatives) on behalf of its *customers* must be transparent so as to ensure a *firm's customer's* interests are not adversely affected.

[Note: paragraph 2.5 of DMG]

8.2.6

FCA

R

Where entry into a *debt solution* will lead to a period when payments to *lenders* (in part or in whole) are not made or are retained by the *firm*, the *firm* must, as soon as possible after the *customer* enters into the *debt solution*, notify the *customer's lenders* of the reason payments are not to be made to the *lender* and the period during which that will be the case.

[Note: paragraph 3.18niv of DMG]

Vulnerable customers

8.2.7

FCA

R

A *firm* must establish and implement clear and effective policies and procedures to identify particularly vulnerable *customers* and to deal with such *customers* appropriately.

[Note: paragraph 2.4 of DMG]

8.2.8

FCA

G

Most *customers* seeking advice on their debts under *credit agreements* or *consumer hire agreements* may be regarded as vulnerable to some degree by virtue of their financial circumstances. Of these *customers* some may be particularly vulnerable because they are less able to deal with *lenders* or *debt collectors* pursuing them for debts owed. *Customers* with mental health and mental capacity issues may fall into this category.

[Note: paragraph 2.4 of DMG]

8.3 Pre contract information and advice requirements

8.3.1

FCA

R

A *firm* must (except where the contract is a *credit agreement* to which the *disclosure regulations* apply) provide sufficient information, on a *durable medium*, when the *customer* first enquires about the *firm's* services, about the following matters to enable the *customer* to make a reasonable decision:

- (1) the nature of the *firm's* service offered in the contract to the *customer*;

[Note: paragraph 3.38b of *DMG*]

- (2) the duration of the contract;

[Note: paragraph 3.38c of *DMG*]

- (3) the total cost of the *firm's* service or, where it is not possible to state the total cost, the formula the *firm* uses for calculating its fees or charges or an estimate of the anticipated likely total cost may be given;

[Note: paragraph 3.40c of *DMG*]

- (4) any fee or deposit, such as an arrangement fee, a periodic fee, a management fee, or an administrative fee;

[Note: paragraph 3.38c of *DMG*]

- (5) any fee or charge which can be imposed on the *customer* in relation to cancellation of the contract;

[Note: paragraph 3.38c of *DMG*]

- (6) any other costs likely to be incurred under the contract and the circumstances in which these would be payable;

[Note: paragraph 3.38c of *DMG*]

- (7) where the *firm* bases its fees or charges on some percentage or an hourly rate or some other formula, an explanation of how the fees or charges are calculated;

[Note: paragraph 3.9c of *DMG*]

- (8) the elements of the service that the fees cover;

[Note: paragraph 3.38c of *DMG*]

- (9) the circumstances in which a *customer* may terminate the contract and receive a refund in accordance with relevant law and any fees or charges the *customer* may be required to pay in that case;

[Note: paragraph 3.40d of *DMG*]

- (10) the consequences on the *customer's* credit rating, including how long the matter will show on the *customer's* credit file and that the *customer* may not be able to obtain *credit* or other financial services in the future;

[Note: paragraph 3.38e of *DMG*]

- (11) whether a right to cancel applies and, if so, the period and any conditions for exercising the right to cancel the contract and any amount the *customer* may be required to pay;

[Note: paragraph 3.38h of *DMG*]

- (12) how payments will be allocated to *lenders* and when payments will be made; and

[Note: paragraph 3.38k of *DMG*]

- (13) the period of time between payments being received from the *customer* and payments being made to *lenders*, including the date when the first payment will be made to *lenders*.

[Note: paragraph 3.38l of *DMG*]

[Note: paragraphs 3.33, 3.35 and 3.38 of *DMG*]

R A *firm* must ensure that:

- (1) all advice given and action taken by the *firm* or its agent or its *appointed representative*:
- (a) has regard to the best interests of the *customer*;

8.3.2

FCA

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6

- (b) is appropriate to the individual circumstances of the *customer*; and
- (c) is based on a sufficiently full assessment of the financial circumstances of the *customer*;

[Note: paragraph 2.6a of *DMG*]

- (2) *customers* receive sufficient information about the available options identified as suitable for the *customers'* needs; and

[Note: paragraph 2.6b of *DMG*]

- (3) it explains the reasons why the *firm* considers the available options suitable and other options unsuitable.

[Note: paragraph 2.6b of *DMG*]

8.3.3

FCA

G

The individual circumstances of the *customer* include, for example, the *customer's* financial position, the country in the *UK* to whose laws and procedures the *customer* and the *lender* in question are subject, and the level of understanding of the *customer*.

[Note: paragraph 2.6c of *DMG*]

8.3.4

FCA

R

A *firm* must ensure that advice provided to a *customer*, whether before the *firm* has entered into contract with the *customer* or after, is provided in a *durable medium* and:

- (1) makes clear which debts will be included in any *debt solution* and which debts will be excluded from any *debt solution*;

[Note: paragraph 3.38j of *DMG*]

- (2) makes clear the actual or potential advantages, disadvantages, costs and risks of each option available to the *customer*, with any conditions that apply for entry into each option and which debts may be covered by each option;

[Note: paragraphs 3.23a and 3.38b of *DMG*]

- (3) warns the *customer*:
 - (a) of the actual or potential consequences of failing to continue to pay taxes, fines, child support payments and debts which could result in loss of access to essential *goods* or services or repossession of, or eviction from, the *customer's* home;

[Note: paragraph 3.38m of *DMG*]

- (b) of the actual or potential consequences of not continuing to make *repayments* under *credit agreements* or *consumer hire agreements*;

[Note: paragraph 3.26k of *DMG*]

- (c) of the actual or potential consequences of ignoring correspondence or other contact from *lenders* and those acting on behalf of *lenders*;

[Note: paragraph 3.38n of *DMG*]

- (d) that action to recover debts may be commenced, which may involve further cost to the *customer*; and

[Note: paragraph 3.38q of *DMG*]

- (e) that by entering into a *debt management plan* or another non-statutory repayment plan there is no guarantee that any current recovery or legal action will be suspended or withdrawn;

[Note: paragraph 3.38r of *DMG*]

- (4) where relevant to the *debt solution*, makes clear the risks, including the following risks:

- (a) if the arrangement or deed fails, the risk of bankruptcy;
- (b) homeowners may need to release equity from the value of their homes to pay off debts; and that a remortgage may attract higher interest rates or that if no remortgage is available, an individual voluntary arrangement may be extended for 12 *months*;
- (c) there are restrictions on the expenditure of a *person* who enters into an individual voluntary arrangement or protected trust deed;
- (d) the *customer's lenders* may not approve the individual voluntary arrangement or protected trust deed; and
- (e) only unsecured debts included within the individual voluntary arrangement or protected trust deed may be discharged at the end of the period and unsecured debts not included remain outstanding;

[Note: paragraph 3.38s of *DMG*]

- (5) takes proper account of the individual needs of, and any requests made by, a *customer*; and

[Note: paragraph 3.23f of *DMG*]

- (6) where relevant, explains the nature of an insolvency procedure and the role of the *firm*.

[Note: paragraph 3.23o of *DMG*]

[Note: paragraphs 3.23 and 3.38 of *DMG*]

8.3.5

FCA

G

The information required by ■ CONC 8.3.4 R should be provided leaving sufficient time for the *customer* (taking into account the complexity of the information and the *customer's* financial position) to consider it before having to make a decision on the appropriate course of action.

8.3.6

FCA

G

A *firm* should not unfairly incentivise debt advisers (whether employees, agents or *appointed representatives* of the *firm*) to the extent that an incentive might lead the *firm* not to comply with ■ CONC 8.3.2 R.

[Note: paragraph 3.22 (box) of *DMG*]

8.3.7

FCA

R

A *firm* must:

- (1) provide the *customer* with a source of impartial information on the range of *debt solutions* available to the *customer* in the relevant country of the *UK*;

[Note: paragraph 3.23b of *DMG*]

- (2) before giving any advice or any recommendation on a particular course of action in relation to the *customer's debts*, carry out a reasonable and reliable assessment of:
 - (a) the *customer's* financial position (including the *customer's* income, capital and expenditure);
 - (b) the *customer's* personal circumstances (including the reasons for the financial difficulty, whether it is temporary or longer term and whether the *customer* has entered into a *debt solution* previously and, if it failed, the reason for its failure); and
 - (c) any other relevant factors (including any known or reasonably foreseeable changes in the *customer's* circumstances such as a change in employment status);

[Note: paragraph 3.23c of *DMG*]

- (3) refer a *customer* to an appropriate *not-for-profit debt advice body* in circumstances where the *customer*:
 - (a) has problems related to debt requiring immediate attention with which the *firm* is unable or unwilling to assist the *customer*; or

[Note: paragraph 3.23gi of DMG]

- (b) does not have enough disposable income to pay the *firm's* fees;

[Note: paragraph 3.23gii of DMG]

- (4) refer a *customer* to, or provide contact details for, another debt advice provider in circumstances where the *firm* is unable to provide appropriate advice or provide an appropriate *debt solution* for the *customer*; and

[Note: paragraph 3.23h of DMG]

- (5) seek to ensure that a *customer* understands the options available and the implications and consequences for the *customer* of the *firm's* recommended course of action.

[Note: paragraph 3.23i of DMG]

8.3.8

FCA

G

- (1) The information and advice referred to in ■ CONC 8.3 should be provided in a manner which is clear fair and not misleading to comply with *Principle 7* and ■ CONC 3.3.1 R, and should be in plain and intelligible language in accordance with ■ CONC 3.3.2 R. A *firm* should encourage a *customer* to read the information and allow sufficient time between providing the information and entering into the contract to enable the *customer* to seek independent advice if so desired.

[Note: paragraphs 3.21, 3.35 and 3.36 of DMG]

- (2) The *firm's* services referred to in ■ CONC 8.3 include any *debt solution* the *firm* offers to a *customer*. Therefore, in setting out fees or charges for a *firm's* services, the fees and charges the *firm* charges in relation to a *debt solution* should be included.
- (3) The serious problems related to debt in ■ CONC 8.3.7 R are likely to include, where non-payment of a debt may result in the loss of a *customer's* home or loss of access to essential *goods* or services and, in particular, where legal action is threatened or legal action is taken in relation to debts which may have that effect.

[Note: paragraph 3.23gi of DMG]

- (4) A *not-for-profit debt advice body* should refer a *customer* to another *not-for-profit debt advice body* under ■ CONC 8.3.7 R (3) where, for example, it is unable to assist a *customer*.
- (5) An appropriate *not-for-profit debt advice body* would be one that provides the most appropriate *debt solution* given the *customer's* financial circumstances.

8.4 Debt solution contracts

8.4.1

FCA

R

A *firm* must provide a *customer* with a written contract setting out its terms and conditions for the provision of its services.

[Note: paragraph 3.40a of *DMG*]

8.4.2

FCA

R

A *firm* must include in its written contract (other than a *credit agreement* to which the Consumer Credit (Agreements) Regulations 2010 apply) the following matters:

- (1) the nature of the service to be provided by the *firm*, including the specific *debt solution* to be offered to the *customer*;

[Note: paragraph 3.40b of *DMG*]

- (2) the duration of the contract;

[Note: paragraph 3.40c of *DMG*]

- (3) the total cost of the *firm's* service or, where it is not possible to state the total cost, the formula the *firm* uses for calculating its fees or charges or an estimate of the anticipated likely total cost may be given;

[Note: paragraph 3.40c of *DMG*]

- (4) the circumstances in which a *customer* may terminate the contract and receive a refund in accordance with relevant law and any fees or charges the *customer* may be required to pay in that case; and

[Note: paragraph 3.40d of *DMG*]

- (5) set out the duration and conditions for exercise of any right to cancel that may apply and any fees or charges the *customer* may be required to pay.

[Note: paragraph 3.40e of *DMG*]

8.4.3

FCA

R A *firm* must not include the following terms in a contract with a *customer*:

- (1) a term requiring the *customer* to sign a declaration stating in any way that the *customer* understands the requirements of the contract;

[Note: paragraph 3.41a of *DMG*]

- (2) a term restricting or prohibiting the *customer* from corresponding with or responding to a *lender* or with any *person* acting on behalf of a *lender*;

[Note: paragraph 3.41b of *DMG*]

- (3) a term which states or implies the *firm* has no liability to the *customer*; or

[Note: paragraph 3.41c of *DMG*]

- (4) a term which states or implies that there are no circumstances in which a *customer* is entitled to a refund.

[Note: paragraph 3.41d of *DMG*]

8.4.4

FCA

G A *firm* may be required to make a refund of its fees and charges, in whole or in part, if a *firm* fails to deliver its service in whole or in part or it has carried out the service without reasonable care and skill.

8.5 Financial statements and debt repayment offers

8.5.1

FCA

R

A *firm* must ensure that a financial statement sent to a *lender* on behalf of a *customer*:

- (1) is accurate and realistic and must present a sufficiently clear and complete account of the *customer's* income and expenditure, debts and the availability of surplus income;

[Note: paragraph 3.24 of DMG]

- (2) state any fees or charges being made by the *firm*;

- (3) is sent only after having obtained the *customer's* consent to send the statement and the *customer's* confirmation as to the accuracy of the statement;

[Note: paragraph 3.26f and g of DMG]

- (4) is provided to the *customer's lenders* as soon as practicable after the *customer* has confirmed its accuracy; and

[Note: paragraph 3.26e of DMG]

- (5) is also sent to the *customer*, together with any accompanying correspondence.

[Note: paragraph 3.26h of DMG]

8.5.2

FCA

G

The format of the financial statement sent to *lenders* on behalf of the *customer* should be uniform and logically structured in a way that encourages consistent responses from *lenders* and reduces queries and delays. *Firms* may wish to use the Common Financial Statement facilitated by the Money Advice Trust or an equivalent or similar statement.

[Note: paragraph 3.24 of DMG]

8.5.3

FCA

G

- (1) Where a *firm* makes an offer to a *lender* to repay a *customer's* debts on behalf of a *customer*, the offer should be realistic, sustainable and in accordance with **CONC 8.3.2 R** should, in particular, have regard to the best interests of the *customer*.

- (2) A sustainable offer should enable the *customer* to meet *repayments* in full when they are due out of the *customer's* disposable income for the whole duration of the repayment proposal.
- (3) Setting the offer should take full account of a *customer's* obligations to pay taxes, fines, child support payments and those debts which could result in loss of access to essential *goods* or services or repossession of, or eviction from, the *customer's* home.
- (4) In considering what are essential *goods* and services, the *firm* should consider the *customer's* personal circumstances, for example, for disabled persons debts for telecommunications services are likely to be essential.

[Note: paragraphs 3.25, 3.26c and 3.28d of DMG]

8.5.4

FCA

R A *firm* must:

- (1) take reasonable steps to verify the *customer's* identity, income and outgoings;

[Note: paragraph 3.26a of DMG]

- (2) seek explanations if a *customer* indicates expenditure which is particularly high or low; and

[Note: paragraph 3.26b of DMG]

- (3) where applicable, notify a *customer* that a particular *lender* will not deal with the *firm* (for whatever reason), as soon as possible after the *firm* becomes aware that the *customer* owes a debt to that *lender*.

[Note: paragraph 3.26l of DMG]

8.5.5

FCA

G

What are reasonable steps for verification of the identity, income and outgoings of a *customer* depends on the circumstances of the case and the type of service offered by the *firm*. Estimates of expenditure would be reasonable where precise figures are not readily available. The Common Financial Statement includes expenditure guidelines, but where a *firm* uses the Common Financial Statement or an equivalent or similar statement which includes such guidelines, the use of expenditure guidelines needs to take into account the individual circumstances of the *customer*.

Note: paragraph 3.26a (box) of DMG]

8.6 Changes to contractual payments

8.6.1

FCA

R

- (1) Where a *firm* gives advice to a *customer* not to make a contractual *repayment* or to cancel any means of making such a *repayment* before any *debt solution* is agreed or entered into, the *firm* must be able to demonstrate the advice is in the *customer's* best interests.
- (2) Where a *firm* gives advice of the type in (1), the *firm* must advise the *customer* (C) that if C adopts the advice C should notify C's *lenders* without delay and explain that C is following the *firm's* advice to this effect.

[Note: paragraph 3.27 of DMG]

8.6.2

FCA

R

If the effect of advice the *firm* gives (if adopted by the *customer*) is that contractual *repayments* are not made or are not made in full (for one or more *repayments*), the *firm* must warn the *customer* of the actual or potential consequences of taking that course of action.

[Note: paragraph 3.28a of DMG]

8.6.3

FCA

R

A *firm* must only advise a *customer* to make *repayments* at a rate lower than the rate necessary to meet interest and charges accruing where it is in the *customer's* best interests.

[Note: paragraph 3.28b of DMG]

8.6.4

FCA

G

- (1) The FCA expects it will generally be in the *customer's* best interests to maintain regular payments to *lenders* (even if the repayment is less than the full sum due).
- (2) An example where it might be in the *customer's* best interests not to repay at the rate necessary to meet interest and charges accruing is where there is insufficient disposable income to meet essential expenditure of the type referred to in ■ CONC 8.5.3 G. Where that is the case, the *firm* should explain clearly to the *customer* why this course of action is necessary and the consequences of the course of action.

8.6.5

FCA

R

Where a *firm* has advised a *customer* not to make contractual *repayments* (in full or in part) or to cancel the means of making such payments or not to make *repayments* necessary to meet interest and charges accruing, the *firm* must advise the *customer* if it becomes clear that that course of action

is not producing effects in the *customer's* best interests to enable the *customer* to take action in the *customer's* best interests.

Note: paragraph 3.28c of DMG]

8.6.6

FCA

G

- (1) An example of an effect not in the *customer's* best interests would be if a *lender* does not agree to stop applying interest and charges to the *customer's* debt.

[Note: paragraph 3.28c of DMG]

- (2) Where it becomes clear that the course of action in ■ CONC 8.6.5 R is not producing effects in the *customer's* best interests the *firm* should, where withdrawing from the *debt management plan* may be in the *customer's* best interests, advise the *customer* of the possibility of withdrawing from the plan.

8.7 Charging for debt counselling, debt advice and related services

8.7.1

FCA

G

- (1) The distance marketing *rules* in ■ CONC 2.6, including the right to cancel in ■ CONC 11, apply to *firms* with respect to *distance contracts* which are *credit agreements*, *consumer hire agreements* and agreements the subject matter of which comprises, or relates to, *debt counselling*, *debt adjusting*, *providing credit information services* and *providing credit references*. ■ CONC 11 excludes various *credit agreements* from the right to cancel.
- (2) Where a *consumer* uses the right to cancel under ■ CONC 11 or under the Financial Services (Distance Marketing) Regulations 2004 to cancel an agreement with a *firm* to set up or administer a *debt solution*, the *firm* should refund any sum paid, less a charge that the *firm* is entitled to make under ■ CONC 11.1.11 R or regulation 13(6) to (9) of those Regulations.

[Note: paragraphs 3.29 and 3.31 of DMG]

- (3) The *firm* may be entitled to impose a charge in (2) if the *customer* requested the *firm* to begin to carry out its service within the cancellation period (see ■ CONC 11.1.1 R or regulation 10 of the Financial Services (Distance Marketing) Regulations 2004).

8.7.2

FCA

R

A *firm* must ensure that the obligations of the *customer* in relation to the amount, or the timing of payment, of its fees or charges:

- (1) do not have the effect that the *customer* pays all, or substantially all, of those fees in priority to making *repayments* to *lenders* in accordance with the *debt management plan*; and
- (2) do not undermine the *customer's* ability to make (through the *firm* acting on the *customer's* behalf) significant *repayments* to the *customer's lenders* throughout the duration of the *debt management plan*, starting with the first *month* of the plan; but
- (3) paragraphs (1) and (2) do not prevent, to the extent the *firm* complies with all applicable *rules*, a *firm* operating a full and final settlement model, in which the *firm* holds money on behalf of the *customer* and does not distribute that money promptly, pending negotiating a settlement with the *customer's lenders*.

8.7.3

FCA

G

[Note: paragraphs 5.3 and 5.4 of the Debt Management Protocol]

- (1) For the purposes of ■ CONC 8.7.2 R (2), an obligation is likely to be viewed as undermining the *customer's* ability to make significant repayments to the *customer's lenders* if it has the effect that the *firm* may allocate more than half of the sums received from the *customer* in any one-month period from the start of the *debt management plan* to the discharge (in whole or in part) of its fees or charges.
- (2) Once the *customer* has paid any initial fee for the arrangement and preparation of the *debt management plan*, or, if earlier, once six months from the start of the plan have elapsed, the FCA would expect there usually to be a reduction in the proportion of the sums received from the *customer* that the *firm* allocates to the discharge of its fees and charges.
- (3) A *firm* should spread any charges or fees payable by the *customer* for the administration or operation of the *debt management plan* following its making evenly over the duration of the plan.
- (4) The proportion of the sums received from a *customer* in order to discharge the *firm's* fees or charges should take account of the level of *repayments* the *customer* in question makes.

8.7.4

FCA

R

A *firm* must:

- (1) in good time before entering into a contract with the *customer*, disclose the existence of any commission or incentive payments relevant to the service provided to the *customer* between the *firm* and any third party and at any time, if the *customer* requests, disclose the amount of any such commission or incentive payment;

[Note: paragraph 3.34b and c of DMG]

- (2) send a revised financial statement in the same format as that required under ■ CONC 8.5.1 R to the *customer's lenders* where the *firm's* fees or charges alter during an arrangement and would affect the amount available for distribution to *lenders*;

[Note: paragraph 3.34f (box) of DMG]

- (3) at the earlier of, where the *firm* identifies or it is established that advice provided by the *firm* to the *customer* was incorrect or was not appropriate to the *customer*, refund or credit to the *customer's* account fees or charges imposed for that advice;

[Note: paragraph 3.34m of DMG]

- (4) make an appropriate refund of fees or charges paid where the whole or any part of the service as agreed with the *customer*

has not been provided or not provided with a reasonable standard of skill and care.

[Note: paragraph 3.34o of DMG]

8.7.5

FCA

G

A *firm*, in presenting its fees, costs and charges, should distinguish the fees payable for the *firm's* services from any charges payable for court proceedings or other insolvency proceedings.

8.7.6

FCA

R

A *firm* must not:

- (1) without a reasonable justification, switch a *customer* from one *debt solution* to another while making a further charge for setting up or administering the new *debt solution* to the extent that some or all of that work has already been carried out by the *firm*;

[Note: paragraphs 3.32 and 34k of DMG]

- (2) switch a *customer* to a different *debt solution*, without obtaining the *customer's* consent after having fully explained to the *customer* the reason for the change;

[Note: paragraph 3.34l of DMG]

- (3) require or take any payment from a *customer* before the *firm* has entered into contract with the *customer* concerning a *debt solution*;

[Note: paragraph 3.34d of DMG]

- (4) request any payment from a *customer's* payment account, unless the *customer* has specifically authorised the *firm* to do so and has not cancelled that authorisation;

[Note: paragraph 3.34d (box) of DMG]

- (5) accept payment for fees or charges by credit card or another form of *credit* (excluding a payment where the *firm* does not know and cannot be expected to know that the *customer's* current account is in debit or would be taken into debit by the payment);

[Note: paragraph 3.34e of DMG]

- (6) impose cancellation charges that are unreasonable or disproportionate when compared to the actual costs necessarily incurred by the *firm* in reasonably providing its service;

[Note: paragraph 3.34h of DMG]

- (7) claim a fee or charge from a *customer* or take payment from a *customer's* account which is not provided for in the agreement with the *customer*, or where it is provided for but is, or is likely to be, unfair under the Unfair Terms in Consumer Contracts Regulations 1999;

[Note: paragraph 3.34i of DMG]

- (8) where the *firm* identifies that advice provided by the *firm* to the *customer* was incorrect or was not appropriate to the *customer*, charge an additional fee for further or revised advice; or

[Note: paragraph 3.34m of DMG]

- (9) request, suggest or instruct *customers* seeking to recover refunds of fees from the *firm* to make contact with the *firm* on a premium rate telephone number.

[Note: paragraph 3.34n of DMG]

8.8 Debt management plans

8.8.1

FCA

R

A *firm* in relation to a *customer* with whom it has entered into a *debt management plan* must:

- (1) maintain contact with the *customer*;
[Note: paragraph 3.44 of DMG]
- (2) regularly monitor and review the financial position and circumstances of the *customer*;
[Note: paragraph 3.44 of DMG]
- (3) adapt the *debt management plan* to take into account relevant changes in the financial position and circumstances of the *customer*;
[Note: paragraph 3.44 of DMG]
- (4) inform the *customer* without delay of the outcome of negotiations with *lenders*, in particular, where the *lender* has:
 - (a) refused to deal with the *firm*; or
 - (b) returned payments to the *firm*; or
 - (c) refused the debt repayment offer; or
 - (d) refused to freeze interest or charges accruing;[Note: paragraph 3.45a of DMG]
- (5) inform the *customer* of any material developments about the relationship between the *customer* and the *customer's lenders*;
[Note: paragraph 3.45b of DMG]
- (6) provide the *customer* with copies of correspondence or documentation relating to material developments relevant to the relationship between the *customer* and the *customer's lenders*;

[Note: paragraph 3.45b of DMG]

- (7) where the *firm* makes *repayments* on behalf of the *customer*:
- (a) monitor the *customer's repayments* for evidence which suggests a change in the *customer's* financial circumstances;
 - (b) review, and amend or terminate, where appropriate, the *customer's debt management plan* at the earlier of:
 - (i) each anniversary of entering into the plan; or
 - (ii) as soon as the *firm* becomes aware of a material change in the *customer's* circumstances; and
 - (c) inform the *customer* of the outcome of any reassessment;

[Note: paragraph 3.45c of DMG]

- (8) provide a statement to the *customer* at the start of the *debt management plan*, and at least annually or at the *customer's* reasonable request, setting out:
- (a) a balance showing the amount owed by the *customer*, including any interest charges at the beginning of the statement period;
 - (b) fees, charges and other costs applied over the period of the statement, including any upfront fee or deposit, such as an initial arrangement fee, an arrangement fee, any periodic or management or administrative fee, any cancellation fee and any other costs incurred under the contract;
 - (c) a narrative explaining the type of fee applied, how the fee is calculated and to what it applies;
 - (d) the duration or estimated duration of the contract;
 - (e) the total cost of the *firm's* service over the duration or estimated duration of the contract; and
 - (f) *monthly* or other periodic payments made to *lenders*;

[Note: paragraphs 3.45cde of DMG]

- (9) maintain adequate records relating to each *debt management plan* which the *firm* has administered for the *customer* until the contract between the *customer* and the *firm* is completed or terminated;

[Note: paragraph 3.45i of DMG]

- (10) check the accuracy of the details of the *customer's* accounts; and

8.8.2

FCA

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[Note: paragraph 3.45j of DMG]

- (11) use reasonable endeavours not to send inaccurate information to lenders.

[Note: paragraph 3.45j of DMG]

- (1) Evidence that there may have been a material change in a *customer's* financial circumstances is likely to include where a *customer* who has not previously missed payments under a *debt management plan* misses such payments.

[Note: paragraph 3.45ci of DMG]

- (2) Where the *firm* informs a *customer* of the outcome of a review of a *debt management plan*, it should seek to discuss with the *customer* any changes to the plan or to the *firm's* service at the earliest reasonably opportunity.

[Note: paragraph 3.45ciii of DMG]

- (3) In ■ CONC 8.8.1 R (6) correspondence or documentation relating to material developments would include, for example, the issue or threat of issue of default notices or legal proceedings.

[Note: paragraph 3.45b of DMG]

8.9 Lead generators: including firm responsibility in dealing with lead generators

8.9.1

FCA

G

The *Principles* (in particular *Principle 6* and *Principle 7*) apply to actions of a *firm* dealing with a *customer* who has been referred to it through a *lead generator*. For example, where a *firm* acts on a sales lead and knows or ought to know that the *lead generator* is using misleading information, advice or actions to obtain a *customer's* personal data is likely to amount to a breach by the *firm* of *Principle 6* and *Principle 7*.

8.9.2

FCA

R

A *firm* must take reasonable steps before entering into an agreement to accept sales leads from a *lead generator* for *debt counselling* or *debt adjusting* or *providing credit information services* to ensure:

- (1) that any of the *lead generator's* advice, any content of its website and advertising and any of its commercial practices comply with applicable legal requirements, including the Consumer Protection from Unfair Trading Regulations 2008;
- (2) that the *lead generator* is registered with the Information Commission's Office under the Data Protection Act 1998; and
- (3) that the *lead generator* has processes in place to ensure it complies with that Act and with the Privacy and Electronic Communications (EC Directive) Regulations 2003.

[Note: paragraph 3.9 of *DMG*]

8.9.3

FCA

G

The steps required to satisfy the requirement in ■ CONC 8.9.2 R should depend upon the regularity with which the *firm* intends to accept sales leads from the *lead generator*. If sales leads provided by a *lead generator* are likely to be on a single or occasional basis, less rigorous checks should be required than for a specialist sales *lead generator*.

[Note: paragraph 3.9 (box) of *DMG*]

8.9.4

FCA

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A *firm* must take reasonable steps, where it has agreed to accept sales leads from a *lead generator* for *debt counselling* or *debt adjusting* or *providing credit information services*, to ensure that the *lead generator*:

- (1) where it does not have a *Part 4A permission* for *debt counselling* and is not an *appointed representative* of a *firm* with such

permission, does not carry on *debt counselling* in obtaining or passing on sales leads to the *firm*;

- (2) where it carries on *debt counselling*, has and continues to have a *Part 4A permission* for *debt counselling* or is an *appointed representative* of a *firm* with such *permission*;
- (3) where it does not have a *Part 4A permission* covering the relevant activity, does not claim to or imply that it provides *debt counselling* or *debt adjusting* or that it is *providing credit information services*;

[Note: paragraph 3.12 of DMG]

- (4) complies with applicable legal requirements, including the Consumer Protection from Unfair Trading Regulations 2008 in relation to any of its advice, any content of its website, any of its advertising and any of its commercial practices;

[Note: paragraph 3.9a DMG]

- (5) makes the true nature of its services clear to *customers*, through any means of communication or promotion it uses;

[Note: paragraph 3.12 of DMG]

- (6) where it seeks a *customer's* personal data to pass on to a *firm* for a fee, it makes clear to the *customer* that the *customer's* personal data will be passed on to the *firm*;

[Note: paragraph 3.12c of DMG]

- (7) makes clear to a *customer* any financial interest it has in passing on a sales lead to the *firm*;

[Note: paragraph 3.12d of DMG]

- (8) makes clear, if asked by a *customer*, the nature of its relationship with the *firm*;

[Note: paragraph 3.12e of DMG]

- (9) does not falsely claim or imply in any way that it is or represents a charitable or *not-for-profit body* or government or local government organisation;

[Note: paragraph 3.12f of DMG]

- (10) communicates with customers consistent with, and promotes, services the *firm* is able to provide;

[Note: paragraph 3.12h of DMG]

- (11) complies with the Privacy and Electronic Communications (EC Directive) Regulations 2003 and the Data Protection Act 1998;

[Note: paragraph 3.11 of DMG]

- (12) does not send, or cause to be sent, an *electronic communication* to a *customer* (C) unless C has previously notified the *lead generator* that C consents for the time being to such communications being sent or caused to be sent by the *lead generator*;

[Note: paragraph 3.12j of DMG]

- (13) does not make or cause to be made by means of an automated calling system (which is capable of automatically initiating a sequence of calls to more than one destination in accordance with instructions stored in that system, and transmitting sounds which are not live speech for reception by *persons* at some or all of the destinations so called) a call to a *customer* (C), unless C has previously notified the caller that for the time being C consents to such communications being made by or caused to be made by the caller on the line in question; and

[Note: paragraph 3.12j of DMG]

- (14) enables *customers* to cancel using a clear and easy method their consent to be called or sent any communication.

[Note: paragraph 3.12m of DMG]

[Note: paragraphs 3.7 and 3.8 of DMG]

Guidance for firms

8.9.5
FCA

G

The FCA would expect *firms* that agree with *lead generators* to accept sales leads in relation to *debt counselling* or *debt adjusting* to be able to identify, upon request, all the *lead generators* from which they have received leads (with the FCA authorisation number, where applicable).

8.9.6
FCA

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Claiming or implying a *person* is or represents, for example, a charitable organisation is likely to include operating a website which looks like, or is designed to look like, the website of such an organisation.

8.9.7
FCA

G

In complying with ■ CONC 8.9.4 R a *firm* that agrees with a *lead generator* to accept sale leads should:

- (1) check with the Information Commissioner's Office that the *lead generator* is appropriately registered under the Data Protection Act 1998; and

-
- (2) check the *lead generator's* Privacy and Electronic Communications (EC Directive) Regulations 2003 process documentation.



8.10 Conduct of business: providing credit information services

Application

8.10.1
FCA

R This section applies to:

- (1) a *firm* with respect to *providing credit information services* in relation to information relevant to the financial standing of an *individual*;
- (2) a *firm* with respect to the activities set out in article 36H(3)(e) to (h) of the *Regulated Activities Order* (Operating an electronic system in relation to lending) in relation to a *borrower* under a *P2P agreement*.

Conduct

8.10.2
FCA

G The *Principles* apply to a *firm* with respect to *providing credit information services*. A *firm* providing such services should, for example, set out clearly in any communication to a *customer* the extent of the service it is able to offer.

[Note: paragraph 3.46 of *DMG*]

8.10.3
FCA

R A *firm* must not:

- (1) claim to be able to remove negative but accurate information from a *customer's* credit file, including entries concerning adverse credit information and court judgments; or

[Note: paragraph 3.47ai of *DMG*]

- (2) mislead a *customer* about the length of time that negative information is held on the *customer's* credit file or any official register; or

[Note: paragraph 3.47a ii of *DMG*]

- (3) claim that a new credit file can be created, such as by the *customer* changing address.

[Note: paragraph 3.47aiii of DMG]

8.10.4

FCA

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It is likely to be a contravention of the *Principles*, for example *Principles 6* and *Principle 7*, where a *firm*:

- (1) claims in a communication to a *customer* to be able to remove negative but accurate entries from a *customer's* credit file, but where the *customer* enquires about this service the *customer* is offered instead the *firm's* service as a *lender* or a *credit broker*; or
- (2) fails to inform a *customer* that a *credit reference agency* will not respond to the *firm* taking steps in relation to the *customer's* credit file and will only send the *customer's* credit file to the *customer*.

[Note: paragraphs 3.47cd of DMG]

Chapter 9

Credit reference agencies



9.1 Application

9.1.1

FCA

R

This chapter applies to a *firm* with respect to *providing credit references*.



9.2 Conduct of business: correction of entries in credit reference agency files

9.2.1

FCA

R

Within 10 *working days* after any of the following events:

- (1) the *credit reference agency* giving notice under section 159(2) of the CCA that it has removed an entry from the file kept by it about an *individual* or has amended such an entry (including where it has amended an entry by removing information from it); or
- (2) the *credit reference agency* giving notice under section 159(4) of the CCA that it has received a notice under section 159(3) requiring it to add a notice of correction to the file and intends to comply with the notice; or
- (3) the expiry of the period specified in an order of the FCA or the Information Commissioner under section 159(5) of the CCA as the period within which the order is to be complied with;

the *credit reference agency* must give notice of the particulars specified in ■ CONC 9.2.2 R to each *person* to whom at any time since the relevant date it has furnished information relevant to the financial standing of the *individual* concerned.

[Note: regulation 5 of SI 1977/330]

9.2.2

FCA

R

The particulars referred to in ■ CONC 9.2.1 R are:

- (1) in relation to information included in any entry which has been removed or amended or which is referred to in a notice of correction:
 - (a) particulars of any entry which has been removed from the file and a statement that it has been removed;
 - (b) particulars of any entry which has been amended and of the amendment, or of the entry as amended; and
 - (c) particulars of the entry, together with a copy of the notice of correction; and

- (2) where the information did not include the entry which has been removed or amended or which is referred to in a notice of correction, but which (whether in the form of a rating or opinion or otherwise) was based in whole or in part on any such entry and has been, or falls to be, modified by reason of the removal, amendment or notice:
- (a) particulars of the modified information; and
 - (b) a statement that the information has been modified by reason of the removal, amendment or notice, as the case may be.

9.2.3

FCA

R

In this section, "the relevant date" means the date one *month* immediately preceding the receipt by the *credit reference agency* from the *individual* of the request, particulars and fee referred to in section 158(1) of the CCA, or the request and fee (if a fee is payable) referred to in section 7(2) of the Data Protection Act 1998 and, if applicable, the receipt of any further information requested by the *credit reference agency* referred to in section 7(3) of that Act.

Chapter 10

Prudential rules for debt management firms

10.1 Application and purpose

Application

10.1.1

FCA

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This chapter applies to:

- (1) a *debt management firm*; and
- (2) a *not-for-profit debt advice body* that, at any point in the last 12 months, has held £1 million or more in *client money* or as the case may be, projects that it will hold £1 million or more in *client money* at any point in the next 12 months.

Application: professional firms

10.1.2

FCA

R

- (1) This chapter does not apply to an *authorised professional firm*:
 - (a) whose main business is the practice of its profession; and
 - (b) whose *regulated activities* covered by this chapter are incidental to its main business.
- (2) A *firm's* main business is the practice of its profession if the proportion of income it derives from professional fees is, during its annual accounting period, at least 50% of the *firm's* total income (a temporary variation of not more than 5% may be disregarded for this purpose).
- (3) Professional fees are fees, commissions and other receipts receivable in respect of legal, accountancy, conveyancing and surveying services provided to clients but excluding any items receivable in respect of *regulated activities*.

Purpose

10.1.3

FCA

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This chapter builds on the *threshold condition* referred to at ■ COND 2.4 (Appropriate resources) by providing that a *firm* must meet, on a continuing basis, a basic solvency requirement. This chapter also builds on *Principle 4* which requires a *firm* to maintain adequate financial resources by setting out prudential requirements for a *firm* according to what type of *firm* it is.

10.1.4

FCA

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Prudential standards have an important role in minimising the risk of harm to *customers* by ensuring that a *firm* behaves prudently in monitoring and managing business and financial risks.

10.1.5

FCA

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More generally, having adequate prudential resources gives the *firm* a degree of resilience and some indication to *customers* of creditworthiness, substance and the commitment of its owners. Prudential standards aim to ensure that a *firm* has prudential resources which can provide cover for operational and compliance failures and pay redress, as well as reducing the possibility of a shortfall in funds and providing a cushion against disruption if the *firm* ceases to trade.

10.1.6

FCA

R

A contravention of the *rules* in this chapter does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).



10.2 Prudential resources requirements

General solvency requirement

10.2.1
FCA

R A *firm* must, at all times, ensure that it is able to meet its liabilities as they fall due.

General prudential resource requirement

10.2.2
FCA

R A *firm* must ensure that, at all times, its prudential resources are not less than its prudential resources requirement.

Prudential resources: relevant accounting principles

10.2.3
FCA

R A *firm* must recognise an asset or liability, and measure its amount, in accordance with the relevant accounting principles applicable to it for the purpose of preparing its annual financial statements unless a *rule* requires otherwise.

Prudential resources requirement: firms carrying on other regulated activities

10.2.4
FCA

R The prudential resources requirement for a *firm* carrying on a *regulated activity* or activities in addition to those covered by this chapter, is the higher of:

- (1) the requirement which is applied by this chapter; and
- (2) the prudential resources requirement which is applied by another *rule* or requirement to the *firm*.

Prudential resources requirement

10.2.5
FCA

R On its *accounting reference date* in each year, a *firm* must calculate:

- (1) the total value of its *relevant debts under management* outstanding on that date; and
- (2) the sum of:
 - (a) 0.25% of the first £5 million of that total value;
 - (b) 0.15% of the next £95 million of that total value; and

(c) 0.05% of any remaining total value.

10.2.6

FCA

R

The total value of a *firm's relevant debts under management* outstanding referred to in ■ CONC 10.2.5 R (1) is the sum of all the *firm's customers' relevant debts under management*.

10.2.7

FCA

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The definition of *relevant debts under management* refers to a debt due under a *credit agreement* or a *consumer hire agreement* in relation to which the *firm* is carrying on *debt adjusting* or an activity connected to that activity. The reference to "debt due" covers not only amounts that are payable at the time the prudential resources requirement is calculated but also amounts the *borrower* is presently obliged to pay under the *credit agreement* in the future.

10.2.8

FCA

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The prudential resources requirement for a *firm* to which this chapter applies is the higher of:

(1) £5,000; or

(2) the sum calculated in accordance with ■ CONC 10.2.5 R (2);

for the period until (subject to ■ CONC 10.2.13 R) its next *accounting reference date*.

10.2.9

FCA

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To determine a *firm's* prudential resources requirement for the period beginning on the date on which it obtains *Part 4A permission* and ending on the day before its next *accounting reference date*, the *firm* must carry out the calculation in ■ CONC 10.2.5 R (2) on the basis of the total value of *relevant debts under management* the *firm* projects will be outstanding on the day before its next *accounting reference date*.

What is not included as relevant debts under management

10.2.10

FCA

G

Activities carried on by a *person* acting as an insolvency practitioner (within section 388 of the Insolvency Act 1986 or, as the case may be, article 3 of the Insolvency (Northern Ireland) Order 1989) or by a *person* acting in reasonable contemplation of that *person's* appointment as an insolvency practitioner are excluded from the *regulated activity* of *debt adjusting*. A debt in relation to which a *person* is acting in such a capacity is, therefore, excluded from the calculation of its *relevant debts under management* (but a debt in relation to which the same *person* is not acting in such capacity and is carrying on *debt-adjusting* is included in the calculation).

Determining the prudential resources requirement

10.2.11

FCA

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If a *firm* has 1000 *relevant debts under management* and each of those debts is £10,000, the total value of the *firm's relevant debts under management* is £10,000,000. If the *firm* does not carry on any other *regulated activity* to which another higher prudential resources requirement applies, its prudential resources requirement is £20,000. This is calculated as follows:

(1) $0.25\% \times £5,000,000 = £12,500$; and

(2) $0.15\% \times £5,000,000 = £7,500$.

10.2.12

FCA

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If during the following year 20% (£200) of each *relevant debt under management* is paid off by the *borrower* or *hirer* leaving an outstanding balance of £800 on each *relevant debt under management*, and during that year the *firm* does not carry on *debt adjusting* in relation to any further debts due under *credit agreements* or *consumer hire agreements*, the total value of the *firm's relevant debt under management* is £8,000,000. If the *firm* does not carry on any other *regulated activity* to which another higher prudential resources requirement applies, its prudential resources requirement is £17,000. This is calculated as follows:

(1) $0.25\% \times £5,000,000 = £12,500$; and

(2) $0.15\% \times £3,000,000 = £4,500$.

Recalculating the prudential resources requirement

10.2.13

FCA

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If a *firm* experiences a greater than 15% increase in the total value of its *relevant debts under management* compared to the value used in its last prudential resources requirement calculation, it must recalculate its prudential resources requirement using the new total value of its *relevant debts under management*.

10.2.14

FCA

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A *firm* must notify the *FCA* of any change in its prudential resources requirement within 14 *days* of that change.



10.3 Calculation of prudential resources

10.3.1
FCA

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- (1) A *firm* must calculate its prudential resources only from the items which are eligible to contribute to a *firm's* prudential resources (see ■ CONC 10.3.2 R).
- (2) In arriving at its calculation of its prudential resources a *firm* must deduct certain items (see ■ CONC 10.3.3 R).

10.3.2
FCA

R

Table: Items which are eligible to contribute to the prudential resources of a firm

Item	Additional explanation
1 <i>Share capital</i>	<p>This must be fully paid and may include:</p> <ul style="list-style-type: none"> (1) ordinary <i>share capital</i>; or (2) preference <i>share capital</i> (excluding preference <i>shares</i> redeemable by shareholders within two years).
2 Capital other than <i>share capital</i> (for example, the capital of a <i>sole trader</i> , <i>partnership</i> or <i>limited liability partnership</i>)	<p>The capital of a <i>sole trader</i> is the net balance on the <i>firm's</i> capital account and current account. The capital of a <i>partnership</i> is the capital made up of the <i>partners'</i>:</p> <ul style="list-style-type: none"> (1) capital account, that is the account: <ul style="list-style-type: none"> (a) into which capital contributed by the <i>partners</i> is paid; and (b) from which, under the terms of the <i>partnership</i> agreement, an amount representing capital may be withdrawn by a <i>partner</i> only if: <ul style="list-style-type: none"> (i) he ceases to be a <i>partner</i> and an equal amount is transferred to another such account by his former <i>partners</i> or any <i>person</i> replacing him as their <i>partner</i>; or (ii) he ceases to be a partner and an equal amount is transferred to another such account by his former partners or any person replacing him as their partner; or (iii) the partnership is otherwise dissolved or wound up; and

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- (2) current accounts according to the most recent financial statement.
- For the purpose of the calculation of capital resources in respect of a *defined benefit occupational pension scheme*:
- (1) a *firm* must derecognise any *defined benefit asset*;
- (2) a *firm* may substitute for a *defined benefit liability* the *firm's deficit reduction amount*, provided that the election is applied consistently in respect of any one financial year.
- 3 Re-serves (Note 1) These are, subject to Note 1, the audited accumulated profits retained by the *firm* (after deduction of tax, dividends and proprietors' or *partners'* drawings) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a *parent undertaking*.
- For the purposes of calculating capital resources, a *firm* must make the following adjustments to its reserves, where appropriate:
- (1) a *firm* must deduct any unrealised gains or, where applicable, add back in any unrealised losses on debt instruments held, or formerly held, in the available-for-sale financial assets category;
- (2) a *firm* must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of financial instruments measured at cost or amortised cost;
- (3) in respect of a *defined benefit occupational pension scheme*:
- (a) a *firm* must derecognise any *defined benefit asset*;
- (b) a *firm* may substitute for a *defined benefit liability* the *firm's deficit reduction amount*, provided that the election is applied consistently in respect of any one financial year.
- 4 Interim net profits (Note 1) If a *firm* seeks to include interim net profits in the calculation of its capital resources, the profits have, subject to Note 1, to be verified by the *firm's* external auditor, net of tax, anticipated dividends or proprietors' drawings and other appropriations.
- 5 Revaluation reserves
- 6 Subordinated loans/debt Subordinated loans/debts must be included in capital on the basis of the provisions in this chapter that apply to subordinated loans/debts.

Note:

1 Reserves must be audited and interim net profits, general and collective provisions must be verified by the *firm's* external auditor unless the *firm* is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)) or, where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.

10.3.3

FCA

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Table: Items which must be deducted in arriving at prudential resources

- 1 *Investments in own shares*
- 2 *Investments in subsidiaries* (Note 1)
- 3 Intangible assets (Note 2)
- 4 Interim net losses (Note 3)
- 5 Excess of drawings over profits for a *sole trader* or a *partnership* (Note 3)

Notes 1 *Investments in subsidiaries* are the full balance sheet value.

2 Intangible assets are the full balance sheet value of goodwill, capitalised development costs, brand names, trademarks and similar rights and licences.

3 The interim net losses in row 4, and the excess of drawings in row 5, are in relation to the period following the date as at which the capital resources are being computed.

[Note: Until 31 March 2017, transitional provisions apply to ■ CONC 10.3.3 R: see ■ CONC TP 5.1]

Subordinated loans/debt

10.3.4

FCA

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A subordinated loan/debt must not form part of the prudential resources of the *firm* unless it meets the following conditions:

- (1) it has an original maturity of:
 - (a) at least five years; or
 - (b) it is subject to five years' notice of repayment;
- (2) the claims of the subordinated creditors must rank behind those of all unsubordinated creditors;
- (3) the only events of default must be non-payment of any interest or principal under the debt agreement or the winding up of the *firm*;
- (4) the remedies available to the subordinated creditor in the event of non-payment or other default in respect of the subordinated loan/debt must be limited to petitioning for the winding up of the

10

firm or proving the debt and claiming in the liquidation of the *firm*;

- (5) the subordinated loan/debt must not become due and payable before its stated final maturity date, except on an event of default complying with (3);
- (6) the agreement and the debt are governed by the law of England and Wales, or of Scotland or of Northern Ireland;
- (7) to the fullest extent permitted under the rules of the relevant jurisdiction, creditors must waive their right to set off amounts they owe the *firm* against subordinated amounts owed to them by the *firm*;
- (8) the terms of the subordinated loan/debt must be set out in a written agreement that contains terms that provide for the conditions set out in this *rule*; and
- (9) the loan/debt must be unsecured and fully paid up.

10.3.5

FCA

R

When calculating its prudential resources, the *firm* must exclude any amount by which the aggregate amount of its subordinated loans/debts exceeds the amount calculated as follows:

a - b

where:

- a = Items 1 - 5 in the Table of items which are eligible to contribute to a *firm's* prudential resources (see CONC 10.3.2 R)
- a = Items 1 - 5 in the Table of items which must be deducted in arriving at a *firm's* prudential resources (see CONC 10.3.3 R)

[Note: Until 31 March 2017, transitional provisions apply to ■ CONC 10.3.5 R: see ■ CONC TP 5.2]

10.3.6

FCA

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■ CONC 10.3.5 R can be illustrated by the examples set out below:

- (1)

Share Capital	£20,000
Reserves	£30,000
Subordinated loans/debts	£10,000
Intangible assets	£10,000
As subordinated loans/debts (£10,000) are less than the total of share capital + reserves - intangible assets (£40,000) the <i>firm</i> need not exclude any of its subordinated loans/debts pursuant to CONC 10.3.5 R. Therefore total prudential resources will be £50,000.	
- (2)

Share Capital	£20,000
---------------	---------

Reserves	£30,000
Subordinated loans/debts	£60,000
Intangible assets	£10,000

As subordinated loans/debts (£60,000) exceed the total of share capital + reserves - intangible assets (£40,000) by £20,000, the *firm* should exclude £20,000 of its subordinated loans/debts when calculating its prudential resources. Therefore total prudential resources will be £80,000.

[Note: Until 31 March 2017, transitional provisions apply to ■ CONC 10.3.6 G: see ■ CONC TP 5.3]

Chapter 11

Cancellation

11.1 The right to cancel

11.1.1

FCA

R

Except as provided for in ■ CONC 11.1.2 R or where ■ PROF 5.4.1 R (1) or ■ PROF 5.4.1 R (2) applies, a *consumer* has a right to cancel a *distance contract* without penalty and without giving any reason, within 14 calendar days where that contract is:

- (1) a *credit agreement*;
- (2) an agreement between a *consumer* and a *firm* the subject matter of which comprises or relates to *debt counselling*, *debt adjusting*, *providing credit information services* or *providing credit references*, other than an agreement that relates to any of those activities in relation to a *consumer hire agreement*.

[Note: article 6(1) of the *Distance Marketing Directive* in relation to distance contracts that are consumer credit agreements]

11.1.2

FCA

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- (1) For a *credit agreement* there is no right to cancel under ■ CONC 11.1.1 R, unless (2) or (3) applies, in respect of:
 - (a) a regulated consumer credit agreement (within the meaning of that section) to which section 66A (right to withdraw) of the CCA applies;
 - (b) a *credit agreement* under which a *lender* provides *credit* to a *consumer* and where the *consumer's* obligation to repay is secured by a legal mortgage on *land*;
 - (c) a *credit agreement* cancelled under regulation 15(1) of the Consumer Protection (Distance Selling) Regulations 2000 (automatic cancellation of a related credit agreement);
 - (d) a *credit agreement* cancelled under regulation 23 of the Timeshare, Holiday Products, Resale and Exchange Contracts Regulations 2010 (automatic termination of credit agreement); and
 - (e) a *restricted-use credit agreement* to finance the purchase of *land* or an existing building, or an agreement for a bridging loan in connection with the purchase of *land* or an existing building.

- (2) There is a right to cancel under ■ CONC 11.1.1 R where the *lender* has not complied with ■ CONC 2.7.6 R (requirement to communicate terms and conditions etc), unless the *distance contract* falls with the exception in ■ CONC 2.7.12 R and the *firm* has complied with the requirements of that *rule*.
- (3) There is a right to cancel under ■ CONC 11.1.1 R where the circumstances in ■ CONC 2.7.12 R apply but the *lender* has not supplied all the contractual terms and conditions and information as required in ■ CONC 2.7.12 R.

11.1.3

FCA

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Section 66A of the CCA (right to withdraw) does not apply to an agreement for *credit* exceeding £60,260, an agreement secured on *land*, a *restricted-use credit agreement* to finance the purchase of *land* or an agreement for a bridging loan in connection with the purchase of *land*. Section 67 of the CCA (cancellable agreements) applies to *regulated credit agreements* (apart from agreements secured on *land*, *restricted-use credit agreements* to finance the purchase of *land* or agreements for a bridging loan in connection with the purchase of *land* and agreements covered by section 66A) and *consumer hire agreements* (to which this section does not apply) in the circumstances specified in the section. A *customer* with a right to cancel under section 67 of the CCA may choose to cancel the agreement under that section or under ■ CONC 11.1.1 R.

11.1.4

FCA

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A *firm* may provide longer or additional cancellation rights voluntarily but, if it does, these should be on terms at least as favourable to the *customer* as those in this chapter, unless the differences are clearly explained.

Beginning of cancellation period

11.1.5

FCA

R

The cancellation period begins:

- (1) either from the day the *distance contract* is made; or
- (2) from the day on which the *consumer* receives the contractual terms and conditions of the service and any other pre-contractual information required, as the case may be, under ■ CONC 2.7.6 R or under ■ CONC 2.7.12 R, if that is later than the date referred to in (1) above.

[Note: article 6(1) of the *Distance Marketing Directive* in relation to distance contracts]

Disclosing the right to cancel

11.1.6

FCA

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- (1) The *firm* must disclose to a *consumer* in good time before or, if that is not possible, immediately after the *consumer* is bound by a contract to which the right to cancel applies under ■ CONC 11.1.1 R, and in a *durable medium*, the existence of the right to cancel, its duration and the conditions for exercising it including information on the amount which the *consumer* may be required to pay, the consequences of not exercising it and practical

instructions for exercising it, indicating the address to which the notification of cancellation should be sent.

- (2) This *rule* applies only where a *consumer* would not otherwise receive the information in (1) under a *rule* in this sourcebook from the *firm* (such as under ■ CONC 2.7.2 R to ■ CONC 2.7.5 R (the distance marketing disclosure rules)).

Exercising the right to cancel

11.1.7
FCA

R

If a *consumer* exercises the right to cancel the *consumer* must, before the expiry of the cancellation period, notify this following the practical instructions given to him. The deadline shall be deemed to have been observed if the notification, if in a *durable medium* available and accessible to the recipient, is dispatched before the cancellation period expires.

[Note: article 6(6) of the *Distance Marketing Directive* for distance contracts]

11.1.8
FCA

G

The *firm* should accept any indication that the *consumer* wishes to cancel as long as it satisfies the conditions for notification. In the event of any dispute, unless there is clear written evidence to the contrary, the *firm* should treat the date cited by the *consumer* as the date when the notification was dispatched.

Record keeping

11.1.9
FCA

R

The *firm* must make adequate records concerning the exercise of a right to cancel and retain them for at least three years.

Effects of cancellation

11.1.10
FCA

R

By exercising a right to cancel, a *consumer* withdraws from the contract and the contract is terminated.

11.1.11
FCA

R

- (1) When a *consumer* exercises the right to cancel the *consumer* may only be required to pay, without any undue delay, for the service actually provided by the *firm* in accordance with the contract. The amount payable must not:

- (a) exceed an amount which is in proportion to the extent of the service already provided in comparison with the full coverage of the contract;
- (b) in any case be such that it could be construed as a penalty.

[Note: article 7(1), (2) and (3) of the *Distance Marketing Directive* in relation to distance contracts]

- (2) The *firm* may not require a *consumer* to pay any amount on the basis of this *rule* unless it can prove that the *consumer* was duly informed about the amount payable and, in conformity

with the distance marketing disclosure *rules* (■ CONC 2.7.2 R to ■ CONC 2.7.5 R). However, in no case may the *firm* require such payment if it has commenced the performance of the contract before expiry of the cancellation period without the *consumer's* prior request.

[Note: article 7(1), (2) and (3) of the *Distance Marketing Directive* in relation to distance contracts]

Firm's obligations on cancellation

11.1.12

FCA

R

The *firm* must, without undue delay and within 30 calendar days, return to the *consumer* any sums it has received from the *consumer* except for any amount that the *consumer* may be required to pay under ■ CONC 11.1.1 R. This period begins from the day on which the *firm* receives the notification of cancellation.

[Note: article 7(1), (2) and (3) of the *Distance Marketing Directive* in relation to distance contracts]

Consumer's obligations on cancellation

11.1.13

FCA

R

The *firm* is entitled to receive from the *consumer* any sums or property the *consumer* has received from the *firm* without any undue delay and no later than within 30 calendar days. This period begins from the day on which the *consumer* dispatches the notification of cancellation.

[Note: article 7(5) of the *Distance Marketing Directive* in relation to distance contracts]

11.1.14

FCA

R

Any sums payable under this section on cancellation of a contract are owed as simple contract debts and may be set off against each other.

11.2 Right of withdrawal: P2P agreements

[Note: Until the end of 30 September 2014, transitional provisions apply to ■ CONC 11.2: see ■ CONC TP 4.6]

Application

11.2.1

FCA

R

This section applies to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* under a *P2P agreement*.

11.2.2

FCA

R

This section does not apply to a *P2P agreement* under which *credit* exceeding £60,260 is, was or would be provided.

Right to cancel

11.2.3

FCA

R

A *firm* must ensure that a *P2P agreement* that the *firm* makes available to a *borrower* and a *lender* provides for the following contractual rights and obligations and procedure for and effect of the exercise of those rights and obligations:

- (1) a right for the *borrower*:
 - (a) to withdraw from the agreement ("the right of withdrawal");
 - (b) without giving any reason; and
 - (c) by giving oral or written notice of the withdrawal to the *firm* (on behalf of the *lender*) before the end of the period of 14 days:
 - (i) beginning with the day after the *P2P agreement* is made; or
 - (ii) beginning with the day on which the *borrower* receives the contractual terms and conditions of the service and any other pre-contractual information required, as the case may be, under ■ CONC 4.3, if that is later than the date in (1);
- (2) where written notice is given of the right of withdrawal by *electronic means*:

- (a) it may be sent to the number or electronic address specified for the purpose in the agreement; and
 - (b) where it is so sent, it is to be regarded as having been received by the *firm* (on behalf of the *lender*) at the time it is sent;
- (3) where written notice is given of the right of withdrawal, other than by *electronic means*:
 - (a) it may be sent by post to, or left at, the postal address specified for the purpose in the agreement; and
 - (b) where it is sent by post to that address, it is to be regarded as having been received by the *firm* (on behalf of the *lender*) at the time of posting;
- (4) where the *borrower* exercises the right of withdrawal from a *P2P agreement*:
 - (a) the *borrower* must repay to the *firm* (on behalf of the *lender*) or the *lender* any *credit* provided and the interest accrued on it (at the rate provided for under the agreement); but
 - (b) the *borrower* is not liable to pay to the *firm* (on behalf of the *lender*) or the *lender* any compensation, fees or charges, except any non-returnable charges paid by the *lender* or by the *firm* (on behalf of the *lender*) to a public administrative body;
- (5) the effect of exercising the right to withdraw is that the obligations of the *borrower* under the agreement cease to have effect except for the obligation in (4); and
- (6) where an amount is payable where (4) applies, the agreement may provide that the amount must be paid without undue delay and no later than the end of the period of 30 days beginning with the day after the day on which the notice of withdrawal was given (and if not paid by the end of that period the agreement may provide that the sum may be recovered from the *borrower* as a debt).

11.2.4

FCA

R

A *firm* must ensure that a *P2P agreement* that it makes available to a *lender* and a *borrower* does not provide for any other obligations of the *borrower* in connection with the exercise of the rights in ■ CONC 11.2.3 R.

Chapter 12

Requirements for firms with interim permission for credit-related regulated activities



12.1 Application and purpose

12.1.1

FCA

R

This chapter applies to a *firm* with an *interim permission*.

12.1.2

FCA

G

The purpose of these *rules* is to provide that certain provisions of the *Handbook* or of a Regulatory Guide:

- (1) that would otherwise apply to *persons* with an *interim permission* are not to apply; or
- (2) are to apply to those *persons* with the modifications specified in the table in ■ CONC 12.1.4 R.

Disapplication or modification of certain modules or provisions of the Handbook

12.1.3

FCA

R

The modules or parts of the modules of the *appropriate regulator's Handbook* of *rules* and guidance or of a Regulatory Guide listed in the table in ■ CONC 12.1.4 R to this chapter:

- (1) do not apply, to the extent set out in the table, to a *person* with an *interim permission* with respect to the carrying on of a *credit-related regulated activity*; or
- (2) are to apply to such a *person* with respect to the carrying on of a *credit-related regulated activity* with the modifications specified in the table in ■ CONC 12.1.4 R.

12.1.4

FCA

R

Table: Disapplied or modified modules or provisions of the Handbook

Module	Disapplication or modification
Senior Management Arrangements, Systems and Control sourcebook (SYSC)	<p>SYSC 6.1.4C R (requirement of debt management firm or credit repair firm to appoint a compliance officer) does not apply to a <i>firm</i> with an <i>interim permission</i>.</p> <p>SYSC 6.3.8 R (responsibility for anti-money laundering systems and controls) does not apply to a <i>firm</i> with only an <i>interim permission</i>.</p>
[FCA]	<p>SYSC 6.3.9 R (requirement to appoint a money laundering reporting officer) does not apply to a <i>firm</i> with only an <i>interim permission</i>.</p>
Fees manual (FEES)	<p>The Fees manual does not apply in respect of the fee provided for in FEES 8.1.1 R (1), except for the rules and guidance in FEES 2.3 and FEES 8.1.</p>
[FCA]	
Threshold Conditions (COND)	<p>Guidance applies with necessary modifications to reflect Chapter 4 of Part 8 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 (see Note 1).</p> <p>Note 1 A <i>firm</i> is treated as having an <i>interim permission</i> on and after 1 April 2014 to carry on <i>credit related regulated activity</i> under the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 if it met the conditions set out in Chapter 4 of Part 8 of that Order. Section 55B(3) of the <i>Act</i> (satisfaction of threshold conditions) does not require the <i>FCA</i> or <i>PRA</i> to ensure that the <i>firm</i> will satisfy, and continue to satisfy, in relation to the <i>credit related regulated activities</i> for which it has an <i>interim permission</i>, the <i>threshold conditions</i> for which that regulator is responsible. The <i>FCA</i> or <i>PRA</i> can, however, exercise its power under section 55J of the <i>Act</i> (variation or cancellation on initiative of regulator) or under section 55L of the <i>Act</i> (in the case of the <i>FCA</i>) or section 55M of the <i>Act</i> (in the case of the <i>PRA</i>) (imposition of requirements by the regulator) in relation to a <i>firm</i> if, among other things, it appears to the <i>FCA</i> or <i>PRA</i> that the <i>firm</i> is failing, or is likely to fail, to satisfy the <i>threshold conditions</i> in relation to the <i>credit related regulated activities</i> for which it has an <i>interim permission</i> for which the regulator is responsible. The guidance in <i>COND</i> should be read accordingly.</p>

Module	Disapplication or modification
Client Assets (CASS)	<p>CASS does not apply:</p> <p>(1) to a <i>firm</i> with only an <i>interim permission</i>; or</p> <p>(2) with respect to <i>credit-related regulated activity</i> for which a <i>firm</i> has an <i>interim permission</i> that is treated as a variation of permission;</p> <p>if the <i>firm</i> acts in accordance with the provisions of paragraphs 3.42 and 3.43 of the Debt management (and credit repair services) guidance (OFT366rev) previously issued by the Office of Fair Trading, as they were in effect immediately before 1 April 2014.</p>
Supervision manual (SUP)	<p>SUP 3 (Auditors), SUP 10A (FCA Approved persons) and SUP 12 (Appointed representatives) (see Note 2) do not apply:</p> <p>(1) to a <i>firm</i> with only an <i>interim permission</i>; or</p> <p>(2) with respect to a <i>credit-related regulated activity</i> for which a <i>firm</i> has an <i>interim permission</i> that is treated as a variation of permission.</p> <p>Note 2 A <i>firm</i> may not be a <i>principal</i> in relation to a <i>regulated activity</i> for which it has <i>interim permission</i>. A <i>firm</i> with <i>interim permission</i> may, however, be an <i>appointed representative</i> in relation to a <i>regulated activity</i> which it does not have <i>interim permission</i> to carry on (article 59 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013).</p> <p>SUP 6 (Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements) applies:</p> <p>(1) with necessary modifications to reflect Chapter 4 of Part 8 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 (see Note 3);</p> <p>(2) with the modifications to SUP 6.3.15D and SUP 6.4.5D set out in paragraph 1.2 of this Schedule.</p> <p>Note 3 If a <i>firm</i> with <i>interim permission</i> applies to the appropriate regulator under section 55A of the <i>Act</i> for <i>Part 4A permission</i> to carry on a</p>

Module

Disapplication or modification

regulated activity or under section 55H or 55I of the *Act* to vary a *Part 4A permission* that the *firm* has otherwise than by virtue of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 by adding a *regulated activity* to those to which the *permission* relates, the application may be treated by the appropriate regulator as relating also to some or all of the *regulated activities* for which the *firm* has *interim permission*.

SUP 11 (Controllers and close links) does not apply to a *firm* with only an *interim permission* (see Note 4).

Note 4 A *firm* is not to be regarded as an *authorised person* for the purposes of Part 12 of the *Act* (control over authorised person) if it has only an *interim permission* (see article 59 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013).

For a *firm* with only an *interim permission*

(1) **SUP 15.5.1 R**, **SUP 15.5.2 G**, **SUP 15.5.4 R**, **SUP 15.5.5 R** are modified so that the words "reasonable advance", "and the date on which the *firm* intends to implement the change of name" and "and the date of the change" are omitted; and

(2) **SUP 15.7.1 R**, **SUP 15.7.4 R** and **SUP 15.7.5A R** are modified so that a notification of a change in name, address or telephone number must be made using the online Consumer Credit Interim Permissions system available on the *FCA's* website.

(3) If in a notification to the *FCA* the *firm* is required to enter its FRN number it must include its interim permission number.

SUP 16 (Reporting requirements) does not apply to a *firm* with only an *interim permission*.

SUP 16.11 and **SUP 16.12** apply to a *firm*, which was an *authorised person* immediately before 1 April 2014, with an *interim permission* that is treated as a variation of *permission* with respect to *credit-related regulated activity* as if the changes to **SUP 16.11** and **SUP 16.12** effected by the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014 had not been made.

Module	Disapplication or modification
Disputes Resolution: Complaints sourcebook (DISP)	<p>DISP 1.10 (Complaints reporting rules) and DISP 1.10A (Complaints data publication rules) do not apply to a <i>person</i> with only an <i>interim permission</i>.</p> <p>DISP 1.10 (Complaints reporting rules) and DISP 1.10A (Complaints data publication rules) apply to a <i>firm</i>, which was an <i>authorised person</i> immediately before 1 April 2014, with an <i>interim permission</i> that is treated as a variation of <i>permission</i> with respect to <i>credit-related regulated activity</i> as if the changes to DISP 1.10 and DISP 1.10A effected by the Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014 had not been made.</p>
Consumer Credit sourcebook (CONC)	<p>CONC 10 (Prudential requirements for debt management firms) does not apply:</p> <p>(1) to a <i>firm</i> with only an <i>interim permission</i>; or</p> <p>(2) with respect to <i>credit-related regulated activity</i> for which a <i>firm</i> has an <i>interim permission</i> that is treated as a variation of <i>permission</i>.</p>
Perimeter Guidance manual (PERG)	<p>For a <i>firm</i> only with an <i>interim permission</i>, PERG 5.11.13 G is modified so that following the words "<i>which does not otherwise consist of carrying on regulated activities</i>" is added "<i>(other than a regulated activity carried on by a firm only with an interim permission listed in article 59A of the Financial Services and Markets Act 2000 (Regulated Activities)(Amendment)(No.2) Order 2013 (SI 2013/1881) which is to be disregarded for this purpose)</i>".</p> <p>Article 59A enables a <i>firm</i> with only an <i>interim permission</i> which would be able to benefit from article 72B of the <i>Regulated Activities Order</i>, but for carrying on the new consumer credit regulated activities to continue to do so.</p>

Interpretation

In this section 12.1, the expression "interim permission" means a permission which a *person* is to be treated as having under article 56(9)(a) or (b) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2013.

12.1.5

FCA

R

Chapter 13

Guidance on the duty to give information under sections 77, 78 and 79 of the Consumer Credit Act 1974

13.1 Application

13.1.1

FCA

G

This chapter:

- (1) applies to a *firm* with respect to *consumer credit lending* and a *firm* with respect to *consumer hiring*;
- (2) does not apply to the obligation in or under section 78(4), (4A) or (5) of the CCA on a *lender* to give regular statements where *running-account credit* is provided under a *regulated credit agreement*.

Guidance

13.1.2

FCA

G

- (1) The *FCA* takes the view that sections 77, 78 and 79 of the CCA should be read in a way that allows the *borrower* or *hirer* to obtain the information needed in order to be properly informed without imposing unnecessary burden on *firms*.
- (2) The statement referred to in the relevant section must be prepared according to the information to which it is 'practicable' for the *firm* to refer. In the *FCA*'s view, this means practicable at the time of the request and includes information which can reasonably be obtained from third parties.
- (3) *Firms* should take steps to ensure that information is preserved and kept available to be used to give information to a *borrower* or *hirer*.

The request and the duty to give

13.1.3

FCA

G

- (1) A request must be from or on behalf of the *borrower* under sections 77 and 78 or from or on behalf of a *hirer* under section 79. This would include a friend or relative, a solicitor, a claims management company or other third party. Under the Data Protection Act 1998 and the Data Protection Principles, the *lender* or *owner* is not allowed to reveal such information to a third party without the authority of the *borrower* or *hirer*. It should therefore satisfy itself that the *person* making the request has proper authority to obtain the information. If a copy of such authority is not enclosed with the request, the *lender* or *owner* is entitled to reply by asking to see the authority.
- (2) Where there are two or more *borrowers* or *hirers* and the request comes from one only, it must be nevertheless complied with, and the response must be given to both (or all) *borrowers* or *hirers*.

- (3) If the recipient considers that another *person* is the *lender* or *owner*, the recipient should either inform the applicant of who it considers is the correct recipient or pass the request on to that *person*.
- (4) In accordance with the sections referred to in (1) the *firm* must 'give' a copy of the executed agreement and any other document referred to in it and the required statement. In the *FCA*'s view, sending a copy of them by ordinary second class post will suffice. Guidance on what constitutes a copy is given below and found in the case of *Carey v HSBC Bank plc* [2009] EWHC 3417 (QB).
- (5) The duty under the relevant section does not apply if no sum is, or will or may become, payable by the *borrower* or *hirer* under the agreement. This is irrespective of whether the agreement may have been terminated.

The copy agreement

13.1.4

FCA

G

- (1) The copy of the executed agreement should be a 'true copy' of the original. However, as confirmed in the case of *Carey v HSBC Bank plc* [2009] EWHC 3417 (QB), in this context the term 'true copy' does not necessarily mean a carbon, photocopy, microfiche copy or other exact copy of the signed agreement. There is no obligation to provide a copy which includes a copy of the signature.
- (2) The *firm* can reconstitute a copy. It can do this by re-populating a template of the relevant agreement form with the details of the specific agreement taken from its records. If the *firm* does provide a reconstituted copy, it should explain that that is what it has done, to avoid misleading the *customer* that this is a contemporaneous copy.
- (3) The terms and conditions should be those applicable at the time the agreement was executed. The name and address at the time of execution must be included.
- (4) The reconstituted agreement should contain a heading prescribed by the CCA and any relevant cancellation notice.
- (5) If the reason why no copy is given in response to a request under these sections is that there never was an executed agreement, the *firm* should acknowledge this in its response.
- (6) If the agreement has been varied, the duty is to provide not only a copy of the agreement as originally executed but also either:
 - (a) a copy of the latest variation given in accordance with section 82(1) of the CCA relating to each discrete term of the agreement which has been varied; or,
 - (b) a clear statement of the terms of the agreement as varied.
- (7) Further, section 180(1)(b) of the CCA and regulation 3(2) of the Consumer Credit (Cancellation Notices and Copies of Documents) Regulations 1983 expressly allow certain matters to be omitted from the copy. There may be excluded from the copy of the executed agreement to be provided under these sections:
 - (a) any information relating to the *borrower*, *hirer* or surety, or information included for the use of the *lender* or *owner* only, which is not required to be included by the or any regulations made under the CCA as to the form and content of the agreement;

- (b) any signature box, signature or date of signature;
- (c) in the case of *pawn* agreements, any description of the article taken in *pawn*.

The statement of account

13.1.5
FCA

G

If the *firm* possesses insufficient information to enable it to ascertain the amount and date of any sum which is to become payable, it is sufficient to indicate the basis on which they would fall to be ascertained.

Failure to comply

13.1.6
FCA

G

- (1) Failure to comply with the provisions means that the agreement becomes unenforceable while the failure to comply persists, and the courts have no discretion to allow enforcement.
- (2) In such cases, a *firm* should in no way, either by act or omission, mislead a *customer* as to the enforceability of the agreement.
- (3) In particular, a *firm* should not in such cases either threaten court action or other enforcement of the debt or imply that the debt is enforceable when it is not.
- (4) The *firm* should, in any communication or request for payment in such cases, make clear to the *customer* that although the debt remains outstanding it is unenforceable.
- (5) In the judgment of *McGuffick -v- The Royal Bank of Scotland plc* [2009] EWHC 2386 (Comm) Flaux J held in a case under section 77 of the CCA that passing details of a debt to a *credit reference agency* and related activities do not constitute enforcement under the CCA. He also held that steps taken with a view to enforcement, including demanding payment from a claimant, issuing a default notice, threatening legal action and the actual bringing of proceedings, are not themselves 'enforcement' under the CCA. On the other hand he confirmed that the actions listed under sections 76(1) and 87(1) of the CCA did amount to enforcement notwithstanding that some of the actions 'less obviously' amounted to enforcement. These actions are demanding earlier payment, recovering possession of *goods* or *land*, treating any right conferred on the debtor by the agreement as terminated, restricted or deferred, enforcing any *security* and terminating the agreement.
- (6) While Flaux J agreed with the decision of HHJ Simon Brown QC (sitting as a Deputy High Court Judge) in *Tesco Personal Finance v Rankine* [2009] C.C.L.R. 3 that commencing proceedings was not enforcement, but a step taken with a view to enforcement, both he and HHJ Simon Brown appear to have been drawing a distinction between commencing proceedings and entering judgment in those proceedings.
- (7) This *guidance* deals only with the question of whether an agreement is unenforceable in relation to sections 77, 78 and 79 of the CCA. A *lender's* rights to enforce an agreement may be restricted for a variety of reasons, by the *Act*, by or under the CCA and by virtue of the general law.

- (8) However, where a *firm* is aware that an agreement is unenforceable because of non-compliance with an information request under section 77, 78 or 79 of the CCA, a *firm* should make it clear when communicating to a *customer* about a debt that the debt is in fact unenforceable. Failure to do so, in that case, would in the FCA's view unfairly mislead the *customer* by omission. Any communication that implies expressly or otherwise that a debt is enforceable when it is known that it is not, would be misleading. One way to avoid this would be for the *firm* to explain to the *customer* the full meaning of 'unenforceable'.

Chapter 14

Requirement in relation to agents



14.1 Application

14.1.1
FCA

R This chapter applies to a *firm* with respect to a *credit-related regulated activity*.

Requirements

14.1.2
FCA

R A *firm* must not appoint an individual, who is not an *authorised person* or an *exempt person*, to act as an agent of the *firm*, in carrying on *regulated activities* of the *firm* unless all of the following conditions are met at the date of the individual's appointment and while the individual continues to act as the *firm's* agent:

- (1) the *firm* appoints the individual as the *firm's* agent;
- (2) the individual works as agent only for the *firm* and not as agent for any other principal;
- (3) the *firm* has a written contract with the individual which:
 - (a) sets out effective measures for the *firm* to control the individual's activities when acting on its behalf in the course of its business; and
 - (b) requires the individual to make clear to *customers* that the individual is representing the *firm* as the individual's principal and the name of the *firm*;
- (4) (in the case of collecting debts) receipt of repayments by the individual is treated as receipt by the *firm*; and
- (5) the *firm* accepts full responsibility for the conduct of the individual when the individual is acting on the *firm's* behalf in the course of the *firm's* business.

14.1.3
FCA

G A *firm* in **■** CONC 14.1.2 R would need to have a *Part 4A permission* for every activity the individual carries on as its agent for which the *firm* would need permission if it were carrying on the activity itself.

14.1.4

FCA

R

Where a *firm* appoints an agent in accordance with ■ CONC 14.1.2 R to carry on the business of the *firm*:

- (1) the *firm* must establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the agent with the *firm's* obligations under the *regulatory system*; and
- (2) the *firm* must take all reasonable steps to identify conflicts of interest between the agent and a *client* of the *firm* that arise or may arise in the course of the *firm* carrying on *regulated activities* or *ancillary activities*.

Chapter 15

Second charge lending



15.1 Application

15.1.1

FCA

R

This chapter applies to:

- (1) a *firm* with respect to *consumer credit lending* in relation to *regulated credit agreements* secured on *land*; and
- (2) a *firm* with respect to *credit broking* in relation to *credit agreements* secured on *land*.

15.1.2

FCA

G

Firms which carry on *consumer credit lending* or *credit broking* should comply with all *rules* which apply to that *regulated activity* in CONC and other parts of the Handbooks. For example, ■ CONC 7 applies to matters concerning arrears, default and recovery (including repossession) and applies generally to agreements to which this chapter applies. This chapter sets out specific requirements and *guidance* that apply in relation to agreements secured on *land*. *Regulated mortgage contracts* and *home purchase plans* are not *regulated credit agreements* and are excluded, to the extent specified in article 36E of the *Regulated Activities Order*, from *credit broking*.

Conduct

15.1.3

FCA

G

The financial promotion *rules* in ■ CONC 3 apply to *firms' financial promotions* concerning *credit agreements* secured on *land*, apart from the extent to which a *financial promotion* or communication concerns *qualifying credit*. ■ CONC 3.3.1 R requires *financial promotions* to be clear fair and not misleading; *firms* should take particular care with respect to explaining the nature of the *credit* to be provided and the costs of borrowing.

[Note: paragraph 3.2 of SCLG]

15.1.4

FCA

R

A *firm* must make clear in advance the purpose of any visit off trade premises (which has the same meaning as in section 48 of the CCA) at which the *customer* may enter into a *regulated credit agreement*.

[Note: paragraph 3.8 of SCLG]

15.1.5

FCA

R

In good time before a *credit agreement* is made and, where section 58 applies, before an unexecuted agreement is sent to the *customer* for signature a *firm* must:

- (1) disclose key contract terms and conditions of the prospective *credit agreement*;

[Note: paragraph 2.1 of *SCLG*]

- (2) disclose any features of the prospective *credit agreement* which carry a particular risk to the *customer*;

[Note: paragraph 3.4 of *SCLG*]

- (3) inform the *customer* of the consequences of missing payments or of making underpayments, including the imposition of default charges, the risk of repossession of the *customer's* home, in relation to the *customer's* credit record and of inability to obtain *credit* in the future;

[Note: paragraph 3.4 of *SCLG*]

- (4) inform the *customer* about the circumstances in which the rates or charges may change, in particular, if they may be varied at the discretion of the *firm* or can vary subject to a reference rate of interest; and

[Note: paragraphs 3.6 and 4.4 of *SCLG*]

- (5) if the rate of interest can vary subject to a reference rate of interest, other than that of the Bank of England's base rate, inform the *customer* of the reference rate in question and the rate to be applied.

[Note: paragraph 3.6 of *SCLG*]

15.1.6

FCA

G

Where appropriate, the disclosure required by ■ CONC 15.1.4 R should be explained orally to the *customer*.

[Note: paragraph 3.4 of *SCLG*]

15.1.7

FCA

R

Where a *firm* has reasonable grounds to suspect that the *customer* does not understand material aspects of the obligations they will take on and the resulting risks, under a *regulated credit agreement*, the *firm*:

- (1) must not enter into a *regulated credit agreement*; and
- (2) must provide further explanation of any such obligations or risks.

15.1.8

FCA

R

Before a *customer* enters into a *regulated credit agreement*, the firm must:

- (1) encourage the *customer* to read all contractual documentation carefully;

[Note: paragraph 4.2 of SCLG]

- (2) take reasonable steps to ensure the *customer* has understood the nature of the obligations the *customer* will take on and the resulting risks;

[Note: paragraph 3.5 of SCLG]

- (3) encourage the *customer* to obtain independent advice; and

[Note: paragraphs 2.1 and 4.2 of SCLG]

- (4) permit the *customer* an adequate opportunity to seek and obtain such advice.

[Note: paragraph 2.1 of SCLG]

15.1.9

FCA

G

Before a *regulated credit agreement* secured on *land* is entered into:

- (1) the *firm* should consider the adequate explanations it should give to the *customer* under ■ CONC 4.2; and

[Note: paragraph 3.1 (box) of ILG]

- (2) the *firm* is required under ■ CONC 5.2.2 R (1) to assess the potential for commitments under the agreement to adversely impact the *customer's* financial situation.

[Note: paragraphs 1.14 and 4.1 of ILG]

15.1.10

FCA

G

In accordance with PRIN 9 (customer: relationships of trust):

- (1) a *firm* must take reasonable steps to ensure the suitability of its advice, which would include acting in the best interests of a *customer* where the *firm* makes a recommendation;
- (2) if it appears to the *firm* that entering into a *regulated credit agreement* secured on *land* is not in the best interests of the *customer*, that fact should be made clear to the *customer*; and
- (3) the *firm* should encourage the *customer* to consider whether the *credit* can be afforded, including in the event the *customer's* circumstances change, for example, through a change in employment or retirement.

[Note: paragraph 3.14 of SCLG]

15.1.11

FCA

R

A *firm* must set out the nature and purpose of the fees and charges payable by the *customer*, including any fees or charges payable on the *customer's* default:

- (1) in the *credit agreement*; and
- (2) in any booklet or leaflet relating to the agreement.

[Note: paragraph 4.3 of SCLG]

15.1.12

FCA

R

Where rates and charges under a *credit agreement* are variable, a *firm* must:

- (1) before entering into the agreement, explain to the *customer* the consequences of such variations on the amount of periodic instalments payable and on the *total amount payable*;
- (2) only increase rates or charges to recover genuine increases in costs of the *firm* which have an effect on the *credit* provided under the agreement; and
- (3) explain to the *customer* before changing any rate or charge under the agreement.

[Note: paragraph 4.4 of SCLG]

15.1.13

FCA

R

Where a *customer* wishes to make repayments ahead of time:

- (1) a *firm's* charges for early repayment must be fair and reasonable and must reflect the *firm's* necessary costs in relation to such repayment;
- (2) the *firm* must fully explain the process and costs involved in early repayment; and
- (3) the *firm* must allow the *customer* to make part early repayment of the capital.

[Note: paragraph 4.5 of SCLG]

15.1.14

FCA

G

Where a *firm* considers taking action to repossess a *customer's* home, it should, where permitted, establish contact with the holder of any charges in priority to the *firm's* charge to minimise adverse impacts on the *customer*.

[Note: paragraph 6.2 of SCLG]

15.1.15

FCA

R

If a shortfall remains following the sale of a property, the *firm* must notify the *customer* as soon as possible of the amount of the shortfall.

[Note: paragraph 6.5 of SCLG]

Appendix 1

Total charge for credit rules

1.1 Total charge for credit rules for certain agreements secured on land

Interpretation

App 1.1.1 **R**
FCA

- (1) For the purposes of this section, references to the period for which credit is provided:
 - (a) in the case of a *credit agreement* under which the period for which *credit* is to be provided is ascertainable at the date of the making of the *credit agreement*, are references to the period beginning with the *relevant date* and ending with the end of the period for which *credit* is to be provided;
 - (b) in the case of a *credit agreement* under which the period for which *credit* is to be provided can be ascertained at the *relevant date* if the assumption in ■ CONC App 1.1.12 R is applied, are references to the period beginning with the *relevant date* and ending with the end of the period for which *credit* would be provided under the *credit agreement* if the amount given by that assumption were the amount of the *credit* so provided; and
 - (c) in any other case, are references to the period of one year referred to in ■ CONC App 1.1.13 R.
- (2) References in this section to repayment of the *credit* under a *credit agreement* and of the *total charge for credit* include references to any repayment or payment, as the case may require, of any part of the *credit* and of the *total charge for credit*.

PAGE
1

App 1.1.2 **R**
FCA

Application

This section applies to *regulated credit agreements* which are secured on *land* or to prospective *regulated credit agreements* which are to be secured on *land*, except to the extent that the Consumer Credit (Disclosure of Information) Regulations 2010 apply to such agreements.

General provisions about calculation

App 1.1.3 R

FCA

- (1) Any calculation under this section shall be made on the following assumptions
- (a) the assumption that the *borrower* will not be entitled to any income tax relief relating to the *transaction* other than relief under section 19 of the Income and Corporation Taxes Act 1970 and Schedule 4 to the Finance Act 1976 (which afford relief in respect of premiums under certain policies of insurance) without any deduction under section 21 of the said Act of 1970;
 - (b) the assumption that no assistance is given under the Home Purchase Assistance and Housing Corporation Guarantee Act 1978;
 - (c) (i) in the case of a *transaction* which provides for repayment of the *credit* or of the *total charge for credit* at, or not later than, a specified time or times, the assumption that the *lender* will not exercise any right under the *transaction* to require repayment at any other time or times;
 - (ii) in any other case, the assumption that the *lender* will not exercise any right under the *transaction* to require repayment;

the *borrower*, in any case, performing all his obligations under the *transaction*;
 - (d) subject to (e) below, in the case of a *transaction* which provides for variation of the rate or amount of any item included in the *total charge for credit* in consequence of the occurrence after the *relevant date* of any event, the assumption that the event will not occur; and, in this sub-paragraph, "event" means an act or omission of the *borrower* or of the *lender* or any other event (including where the *transaction* makes provision for variation upon the continuation of any circumstance, the continuation of that circumstance) but does not include an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the *credit agreement*; and
 - (e) in the case of a *land-related agreement* which provides for the possibility of any variation of the rate of interest in consequence of the occurrence after the *relevant date* of any event (being an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the *credit agreement*), the assumption that such a variation will, when the event occurs, take place.
- (2) For the purposes of this section
- (a) subject to (b) below and ■ CONC App 1.1.18 R, in the case of any *credit agreement* each provision of *credit* and each repayment of the *credit* and of the *total charge for credit* shall be taken to be made:

- (i) at the earliest time provided under the *transaction*, and
 - (ii) in a case where any such provision or repayment is to be made at or not later than a specified time, at that time
- and, where any such repayment is to be made before the *relevant date*, it shall be taken to be made on the *relevant date*;
- (b) where under a *credit agreement* for *running-account credit* or a *credit agreement* for *fixed-sum credit* where the *credit* is not repayable at specified intervals or in specified amounts a constant *period rate of charge* in respect of periods of equal or of nearly equal length is charged, it shall be assumed for the purposes of calculations under this section, notwithstanding ■ CONC App 1.1.17 R, that
 - (i) the amount of *credit* outstanding at the beginning of a period is to remain outstanding throughout the period;
 - (ii) the amount of any *credit* provided during a period is provided immediately after the end of the period; and
 - (iii) any repayment of *credit* or of the *total charge for credit* made during a period is made immediately after the end of the period; and
 - (c) the assumption that the amount of any repayment of *credit* or of the *total charge for credit* will, at the time when the repayment is made, be the smallest for which the agreement provides.
- (3) In determining the amount of the total of the interest on the *credit* which may be provided under the *credit agreement*, any subsidy receivable by any *person* under Part II of the Housing Subsidies Act 1967 shall be deducted.

Total charge for credit

App 1.1.4 R
FCA

For the purposes of the *Regulated Activities Order*, the total charge for the *credit* which may be provided under an actual or prospective *credit agreement* shall be the total of the amounts determined as at the date of the making of the *credit agreement* of such of the charges specified in ■ CONC App 1.1.5 R as apply in relation to the *credit agreement* but excluding the amount of the charges specified in ■ CONC App 1.1.6 R.

Items included in total charge for credit

App 1.1.5 R
FCA

Except as provided in ■ CONC App 1.1.6 R, the amounts of the following charges are included in the *total charge for credit* in relation to a *credit agreement*:

- (a) the total of the interest on the *credit* which may be provided under the *credit agreement*;

- 1
- (b) other charges at any time payable under the *transaction* by or on behalf of the *borrower* or a *relative* of his whether to the *lender* or any other *person*; and
 - (c) a premium under a *contract of insurance*, payable under the *transaction* by the *borrower* or a *relative* of his, where the making or maintenance of the *contract of insurance* is required by the *lender*
 - (i) as a condition of making the *credit agreement*, and
 - (ii) for the sole purpose of ensuring complete or partial repayment of the *credit*, and complete or partial payment to the *lender* of such of those charges included in the *total charge for credit* as are payable to him under the *transaction*, in the event of the death, invalidity, illness or unemployment of the *borrower*,

notwithstanding that the whole or part of the charge may be repayable at any time or that the consideration therefor may include matters not within the *transaction* or subsisting at a time not within the duration of the *credit agreement*.

Items excluded from total charge for credit

App 1.1.6 R

FCA

- (1) The amounts of the following items are not included in the *total charge for credit* in relation to a *credit agreement*:
 - (a) any charge payable under the *transaction* to the *lender* upon failure by the *borrower* or a *relative* of his to do or to refrain from doing anything which he is required to do or to refrain from doing, as the case may be;
 - (b) any charge
 - (i) which is payable by the *lender* to any *person* upon failure by the *borrower* or a *relative* of his to do or to refrain from doing anything which he is required under the *transaction* to do or to refrain from doing, as the case may be, and
 - (ii) which the *lender* may under the *transaction* require the *borrower* or a *relative* of his to pay to him or to another *person* on his behalf;
 - (c) any charge relating to a *credit agreement* which is a *credit agreement* to *finance* a transaction of a description referred to in (2)(a) or (b) of the definition of *restricted-use credit agreement*, being a charge which would be payable if the transaction were for *cash*;
 - (d) any charge (other than a fee or commission charged by a *credit broker*) not within (c) above
 - (i) of a description which relates to services or benefits incidental to the *credit agreement* and also to other services or benefits which may be supplied to the *borrower*, and

- (ii) which is payable pursuant to an obligation incurred by the *borrower* under arrangements effected before he applies to enter into the *credit agreement*, not being arrangements under which the *borrower* is bound to enter into any *credit agreement*;
 - (e) subject to (2) below, any charge under arrangements for the care, maintenance or protection of any *land* or *goods*;
 - (f) charges for money transmission services relating to an arrangement for a *current account*, being charges which vary with the use made by the *borrower* of the arrangement;
 - (g) any charge for a guarantee other than a guarantee
 - (i) which is required by the *lender* as a condition of making the *credit agreement*, and
 - (ii) the purpose of which is to ensure complete or partial repayment of the *credit*, and complete or partial payment to the *lender* of such of those charges included in the *total charge for credit* as are payable to him under the *transaction*, in the event of the death, invalidity, illness or unemployment of the *borrower*;
 - (h) charges for the transfer of funds (other than charges within (f) above) and charges for keeping an account intended to receive payments towards the repayment of the *credit* and the payment of interest and other charges, except where the *borrower* does not have reasonable freedom of choice in the matter and where such charges are abnormally high; but this sub-paragraph does not exclude from the *total charge for credit* charges for collection of the payments to which it refers, whether such payments are made in *cash* or otherwise;
 - (i) a premium under a *contract of insurance* other than a *contract of insurance* referred to in ■ CONC App 1.1.5R (c).
- (2) (1) above has effect only
- (a) in the case of a charge within (e), where, in pursuance of the arrangements
 - (i) the services are to be performed if, after the date of the making of the *credit agreement*, the condition of the *land* or *goods* becomes, or is in immediate danger of becoming, such that the *land* or *goods* cannot reasonably be enjoyed or used, and
 - (ii) the charge will not accrue unless the services are performed; and
 - (b) in the case of any other charge within (e)
 - (i) where provision of substantially the same description as that to which the arrangements relate is available under comparable arrangements from a *person* who is not the *lender* or a *supplier*

or a *credit broker* who introduced the *borrower* and the *lender*, and

- (ii) where the arrangements are made with a *person* chosen by the *borrower*, and
- (iii) if, in accordance with the *transaction*, the consent of the *lender* or of a *supplier* or of the *credit broker* who introduced the *borrower* and the *lender* is required to the making of the arrangements, where the *transaction* provides that such consent may not be unreasonably withheld whether because no incidental benefit will or may accrue to the *lender* or to the *supplier* or to the *credit broker* or on any other ground;

and references in this sub-paragraph to the *lender*, a *supplier* and a *credit broker* include references to his near relative, his partner and a member of a group of which he is a member, to any *person* nominated by him or any such person in relation to the arrangements, and to a near relative of his partner; and "near relative" means, in relation to any *person*, the husband, wife, father, mother, brother, sister, son or daughter of that person and "group" means the *person* (including a company) having control of a company together with all the companies directly or indirectly controlled by him.

Rate of total charge for credit

App 1.1.7 R
FCA

The rate of the *total charge for credit* in the case of an actual or prospective *credit agreement* shall be the *annual percentage rate of charge* determined in accordance with the following provisions of ■ CONC App 1.1.8 R to ■ CONC App 1.1.10 R and (where it has more than one decimal place) rounded to one decimal place in accordance with ■ CONC App 1.1.8 R.

App 1.1.8 R
FCA

The *annual percentage rate of charge* referred to in ■ CONC App 1.1.7 R shall be rounded to one decimal place as follows

- (a) where the figure at the second decimal place is greater than or equal to 5, the figure at the first decimal place shall be increased by one and the decimal place (or places) following the first decimal place shall be disregarded; and
- (b) where the figure at the second decimal place is less than 5, that decimal place and any decimal places following it shall be disregarded.

App 1.1.9 R
FCA

- (1) Subject to (4) below, the *annual percentage rate of charge* is the rate for *i* which satisfies the equation set out in (2) below, expressed as a percentage.
- (2) The equation referred to in (1) above is

$$\sum_{K=1}^{K=m} \frac{A_K}{(1+i)^{t_K}} = \sum_{K'=1}^{K'=m'} \frac{A'_{K'}}{(1+i)^{t_{K'}}$$

where

K is the number identifying a particular advance of *credit*;

K' is the number identifying a particular instalment;

A_K is the amount of advance K ;

$A'_{K'}$ is the amount of instalment K' ;

Σ represents the sum of all the terms indicated;

\underline{m} is the number of advances of *credit*;

\underline{m}' is the total number of instalments;

\underline{t}_K is the interval, expressed in years, between the *relevant date* and the date of the second advance and those of any subsequent advances number three to \underline{m} ;
and

$\underline{t}_{K'}$ is the interval, expressed in years, between the *relevant date* and the dates of instalments numbered one to \underline{m}' .

- (3) In (2) above, references to instalments are references to any payment made by, or on behalf of, the *borrower* or a *relative* of his which comprises
 - (a) a repayment of all or part of the *credit* under the *credit agreement*;
 - (b) a payment of all or part of the *total charge for credit*; or
 - (c) both a repayment of all or part of the *credit* and a payment of all or part of the *total charge for credit*.

- (4) Where more than one rate is given under (1) above, the *annual percentage rate of charge* is the positive rate nearest to zero or, if no positive rate is so given, the negative rate nearest to zero.

Computation of time

App 1.1.10 R
FCA

- (1) This rule has effect for determining the length of any period for the purposes of calculations under ■ CONC App 1.1.7 R to ■ CONC App 1.1.9 R.
- (2) A period which is not a whole number of calendar months or a whole number of weeks shall be counted in years and days.
- (3) Subject to (4) below, a period which is a whole number of calendar months or a whole number of weeks shall be counted in calendar months or in weeks, as the case may be.

- (4) Where a period is both a whole number of calendar months and a whole number of weeks and
 - (a) one repayment only is to be made, the period shall be counted in calendar months, or
 - (b) more than one repayment is to be made
 - (i) if all such repayments are to be made at intervals from the *relevant date* of one or more weeks, the period shall be counted in weeks, and
 - (ii) in any other case, the period shall be counted in calendar months.

- (5) A period which is to be counted
 - (a) in calendar months shall be taken to be of a length equal to the relevant number of twelfth parts of a year, and
 - (b) in weeks, shall be taken to be of a length equal to the relevant number of fifty-second parts of a year.

- (6) A day may be taken to be either
 - (a) one three hundred and sixty-fifth part of a year or, if it is a leap year, one three hundred and sixty-sixth part of a year; or
 - (b) $\frac{1}{365.25}$ of a year.

- (7) Every day shall be taken to be a working day.

Assumptions for calculations

App 1.1.11 R
FCA

- (1) The provisions of ■ CONC App 1.1.11 R to ■ CONC App 1.1.18 R shall have effect as the case may require for the purpose of the calculation of the *total charge for credit* under ■ CONC App 1.1.4 R to ■ CONC App 1.1.6 R above and of the rate of such charge under ■ CONC App 1.1.7 R to ■ CONC App 1.1.10 R above in relation to any actual or prospective *credit agreement* in respect of matters necessary for the calculation which cannot be ascertained by the *lender* at the date of the making of the *credit agreement*.

- (2) In a case where apart from this paragraph ■ CONC App 1.1.12 R and one or more other provisions of ■ CONC App 1.1.11 R to ■ CONC App 1.1.18 R would fall to be applied, the said ■ CONC App 1.1.12 R shall be applied first.

Assumption about the amount of credit

App 1.1.12 R
FCA

Where the amount of the *credit* to be provided under the *credit agreement* cannot be ascertained at the date of the making of the *credit agreement*,

- (a) in the case of a *credit agreement* for *running-account credit* under which there is a *credit limit*, that amount shall be taken to be such *credit limit*; and
- (b) in any other case, that amount shall be taken to be £100.

Assumption about period for which credit is provided

App 1.1.13 R
FCA

Where the period for which *credit* is to be provided is not ascertainable at the date of the making of the *credit agreement*, it shall be assumed that *credit* is provided for one year beginning with the *relevant date*.

Assumption about index-linked rates and amounts

App 1.1.14 R
FCA

Subject to ■ CONC App 1.1.15 R, where the rate or amount of any item included in the *total charge for credit* or the amount of any repayment of *credit* under a *transaction* falls to be ascertained thereunder by reference to the level of any index or other factor in accordance with any formula specified therein, the rate or amount, as the case may be, shall be taken to be the rate or amount so ascertained, the formula being applied as if the level of such index or other factor subsisting at the date of the making of the *credit agreement* were that subsisting at the date by reference to which the formula is to be applied.

Assumptions about variations of interest rates in land-related agreements

App 1.1.15 R
FCA

- (1) This rule applies to any *land-related agreement* which provides for the possibility of any variation of the rate of interest if it is to be assumed, by virtue of ■ CONC App 1.1.3R (1)(e), that the variation will take place but the amount of the variation cannot be ascertained at the date of the making of the *credit agreement*.

- (2) In this rule

"initial standard variable rate"	means	
	(a)	the standard variable rate of interest which would be applied by the lender to the <i>credit agreement</i> on the date of the making of the <i>credit agree-</i>

ment if the credit agreement provided for interest to be paid at the lender's standard variable rate with effect from that date, or

(b) *if there is no such rate, the standard variable rate of interest applied by the lender on the date of the making of the credit agreement in question to other land-related agreements or, where there is more than one such rate, the highest such rate,*

taking no account (for the avoidance of doubt) of any discount or other reduction to which the borrower would or might be entitled; and

"varied rate" *means any rate of interest charged when a variation of the rate of interest is to be assumed to take place by virtue of CONC App 1.1.3R (1)(e).*

- (3) Where a *land-related agreement* provides a formula for calculating a varied rate by reference to a standard variable rate of interest applied by the *lender*, or any other fluctuating rate of interest, but does not enable the varied rate to be ascertained at the date of the making of the *credit agreement* because it is not known on that date what the standard variable rate will be or (as the case may be) at what level the fluctuating rate will be fixed when the varied rate falls to be calculated, it shall be assumed that that rate or level will be the same as the initial standard variable rate.

- (4) Where a *land-related agreement* provides for the possibility of any variation in the rate of interest (other than a variation referred to in (3) above) which it is to be assumed, by virtue of ■ CONC App 1.1.3R (1)(e) will take place but does not enable the amount of that variation to be ascertained at the date of the making of the *credit agreement*, it shall be assumed that the varied rate will be the same as the initial standard variable rate.

Assumption about changes in charges

App 1.1.16 R

FCA

Where

- (a) the period for which the *credit* or any part thereof is to be or may be provided cannot be ascertained at the date of the making of the *credit agreement*; and
- (b) the rate or amount of any item included in the *total charge for credit* will change at a time provided in the *transaction* within one year beginning with the *relevant date*,

the rate or amount shall be taken to be the highest rate or amount at any time obtaining under the *transaction* in that year.

Assumption about time of provision of credit

App 1.1.17 R

FCA

Where the earliest date on which *credit* is to be provided cannot be ascertained at the date of the making of the *credit agreement*, it shall be assumed that *credit* is provided on that date.

Assumptions about time of payment of charges

App 1.1.18 R

FCA

In the case of any *transaction* it shall be assumed

- (a) that a charge payable at a time which cannot be ascertained at the date of the making of the *credit agreement* shall be payable on the *relevant date* or, where it may reasonably be expected that a *borrower* will not make payment on that date, on the earliest date at which it may reasonably be expected that he will make payment; or
- (b) where more than one payment of a charge of the same description falls to be made at times which cannot be ascertained at the date of the making of the *credit agreement*, that the first such payment will be payable on the *relevant date* (or, where it may reasonably be expected that a *borrower* will not make payment on that date, at the earliest date on which it may reasonably be expected that he will make payment), that the last such payment will be payable at the end of the period for which *credit* is provided and that all other such payments (if any) will be payable at equal intervals between such times,

as the case may require.

1.2 Total charge for credit rules for other agreements

Interpretation

App 1.2.1 R

FCA

- (1) In this section
- (a) a reference to a rate of interest is a reference to the interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of *credit* drawn down;
 - (b) a reference to an open-end *regulated credit agreement* is to a *regulated credit agreement* of no fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

Application

App 1.2.2 R

FCA

This section shall not apply to *regulated credit agreements* which are secured on *land* or to prospective *regulated credit agreements* which are to be secured on *land* except to the extent that the Consumer Credit (Disclosure of Information) Regulations 2010 apply to such agreements.

Total charge for credit

App 1.2.3 R

FCA

- (1) The *total charge for credit* which may be provided under an actual or prospective *regulated credit agreement* shall be the *total cost of credit to the borrower* determined in accordance with the requirements in (2) to (5) below.
- (2) Subject to (3), the following costs shall be included in the *total cost of credit to the borrower*
- (a) the costs of maintaining an account recording both payment transactions and drawdowns;
 - (b) the costs of using a means of payment for both payment transactions and drawdowns;
 - (c) other costs relating to payment transactions.
- (3) The costs at (2) shall not be included in the *total cost of credit to the borrower* where
- (a) the opening of the account is optional and the costs of the account have been clearly and separately shown in the *regulated credit agreement* or in any other agreement made with the *borrower*;
 - (b) in the case of an *overdraft facility* the costs do not relate to that facility.

- (4) Costs in respect of an ancillary service shall be included in the *total cost of credit to the borrower* if the conclusion of a service contract is compulsory in order to obtain the *credit* or to obtain it on the terms and conditions marketed.
- (5) The *total cost of credit to the borrower* shall not include
- (a) any charges payable by or on behalf of the *borrower* or a *relative* of his for non-compliance with his commitments contained in the *regulated credit agreement*;
 - (b) charges which, for purchases of *goods* or services, he or a *relative* of his is obliged to pay whether the transaction is effected in *cash* or on *credit*.
- (6) In (4), the reference to an ancillary service means a service that relates to the provision of *credit* under the *regulated credit agreement* and includes in particular an insurance or payment protection policy.

Calculation of the annual percentage rate of charge

App 1.2.4 R

FCA

The *annual percentage rate of charge* shall be calculated in accordance with the mathematical formula set out in ■ CONC App 1.2.6 R.

Assumptions for calculation

App 1.2.5 R

FCA

For the purposes of calculating the *total charge for credit* and the *annual percentage rate of charge*

- (a) it shall be assumed that the *regulated credit agreement* is to remain valid for the period agreed and that the *lender* and the *borrower* will fulfil their obligations under the terms and by the dates specified in that agreement;
- (b) in the case of a *regulated credit agreement* allowing variations in
 - (i) the rate of interest, or
 - (ii) where applicable, charges contained in the *annual percentage rate of charge*,

where these cannot be quantified at the time of calculation, it shall be assumed that they will remain at the initial level and will be applicable for the duration of the agreement;
- (c) where not all rates of interest are determined in the *regulated credit agreement*, a rate of interest shall be assumed to be fixed only for the partial periods for which the rate of interest is determined exclusively by a fixed specific percentage agreed when the agreement is made;
- (d) where the duration of the *regulated credit agreement* cannot be determined at the date of calculation and where different rates of interest and charges are to be offered for limited periods during that agreement,

the rate of interest and the charge shall be assumed to be at the highest level for the duration of the agreement;

- (e) where there is a fixed rate of interest agreed in relation to an initial period under a *regulated credit agreement*, at the end of which a new rate of interest is determined and subsequently periodically adjusted according to an agreed indicator, it shall be assumed that, at the end of the period of the fixed rate of interest, the rate of interest is the same as at the time of making the calculation, based on the value of the agreed indicator at that time;
- (f) where the *regulated credit agreement* gives the *borrower* freedom of drawdown, the *total amount of credit* shall be assumed to be drawn down immediately and in full;
- (fa) where the *regulated credit agreement* imposes, amongst the different ways of drawdown, a limitation with regard to the amount of *credit* and period of time, the amount of *credit* shall be assumed to be the maximum amount provided for in the agreement and to be drawn down on the earliest date provided for in the agreement;
- (g) where the *regulated credit agreement* provides different ways of drawdown with different charges or rates of interest, the *total amount of credit* shall be assumed to be drawn down at the highest charge and rate of interest applied to the most common drawdown mechanism for the *credit* product to which the agreement relates;
- (h) for the purposes of (g), the most common drawdown mechanism for a particular *credit* product shall be assessed on the basis of the volume of transactions for that product in the preceding 12 months, or expected volumes in the case of a new *credit* product;
- (i) in the case of an *overdraft facility*, the *total amount of credit* shall be assumed to be drawn down in full and for the entire duration of the *regulated credit agreement*;
- (j) for the purposes of (i) if the duration of the *overdraft facility* is not known it shall be assumed that the duration of the facility is three months;
- (k) in the case of an open-end *regulated credit agreement*, other than an *overdraft facility*, it shall be assumed that the *credit* is provided for a period of one year starting from the date of the initial drawdown, and that the final payment made by the *borrower* clears the balance of capital, interest and other charges, if any;
- (l) for the purposes of (k)
 - (i) the capital is repaid by the *borrower* in equal monthly payments, commencing one month after the date of initial drawdown;

- (ii) in cases where the capital must be repaid in full, in a single payment, within or after each payment period, successive drawdowns and repayments of the entire capital by the *borrower* shall be assumed to occur over the period of one year;
 - (iii) interest and other charges shall be applied in accordance with those drawdowns and repayments of capital and as provided for in the *regulated credit agreement*;
- (m) in the case of a *regulated credit agreement*, other than an *overdraft facility*, or an open-end *regulated credit agreement*
- (i) where the date or amount of a repayment of capital to be made by the *borrower* cannot be ascertained, it shall be assumed that the repayment is made at the earliest date provided for under the *regulated credit agreement* and is for the lowest amount for which the *regulated credit agreement* provides;
 - (ii) where it is not known on which date the *regulated credit agreement* is made, the date of the initial drawdown shall be assumed to be the date which results in the shortest interval between that date and the date of the first payment to be made by the *borrower*;
- (n) where the date or amount of a payment to be made by the *borrower* cannot be ascertained on the basis of the *regulated credit agreement* or the assumptions set out in (i) to (m), it shall be assumed that the payment is made in accordance with the dates and conditions required by the *lender* and, when these are unknown
- (i) interest charges are paid together with repayments of capital;
 - (ii) a non-interest charge expressed as a single sum is paid on the date of the making of the *regulated credit agreement*;
 - (iii) non-interest charges expressed as several payments are paid at regular intervals, commencing with the date of the first repayment of capital, and if the amount of such payments is not known they shall be assumed to be equal amounts;
 - (iv) the final payment clears the balance of capital, interest and other charges, if any;
- (o) in the case of an agreement for *running-account credit*, where the *credit limit* applicable to the *credit* is not yet known, that *credit limit* shall be assumed to be £1,200.

Calculation of the Annual Percentage Rate of Charge

- (1) The *annual percentage rate of charge* ("APR") is calculated by means of the equation in (2) which equates, on an annual basis, the total present value of drawdowns with the total present value of repayments and payments of charges.

(2) The equation referred to in (1) is

$$\sum_{k=1}^m C_k (1+X)^{-t_k} = \sum_{l=1}^{m'} D_l (1+X)^{-S_l}$$

where

X is the APR;

m is the number of the last drawdown;

k is the number of a drawdown, thus $1 \leq k \leq m$;

C_k is the amount of drawdown k ;

t_k is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each subsequent drawdown, thus $t_1 = 0$;

m' is the number of the last repayment or payment of charges;

l is the number of a repayment or payment of charges;

D_l is the amount of a repayment or payment of charges

S_l is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each repayment or payment of charges.

(3) For the purposes of (2)

- (a) the amounts paid by both parties at different times shall not necessarily be equal and shall not necessarily be paid at equal intervals;
- (b) the starting date shall be that of the first drawdown;
- (c) intervals between dates used in the calculations shall be expressed in years or in fractions of a year;
- (d) a year is assumed to have 365 days (366 days for leap years), 52 weeks or 12 equal months;
- (e) an equal month is assumed to have 30.41666 days (365/12) regardless of whether or not it is a leap year;
- (f) the result of the calculation shall be expressed with an accuracy of at least one decimal place; if the figure at the following decimal place is greater than or equal to 5, the figure at that particular decimal place shall be increased by one;
- (g) the equation can be rewritten as set out in (h) using a single sum and the concept of flows (A_k), which will be positive or negative, either paid or received during periods l to k , expressed in years;
- (h) the equation referred to in (g) is

$$S = \sum_{k=1}^n A_k (1 + X)^{-k}$$

S being the present balance of flows; if the aim is to maintain the equivalence of flows, the value will be zero.

1.3 Exemption of certain credit agreements secured on land

Interpretation

App 1.3.1 R

FCA

- (1) This section specifies:
 - (a) the *persons* or classes of *persons* to whom the exemption in article 60E(2) of the *Regulated Activities Order* applies; and
 - (b) the agreements or classes of agreement to which the exemption in article 60E(2) of the *Regulated Activities Order* applies.

- (2) Where the *lender* is a body specified in ■ CONC App 1.3.2 R or an *authorised person with permission to accept deposits*, article 60E(2) of the *Regulated Activities Order* applies only to
 - (a) a *borrower-lender-supplier agreement* falling within (a) or (c) of the definition of *relevant credit agreement relating to the purchase of land*;
 - (b) a *borrower-lender agreement* secured by any *legal or equitable mortgage on land to finance*
 - (i) the purchase of *land*; or
 - (ii) the provision of dwellings or *business premises* on any *land*; or
 - (iii) subject to (3) below, the alteration, enlarging, repair or improvement of a dwelling or *business premises* on any *land*;
 - (c) a *borrower-lender agreement* secured by any *legal or equitable mortgage on land to refinance* any existing indebtedness of the *borrower*, whether to the *lender* or another *person*, under any agreement by which the *borrower* was provided with *credit* for any of the purposes specified in (b)(i) to (iii) above.

- (3) (2)(b)(iii) above applies only
 - (a) where the *lender* is the *lender* under

- (i) an agreement (whenever made) by which the *borrower* is provided with *credit* for any of the purposes specified in (2)(b)(i) and (2)(b)(ii) ; or
 - (ii) an agreement (whenever made) *refinancing* an agreement under which the *borrower* is provided with *credit* for any of the said purposes,
being, in either case, an agreement relating to the *land* referred to in (2)(b)(iii) and secured by a *legal or equitable mortgage* on that *land*; or
- (b) where a *borrower-lender agreement* to *finance* the alteration, enlarging, repair or improvement of a dwelling, secured by a *legal or equitable mortgage* on that dwelling, is made as a result of any such services as are described in section 4(3)(e) of the Housing Associations Act 1985 which are certified as having been provided by
- (i) a *local authority*;
 - (ii) a housing association within the meaning of section 1 of the Housing Associations Act 1985 or article 3 of the Housing (Northern Ireland) Order 1992;
 - (iii) a body established by such a housing association for the purpose of providing such services as are described in the said section 4(3)(e) of the Housing Associations Act 1985;
 - (iv) a charity;
 - (v) the National Home Improvement Council;
 - (vi) the Northern Ireland Housing Executive; or
 - (vii) a body, or a body of any description, that has been approved by the Secretary of State under section 169(4)(c) of the Local Government and Housing Act 1989 or the Department of the Environment for Northern Ireland under article 103(4)(c) of the Housing (Northern Ireland) Order 1992.
- (4) Where the *lender* is a body specified in ■ CONC App 1.3.3 R, the exemption in article 60E(2) of the *Regulated Activities Order* applies only to an agreement of a description specified in that rule in relation to that body and made pursuant to an enactment or for a purpose so specified.
- (5) Where the *lender* is a body specified in ■ CONC App 1.3.4 R, the exemption in article 60E (2) of the *Regulated Activities Order* applies only to an agreement of a description falling within ■ CONC App 1.3.1 R (2)(a) to ■ CONC App 1.3.1 R (2)(c), being an agreement advancing money on the security of a dwelling-house.

App 1.3.2 **R****FCA****Bodies whose agreements of the specified description are exempt agreements****INSURANCE COMPANIES**

Abbey Life Assurance Company Limited
Abbey Life Pension and Annuities Limited
Albany Life Assurance Company Limited
Allchurches Life Assurance Limited
Alliance Assurance Company Limited
Allied Dunbar Assurance PLC
Ambassador Life Assurance Company Limited
American Life Insurance Company
Ansvar Insurance Company Limited
Atlas Assurance Company Limited
Australian Mutual Provident Society
Avon Insurance PLC
Black Horse Life Assurance Company Limited
Bradford Insurance Company Limited
Britannic Assurance Public Limited Company
The British & European Reinsurance Company Limited
British Equitable Assurance Company Limited
The British Life Office Limited
The British Oak Insurance Company Limited
British Reserve Insurance Company Limited
Caledonian Insurance Company
The Cambrian Insurance Company Limited
The Canada Life Assurance Company
Cannon Assurance Limited
Car and General Insurance Corporation Limited
City of Westminster Assurance Company Limited
City of Westminster Assurance Society Limited
Clerical, Medical and General Life Assurance Society
Colonial Life (UK) Limited
The Colonial Mutual Life Assurance Society Limited
Commercial Union Assurance Company plc
Commercial Union Pensions Management Limited
Commercial Union Life Assurance Company Limited

Bodies whose agreements of the specified description are exempt agreements

Confederation Life Insurance Company
The Contingency Insurance Company Limited
Co-operative Insurance Society Limited
Cornhill Insurance Public Limited Company
Criterion Insurance Company Limited
Crown Life Assurance Company Limited
Crown Life Insurance Company Limited
Crown Life Pensions Limited
Crusader Insurance PLC
The Dominion Insurance Company Limited
Eagle Star Insurance Company Limited
Ecclesiastical Insurance Office plc
Economic Insurance Company Limited
English & American Insurance Company Limited
The Equitable Life Assurance Society
Equico International Limited
Equity & Law Life Assurance Society plc
Essex and Suffolk Insurance Company Limited
Excess Insurance Company Limited
Federation Mutual Insurance Limited
Fine Art and General Insurance Company Limited
Friends' Provident Life Office
FS Assurance Limited
General Accident Fire and Life Assurance Corporation Public Limited Company
General Accident Life Assurance Limited
General Accident Linked Life Assurance Limited
General Portfolio Life Insurance Public Limited Company
Gisborne Life Assurance Company Limited
Gresham Life Assurance Society Limited
Guardian Assurance plc
Guardian Royal Exchange Assurance plc
Hill Samuel Life Assurance Limited
The Ideal Insurance Company Limited
The Imperial Life Assurance Company of Canada

Bodies whose agreements of the specified description are exempt agreements

Irish Life Assurance plc
The Iron Trades Employers Insurance Association Limited
Legal and General Assurance Society Limited
The Licenses and General Insurance Company Limited
The Life Association of Scotland Limited
London Aberdeen & Northern Mutual Assurance Society Limited
London and Manchester Assurance Company Limited
London and Manchester (Pensions) Limited
London & Scottish Assurance Corporation Limited
The London Assurance
The London Life Association Limited
The Manufacturers Life Insurance Company
Marine and General Mutual Life Assurance Society
Maritime Insurance Company Limited
Medical Sickness Annuity & Life Assurance Society Limited
The Mercantile and General Reinsurance Company plc
Midland Assurance Limited
The Motor Union Insurance Company Limited
Minister Insurance Company Limited
Municipal Life Assurance Limited
Municipal Mutual Insurance Limited
NALGO Insurance Association Limited
National Employers' Life Assurance Company Limited
National Employers' Mutual General Insurance Association Limited
The National Farmers Union Mutual Insurance Society Limited
National House-Building Council
The National Insurance and Guarantee Corporation PLC
The National Mutual Life Association of Australasia Limited
National Mutual Life Assurance Society
National Provident Institution
National Vulcan Engineering Insurance Group Limited
N.E.L. Pensions Limited
The New Zealand Insurance plc
North British & Mercantile Insurance Company Limited

Bodies whose agreements of the specified description are exempt agreements

The Northern Assurance Company Limited
Norwich Union Asset Management Limited
Norwich Union Fire Insurance Society Limited
Norwich Union Insurance Group (Pensions Management) Limited
Norwich Union Life Insurance Society
NRG London Reinsurance Company Limited
Oaklife Assurance Limited
The Ocean Accident & Guarantee Corporation Limited
The Orion Insurance Company P.L.C.
Pearl Assurance Public Limited Company
Pensions Management (SWF) Limited
Permanent Insurance Company Limited
Phoenix Assurance Public Limited Company
Pioneer Mutual Insurance Company Limited
Prolific Life and Pensions Limited
Property Growth Pensions & Annuities Limited
Provident Life Association Limited
Provident Mutual Life Assurance Association
Provincial Insurance Public Limited Company
The Prudential Assurance Company Limited
Railway Passengers Assurance Company
Refuge Assurance, public Limited company
Regency Life Assurance Company Limited
The Reliance Fire and Accident Insurance Corporation Limited
The Reliance Marine Insurance Company Limited
Reliance Mutual Insurance Society Limited
Royal Exchange Assurance
Royal Insurance Public Limited Company
Royal Insurance (Int.) Limited
Royal Insurance (U.K.) Limited
Royal Life Insurance Limited
Royal Life (Unit Linked Assurances) Limited
Royal Life (Unit Linked Pension Funds) Limited
The Royal London Mutual Insurance Society Limited

Bodies whose agreements of the specified description are exempt agreements

The Royal National Pension Fund for Nurses
Royal Reinsurance Company Limited
Schroder Life Assurance Limited
Scottish Amicable Life Assurance Society
Scottish Equitable Life Assurance Society
Scottish General Insurance Company Limited
Scottish Insurance Corporation Limited
The Scottish Life Assurance Company
The Scottish Mutual Assurance Society
The Scottish Provident Institution
Scottish Union and National Insurance Company
Scottish Widows' Fund and Life Assurance Society
Sentinel Life plc
Skandia Life Assurance Company Limited
Standard Life Assurance Company
Standard Life Pension Funds Limited
The State Assurance Company Limited
Suffolk Life Annuities Limited
Sun Alliance and London Assurance Company Limited
Sun Insurance Office Limited
Sun Life Assurance Company of Canada
Sun Life Assurance Society plc
Target Life Assurance Company Limited
Teachers Assurance Company Limited
Trident Investors Life Assurance Company Limited
Trident Life Assurance Company Limited
Trinity Insurance Company Limited
UK Life Assurance Company Limited
United British Insurance Company Limited
United Friendly Insurance plc
United Kingdom Temperance and General Provident Institution
United Standard Insurance Company Limited
The University Life Assurance Society
The Victory Reinsurance Company Limited

Bodies whose agreements of the specified description are exempt agreements

Wesleyan and General Assurance Society
The Western Australian Insurance Company Limited
The White Cross Insurance Company Limited
World-Wide Reassurance Company Limited
The Yorkshire Insurance Company Limited
Zurich Life Assurance Company Limited
FRIENDLY SOCIETIES
The Ancient Order of Foresters Friendly Society
Anglo-Saxons Friendly Society
Blackburn Philanthropic Mutual Assurance Society
British Benefit Society
British Order of Ancient Free Gardeners' Friendly Society
Brunel Assurance Society
Cirencester Benefit Society
Civil Servants' Annuities Assurance Society
Colmore Friendly Society
Coventry Assurance Society
Dentists' Provident Society
Devon and Exeter Women's Equitable Benefit Society
The Exeter Equitable Friendly Society
Grand United Order of Oddfellows Friendly Society
The Hampshire and General Friendly Society
Harvest Friendly Society
Hearts of Oak Benefit Society
The Ideal Benefit Society
Independent Order of Oddfellows Kingston Unity Friendly Society
The Independent Order of Odd Fellows Manchester Unity Friendly Society
The Independent Order of Rechabites, Salford Unity, Friendly Society
Leeds District of the Ancient Order of Foresters Investment Association
Leek Assurance Collecting Society
The Leicester District Foresters' Investment Society
Liverpool Victoria Friendly Society
The Manchester and Districts of the Ancient Order of Foresters Investment Association

Bodies whose agreements of the specified description are exempt agreements

National Deposit Friendly Society
National Equalized Druids Friendly Society
National United Order of Free Gardeners Friendly Society
New Tab Friendly Society
Northumberland and Durham Miners' Permanent Relief Fund Friendly Society
Nottingham Oddfellows Assurance Friendly Society
The Order of Druids Friendly Society
The Order of the Sons of Temperance Friendly Society
Original Holloway Society
Pioneer Benefit Society
Preston Catholic Collecting Society
Preston Shelley Assurance Collecting Society
Provident Reliance Friendly Society
Rational and County Assurance Society
Royal Liver Friendly Society
Scottish Friendly Assurance Society
The Scottish Legal Life Assurance Society
The Shepherds Friendly Society
Sons of Scotland Temperance Friendly Society
Stepney District Distressed Members' Pension Benevolent Fund
The Sussex Widow and Orphans Society
Teachers Provident Society
Time Assurance Society
Tunbridge Wells Equitable Friendly Society
Tunstall and District Assurance Collecting Society
United Ancient Order of Druids Friendly Society
United Kingdom Civil Service Benefit Society
United Patriots' National Benefit Society
West Surrey General Benefit Society
Widow and Orphan Fund of the Woolwich District of the Independent Order of Odd Fellows, Manchester Unity Friendly Society
Widow and Orphans' Fund, Stepney District of the Independent Order of Odd Fellows, Manchester Unity Friendly Society
Widow, Widowers and Orphans' Fund of the Godalming District of the Independent Order of Oddfellows, Manchester Unity, Friendly Society

Bodies whose agreements of the specified description are exempt agreements

Wiltshire Holloway Benefit Society

CHARITIES

The Central Board of Finance of the Church of England

Church Commissioners

The Church of England Pensions Board

The Church of Scotland

The Church of Scotland General Trustees

Church of Scotland Trust

The Representative Body of the Church in Wales

Timber Trades Benevolent Society

The Winchester Diocesan Board of Finance

York Diocesan Board of Finance Limited

AGRICULTURAL CORPORATIONS

The Agricultural Mortgage Corporation Public Limited Company

The Scottish Agricultural Securities Corporation Public Limited Company

OTHER BODIES

General Practice Finance Corporation Limited

App 1.3.3 R

FCA

Bodies Corporate

Description of Agreement and Enactments

LAND IMPROVEMENT COMPANIES

The Lands Improvement Company:

Relevant credit agreements relating to the purchase of land, being agreements made pursuant to

(a) the Lands Improvement Company's Acts 1853 to 1969; or

(b) the Improvement of Land Acts 1864 and 1899.

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN A PUBLIC GENERAL ACT - UNITED KINGDOM

The Greater London Authority

Relevant credit agreements relating to the purchase of land, being agreements made under the Authority's power to give financial assistance under section 30 of the Greater London Authority Act 1999.

Homes and Communities Agency

Relevant credit agreements relating to the purchase of land, being agreements made under the Agency's powers to give financial assistance under section 19 of the Housing and Regeneration Act 2008.

The Eastern Electricity Board:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The Electricity Council:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Council and employees or prospective employees of the Council pursuant to section 2(5) of the Electricity Act 1947, as applied in relation to the Council by section 3(6) of the Electricity Act 1957.
The London Docklands Development Corporation:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made pursuant to section 136 of the Local Government, Planning and Land Act 1980.
The London Electricity Board:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The North Eastern Electricity Board:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
Sea Fish Industry Authority:	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made pursuant to section 3(1)(e) and (f) of the Fisheries Act 1981.
The South Eastern Electricity Board:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The South Western Electricity Board:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The Southern Electricity Board:	Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.

The Yorkshire Electricity Board:	<p>Agreements of a description falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c), being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.</p> <p>NORTHERN IRELAND</p>
Eastern Health and Social Services Board:	<p><i>Relevant credit agreements relating to the purchase of land, being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972.</i></p>
Northern Health and Social Services Board:	<p><i>Relevant credit agreements relating to the purchase of land, being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972</i></p>
Southern Health and Social Services Board:	<p><i>Relevant credit agreements relating to the purchase of land, being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972.</i></p>
Welsh Ministers	<p><i>Relevant credit agreements relating to the purchase of land, being agreements falling within CONC App 1.3.1 R (2)(a) to CONC App 1.3.1 R (2)(c) which are made pursuant to section 36 of the New Towns Act 1981 and which related to property of the Commission for the New Towns transferred to them under a scheme made under section 51(1) of the Housing and Regeneration Act 2008.</i></p>
Western Health and Social Services Board:	<p><i>Relevant credit agreements relating to the purchase of land being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972.</i></p>

App 1.3.4 R

FCA

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN AN ORDER MADE UNDER SECTION 156(4), 444(1) OR 447(2)(a) OF THE HOUSING ACT 1985

- Abbey Life Executive Mortgages Limited**
- Abbey Life Funding Limited**
- Abbey Life Home Loans Limited**
- Abbey Life Home Services Limited**
- Abbey Life Mortgage Finance Limited**
- Abbey Life Mortgage Loans Limited**
- Abbey Life Mortgage Securities Limited**
- Abbey Life Residential Loans Limited**

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN AN ORDER MADE UNDER SECTION 156(4), 444(1) OR 447(2)(a) OF THE HOUSING ACT 1985

Albion Home Loans Limited
Alliance & Leicester Mortgage Loans Limited
Alliance & Leicester Mortgage Loans (No. 2) Limited
Alliance & Leicester Mortgage Loans (No. 3) Limited
Alliance & Leicester Mortgage Loans (No. 4) Limited
Bradford & Bingley Homeloans Limited
Bradford & Bingley Homeloans Management Limited
Bradford & Bingley Loans Limited
Bradford & Bingley Management Limited
Bradford & Bingley Mortgages Limited
Bradford & Bingley Mortgage Management Limited
Bradford & Bingley Secured Loans Limited
Bradford & Bingley Secured Loans Management Limited
Britannia Mortgage Company Number One Limited
Britannia Mortgage Company Number Two Limited
Chelsea Mortgage Services Limited
CIS Home Loans Limited
CIS Mortgage Finance Limited
CIS Mortgage Maker Limited
CIS Residential Mortgages Limited
CL Mortgages Limited
Darlington Mortgage Services Limited
Derbyshire Home Loans Limited
General Portfolio Finance Limited
Gracechurch Mortgage Finance (No. 2) PLC
Gracechurch Mortgage Finance (No. 3) PLC
Halifax Loans Limited
Halifax Loans (No. 2) Limited
Halifax Loans (No. 3) Limited
Halifax Loans (No. 4) Limited
HMC First Home National PLC
Home Loans Direct Limited

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN AN ORDER MADE UNDER SECTION 156(4), 444(1) OR 447(2)(a) OF THE HOUSING ACT 1985

Home Loans Direct Funding PLC
Household Mortgage Corporation PLC
Ipswich Mortgage Services Limited
LBS Mortgages Limited
Leamington Mortgage Corporation Limited
Leeds & Holbeck Mortgage Corporation Limited
Leeds & Holbeck Mortgage Funding Limited
Legal and General Mortgage Services Limited
Lombard Home Loans Limited
London and Manchester (Mortgages) (No. 1) Limited
London and Manchester (Mortgages) (No. 2) Limited
London and Manchester (Mortgages) (No. 3) Limited
London and Manchester (Mortgages) (No. 4) Limited
London and Manchester (Mortgages) (No. 5) Limited
Market Harborough Mortgages Limited
The Mortgage Corporation Limited
The National Home Loans Corporation plc
National Mutual Home Loans plc
National Westminster Home Loans Limited
Newbury Mortgage Services Limited
Northern Rock Mortgage Services Limited
North Yorkshire Mortgages Limited
Norwich and Peterborough (LBS) Limited
Norwich Union Mortgage Finance Limited
Royal London Homebuy Limited
Saffron Walden Mortgage Services Limited
Secured Residential Funding PLC
Stroud and Swindon Mortgage Company Limited
Stroud and Swindon Mortgage Company (No. 2) Limited
Sun Life of Canada Home Loans Limited
Wesleyan Home Loans Limited
West Bromwich Mortgage Company Limited

1.4 Exemption for high net worth borrowers and hirers and exemption relating to businesses

Exemption for high net worth borrowers and hirers

App 1.4.1 **R**
FCA

- (1) For the purposes of articles 60H(c) and 60Q(b) of the *Regulated Activities Order*, a declaration made by the *borrower* or *hirer* which provides that the *borrower* or *hirer* agrees to forgo the protection and remedies that would be available to the *borrower* or *hirer* if the agreement were a *regulated credit agreement* or a *regulated consumer hire agreement* must comply with ■ CONC App 1.4.2 R and ■ CONC App 1.4.6 R.
- (2) For the purposes of articles 60H(d) and 60Q(c) of the *Regulated Activities Order*, a statement in relation to the income or assets of the *borrower* or *hirer* (referred to in this section as a statement of high net worth) must comply with ■ CONC App 1.4.3 R, ■ CONC App 1.4.4 R and ■ CONC App 1.4.7 R.
- (3) For the purposes of articles 60H(e) and 60Q(d) of the *Regulated Activities Order*, the statement in (2) must be made during the period of one year ending with the day on which the agreement was made.

App 1.4.2 **R**
FCA

A declaration for the purposes of articles 60H(c) and 60Q(b) of the *Regulated Activities Order* shall

- (1) be set out in the *credit agreement* or *consumer hire agreement* no less prominently than other information in the agreement and be readily distinguishable from the background medium; and
- (2) be signed by the *borrower* or *hirer*, unless the agreement is so signed.

App 1.4.3 **R**
FCA

- (1) Subject to ■ CONC App 1.4.4 R, a statement of high net worth shall be signed by
 - (a) the *lender* or *owner*; or
 - (b) an accountant who is a member of any of the bodies listed (2).
- (2) The bodies referred to in (1)(b) are:
 - (a) the Institute of Chartered Accountants in England and Wales;
 - (b) the Institute of Chartered Accountants of Scotland;
 - (c) the Institute of Chartered Accounts in Ireland;
 - (d) the Association of Chartered Certified Accountants;

- (e) the Chartered Institute of Management Accountants;
- (f) the Chartered Institute of Public Finance and Accountancy;
- (g) a professional body for accountants established in a jurisdiction outside the United Kingdom.

App 1.4.4 R

FCA

A person who is

- (1) the *lender* or *owner*;
- (2) an employee or agent of the *lender* or *owner* or a *person* who otherwise acts on behalf of the *lender* or *owner* in relation to the *credit agreement* or *consumer hire agreement*; or
- (3) an *associate* of the *lender* or *owner*,

may only make a statement of high net worth if the *lender* or *owner* is a *person* who has *Part 4A permission to accept deposits*.

Declaration for exemption relating to businesses

App 1.4.5 R

FCA

A declaration for the purposes of articles 60C or 60O of the *Regulated Activities Order* shall

- (1) comply with ■ CONC App 1.4.8 R;
- (2) be set out in the *credit agreement* or *consumer hire agreement* no less prominently than other information in the agreement and be readily distinguishable from the background medium; and
- (3) be signed by the *borrower* or *hirer* or where the *borrower* or *hirer* is a *partnership* or unincorporated body of persons be signed by, or on behalf of, the *borrower* or *hirer*, unless the agreement is so signed.

Declaration by high net worth borrower or hirer

App 1.4.6 R

FCA

The declaration for the purposes of articles 60H(c) and 60Q(b) of the *Regulated Activities Order* must have the following form and content-

"Declaration by high net worth borrower or hirer

(articles 60H and 60Q of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)

I confirm that I have received a copy of the statement of high net worth made in relation to me for the purposes of article 60H(d) or article 60Q(c) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

I understand that by making this declaration I will not have the benefit of the protection and remedies that would be available to me under the Financial

Services and Markets Act 2000 or the Consumer Credit Act 1974 if this agreement were a regulated agreement under those Acts.

I understand that this declaration does not affect the powers of the court to make an order under section 140B of the Consumer Credit Act 1974 in relation to a credit agreement where it determines that the relationship between the lender and the borrower is unfair to the borrower.*

I am aware that if I am in any doubt as to the consequences of making this declaration then I should seek independent legal advice".

**This section should be omitted in the case of a consumer hire agreement*

Statement of high net worth

App 1.4.7 **R**
FCA

A statement of high net worth for the purposes of articles 60H(d) and 60Q(c) of the *Regulated Activities Order* must have the following form and content:

"Statement of High Net Worth

(articles 60H and 60Q of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)

I/We* (insert full name) of (insert address and postcode)..... confirm that I am/we* are a person qualified to make a statement of high net worth under rules made by the Financial Conduct Authority, by virtue of the fact that

In my/our* opinion (insert full name of borrower or hirer)

.....

of (insert address and post code of borrower or hirer)

.....

.....

is an individual of high net worth because he/she*

(a) received during the previous financial year net income totalling an amount of not less than £150,000*; and/or

(b) had throughout that year net assets with a total value of not less than £500,000*.

(insert one of the following declarations as appropriate)

1

I/We* declare that I am/we are* not connected to [insert name of the lender(s)/owner(s)][any person who is a lender/owner offering credit agreements/consumer hire agreements*].

I/We* declare that I am/we are* [connected to] [insert name of lender(s)/owner(s)] as I am/we are* [the lender(s)/owner(s)/an employee of/an agent of the lender(s)//owner(s)/a person who otherwise acts on behalf of the lender(s)//owner(s) in relation to the credit agreement/consumer hire agreement/an associate of the lender(s)//owner(s)].*

I/We declare that I am/we are*/[a/an] lender(s)/owner(s) offering credit agreements/consumer hire agreements/ an employee of/an agent of/a person who otherwise acts on behalf of/ an associate of lender(s)/owner(s) offering credit agreements/consumer hire agreements.*

In this statement-

(a) "associate" shall be construed in accordance with article 60L of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

(b) "financial year" means a period of one year ending with 31st March;

(c) "net assets" shall not include -

(i) the value of the borrower's or hirer's primary residence or any loan secured on that residence;

(ii) any rights of the borrower or hirer under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; and

(iii) any benefits (in the form of pensions or otherwise) which are payable on the termination of the service of the borrower or hirer or on his retirement and to which he is (or his dependents are), or may be, entitled.

(d) "net income" means the total income of the borrower or hirer from all sources reduced by the amount of income tax and national insurance contributions payable in respect of it; and

(e) "previous financial year" means the financial year immediately preceding the financial year during which the statement is made".

**Delete as appropriate.*

App 1.4.8 **R**

FCA

Declaration for exemption relating to businesses

A declaration for the purposes of articles 60C or 60O of the *Regulated Activities Order* must have the following form and content

"Declaration for exemption relating to businesses

(articles 60C and 60O of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)

I am/We are* entering this agreement wholly or predominantly for the purposes of a business carried on by me/us or intended to be carried on by me/us.

I/We* understand that I/We* will not have the benefit of the protection and remedies that would be available to me/us* under the Financial Services and Markets Act 2000 or under the Consumer Credit Act 1974 if this agreement were a regulated agreement under those Acts.

I/We* understand that this declaration does not affect the powers of the court to make an order under section 140B of the Consumer Credit Act 1974 in relation to a credit agreement where it determines that the relationship between the lender and the borrower is unfair to the borrower.**

I am/We are aware that, if I am/we are in any doubts as to the consequences of the agreement not being regulated by the Financial Services and Markets Act 2000 or the Consumer Credit Act 1974, then I/we* should seek independent legal advice."

**Delete as appropriate.*

***This section should be omitted in the case of a consumer hire agreement.*

Consumer Credit sourcebook

CONC TP 1 Transitional provisions: introduction to TP2

FCA

Application

1.1 R These transitional provisions apply to:

- (a) a *firm* which has a *Part 4A permission* for a *credit-related regulated activity*;
- (b) a *firm* which is treated as having a *Part 4A permission* or a variation of permission for a *credit-related regulated activity* by virtue of article 56 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment)(No 2) Order 2013; and
- (c) an *incoming firm* which carries on a *credit-related regulated activity*.

Purpose

1.2 G The *FCA* is aware that the introduction of *CONC* will impose an additional compliance burden on *firms*, even when there is an underlying continuity of policy. The *FCA* wishes to lighten that burden in a manner consistent with its regulatory objectives and the principles of good regulation under the *Act*. The following *rules* give *firms* additional time after 1 April 2014 to complete their preparations for the impact of certain provisions in *CONC*.

Definitions

1.3 R In these transitional provisions the following words are to have the meaning given to them below:

"corresponding rule" means a provision or guidance set out, as they stand on 31 March 2014, in:

the guidance issued by the Office of Fair Trading entitled "Debt collection: OFT guidance for businesses engaged in the recovery of consumer credit debts" (OFT664rev2);

the guidance issued by the Office of Fair Trading entitled "Irresponsible lending: OFT guidance for creditors" (OFT1107);

the guidance issued by the Office of Fair Trading entitled "Debt management (and credit repair services) guidance" (OFT366rev);

the guidance issued by the Office of Fair Trading entitled "Credit brokers and intermediaries: OFT guidance for brokers, intermediaries and the consumer credit and hire businesses which employ or use their services" (OFT1388);

the guidance issued by the Office of Fair Trading entitled "Mental capacity: OFT guidance for creditors" (OFT1373);

the guidance issued by the Office of Fair Trading entitled "Guidance on sections 77, 78 and 79 of the Consumer Credit Act 1974: the duty to give information to debtors and the consequences of non-compliance on the enforceability of the agreement" (OFT1272);

the guidance issued by the Office of Fair Trading entitled "Second charge lending - OFT guidance for lenders and brokers" (OFT1105);

Part 4 of the CCA, including as applied by section 151 of the CCA;

sections 55A, 55B, 74A, 74B, 81, 82A, 115 and 160A of the CCA;

The Consumer Credit (Conduct of Business) (Credit References) Regulations 1977 (S.I. 1977/330);

The Consumer Credit (Payments Arising on Death) Regulations 1983 (S.I. 1983/1554);

The Consumer Credit (Conduct of Business) (Pawn Records) Regulations 1983 (S.I. 1983/1565);

The Consumer Credit (Content of Quotations) and Consumer Credit (Advertisements)(Amendments) Regulations 1999 (S.I. 1999/2725);

The Electronic Commerce (EC Directive) Regulations 2002 (S.I. 2002/2013);

The Financial Services (Distance Marketing) Regulations 2004 (S.I. 2004/2095);

the Consumer Credit (Advertisements) Regulations 2004 (S.I. 2004/1484) and 2010 (S.I. 2010/1970);

that is substantially similar in purpose and effect to the relevant provision in *CONC*.

a "credit firm" means a *firm* which has or is treated as having a *Part 4A permission* for a *credit-related regulated activity*;

an "EEA credit firm" means an *incoming firm* which carries on a *credit-related regulated activity*;

"transitional period" means the period starting on 1 April 2014 and finishing at midnight at the end of 30 September 2014.

Consumer Credit sourcebook

CONC TP 2 TP 2 Transitional provisions in relation to corresponding rules

FCA

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
2.1	CONC, to the extent there is a corresponding rule	R	(1) A <i>credit firm</i> and an <i>EEA firm</i> with respect to carrying on a <i>credit-related regulated activity</i> will not contravene a <i>rule</i> in CONC to the extent that, on or after 1 April 2014, it is able to demonstrate that it has complied with the corresponding rule, with any necessary modification to take account of the coming into force of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 and the Financial Services Act 2012 (Consumer Credit) Order 2013.	The transitional period	1 April 2014
2.2		G	(1) In order to benefit from the transitional provision, a <i>credit firm</i> or an <i>EEA firm</i> must ensure that the corresponding rule referred to in TP 1.3R with which it complies is substantially similar in purpose and effect to the provision in CONC to which it relates.		

- (2) For the assistance of *firms*, *CONC* includes notes which indicate particular *rules* or guidance for which there is a corresponding rule. *Firms* may wish to refer to these notes but in doing so should understand that they are not intended to be exhaustive and are produced merely as a guide.

Firms are advised that should they wish to take advantage of the transitional provisions set out in this section, the onus is on the *firm* to be able to demonstrate that in any given case it has in fact complied with the corresponding rules.

- (3) *Firms* will have noted that they should treat the corresponding rules as modified to the extent necessary to ensure that the provision can operate effectively notwithstanding the enactment of the Order in TP 1.1R. *Firms* will need to adopt a common-sense approach in interpreting the corresponding rules and modify them accordingly. For example, references in such rules to the OFT should be read as if they referred to the *FCA*.

Consumer Credit sourcebook

CONC TP 3

Transitional provisions in relation to high cost short term credit

FCA

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
3.1	CONC 3.4 (risk warnings)	R	CONC 3.4 (apart from in relation to an <i>electronic communication</i> other than a communication broadcast in any manner on television or radio) does not apply until 1 July 2014.	From 1 April 2014 until the end of 30 June 2014	1 April 2014
3.2	CONC 6.7.20 R (information sheets)	R	CONC 6.7.20 R does not apply until 1 July 2014.	From 1 April 2014 until the end of 30 June 2014	1 April 2014
3.3	CONC 6.7.23 R (repeat refinancing)	R	CONC 6.7.23 R does not apply until 1 July 2014.	From 1 April 2014 until the end of 30 June 2014	1 April 2014
3.4	CONC 7.6.12 R (continuous payment authority)	R	CONC 7.6.12 R does not apply until 1 July 2014.	From 1 April 2014 until the end of 30 June 2014	1 April 2014
3.5	CONC 7.6.13 R (continuous payment authority)	R	CONC 7.6.13 R does not apply until 1 July 2014.	From 1 April 2014 until the end of 30 June 2014	1 April 2014
3.6	CONC 7.6.14 R (continuous payment authority)	R	CONC 7.6.14 R does not apply until 1 July 2014.	From 1 April 2014 until the end of 30 June 2014	1 April 2014

Consumer Credit sourcebook

CONC TP 4

Transitional provisions in relation to operating an electronic system in relation to lending

FCA

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
4.1	Adequate explanations requirements	R	CONC 4.3.3 G, CONC 4.3.4 R and CONC 4.3.5 R do not apply until 1 October 2014.	From 1 April 2014 until the end of 30 September 2014	1 April 2014
4.2	Creditworthiness requirements	R	CONC 5.5 does not apply until 1 October 2014.	From 1 April 2014 until the end of 30 September 2014	1 April 2014
4.3	Arrears notice for fixed sum credit	R	CONC 7.17 does not apply until 1 October 2014.	From 1 April 2014 until the end of 30 September 2014	1 April 2014
4.4	Arrears notice for running account credit	R	CONC 7.18 does not apply until 1 October 2014.	From 1 April 2014 until the end of 30 September 2014	1 April 2014
4.5	Default sums notice	R	CONC 7.19 does not apply until 1 October 2014.	From 1 April 2014 until the end of 30 September 2014	1 April 2014
4.6	Right to withdraw from P2P agreement	R	CONC 11.2 does not apply until 1 October 2014.	From 1 April 2014 until the end of 30 September 2014	1 April 2014

Consumer Credit sourcebook

CONC TP 5 Transitional provisions for prudential provisions in relation to debt management firms

FCA

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision coming into force
5.1	CONC 10.3.3R		A <i>firm</i> can calculate its prudential resources without deducting items 2 and 3 in CONC 10.3.3 R	From 1 April 2014 to 31 March 2017	1 April 2014
5.2	CONC 10.3.5R		b = items 1, 4 and 5 in the Table of items which must be deducted from a <i>firm's</i> prudential resources (see CONC 10.3.3 R)	From 1 April 2014 to 31 March 2017	1 April 2014
5.3	CONC 10.3.6G		The <i>guidance</i> at CONC 10.3.6 G should be read in the light of TP 5.2	From 1 April 2014 to 31 March 2017	1 April 2014

Consumer Credit sourcebook

CONC TP 6 Transitional provisions for financial promotions and communications in relation to catalogues etc.

FCA

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision coming into force
6.1	CONC 3	R	A <i>firm</i> will not contravene a rule in CONC 3 to the extent that a <i>financial promotion</i> or communication referred to in 6.2 would comply, as the case may be, with the Consumer Credit (Advertisements) Regulations 2010 or the Consumer Credit (Advertisements) Regulations 2004 (assuming they had not been repealed by Article 21 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013).	From 1 April 2014 to 31 March 2015	1 April 2014
6.2		R	A <i>financial promotion</i> or a communication first communicated to the public in a catalogue, diary or work of reference comprising at least fifty printed pages copies of which are first communicated before 1 October 2014 and which in a reasonably prominent position either contains the date of its first	From 1 April 2014 to 31 March 2015	1 April 2014

publication or specifies a period being a calendar or seasonal period throughout which it is intended to have effect.

Consumer Credit sourcebook

Schedule 1 Record keeping requirements

FCA

- 1.1** **G** **The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements in *CONC*.**
- 1.2** **G** **It is not a complete statement of those requirements and should not be relied on as if it were.**

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
6.6.3R	Actions concerning articles taken in <i>pawn</i>.	Specified details concerning taking articles in <i>pawn</i>, redemption and sale of articles in <i>pawn</i>.	Date of event referred to in section.	At least the longer of 5 years from the date on which an article is taken in <i>pawn</i> or 3 years from date of sale under section 121(1) of the <i>CCA</i> or the redemption of the article as the case may be.
7.13.2R	An <i>individual</i> who is, or is treated as, a <i>borrower</i> under a <i>credit agreement</i> or <i>consumer hire agreement</i>.	Accurate and adequate data (including in respect of debt and repayment history) in relation to <i>individuals</i> owing, or treated as owing, money under <i>credit agreements</i> or <i>consumer hire agreements</i>.	When a <i>firm</i> is notified in relation to an <i>individual</i> whom it is to pursue for recovery of a debt.	Not specified.

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
7.13.7R	An <i>individual</i> not being the <i>borrower</i> under a <i>credit agreement</i> or <i>consumer hire agreement</i> .	Record that the <i>individual</i> is not the <i>borrower</i> and should not be pursued for debt.	Date on which the <i>firm</i> is aware of true state of affairs.	Not specified.
8.8.1R(9)	Record of <i>debt management plans</i> entered into with <i>customers</i> .	An adequate record.	When the <i>firm</i> enters into <i>debt management plan</i> .	Until the contract between the <i>customer</i> and the <i>firm</i> is completed or terminated.
11.1.9R	Exercise of right to cancel under CONC 11.1.1 R.	Adequate record of use of right to cancel by <i>consumer</i> .	Date of exercise.	3 years.

Consumer Credit sourcebook

**Schedule 2
Notification and reporting requirements (if any)**

FCA

	Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
G	CONC 10.2.14 R	Any change in a <i>firm's</i> prudential resources requirement	The changed prudential resources requirement	The change in the <i>firm's</i> prudential resources requirement	Within 14 <i>days</i> of the trigger event

Consumer Credit sourcebook

Schedule 3 Fees and other required payment

FCA

Not used

Consumer Credit sourcebook

Schedule 4
Not used

FCA

Not used

Consumer Credit sourcebook

Schedule 5 Rights of action for damages

FCA

- Sch 5.1 G The table below sets out the *rules* in *CONC* contravention of which by an *authorised person* may be actionable under section 138D of the *Act* (Actions for damages) by a *person* who suffers loss as a result of the contravention.
- Sch 5.2 G If a "Yes" appears in the column headed "For private person?", the *rule* may be actionable by a "*private person*" under section 138D (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001/2256)). A "Yes" in the column headed "Removed" indicates that the *FCA* has removed the right of action under section 138D(2) of the *Act*. If so, a reference to the *rule* in which it is removed is also given.
- Sch 5.3 G The column headed "For other person?" indicates whether the *rule* may be actionable by a *person* other than a *private person* (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of *person* by whom the rule may be actionable is given.

Chapter/ Appendix	Section/ An- nex	Paragraph	Right of action under section 138D		
			For private person?	Removed?	For other person?
		The clear, fair and not misleading <i>rule</i> in CONC 3.3.1 R	Yes (Notes 2 & 3)	In part (Note 1)	No
		The prudential <i>rules</i> for <i>debt management firms</i> and <i>not-for-profit debt advice bodies</i> in CONC 10	No	Yes, CONC 10.1.6 R	No
		All other <i>rules</i> in <i>CONC</i>	Yes (Notes 2 & 3)	No	No
Notes					

- (1) **CONC 3.3.1 R (2) provides that if, in relation to a particular communication or *financial promotion*, a *firm* takes reasonable steps to ensure it complies with the clear, fair and not misleading *rule*, a contravention of that rule does not give rise to a right of action under section 138D of the *Act*.**
- (2) **The definition of private person includes a "relevant recipient of credit" which is defined on article 60L of the *Regulated Activities Order* as "a partnership consisting of two or three persons not all of whom are bodies corporate, or an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership".**
- (3) **The definition of private person includes a person who is, by virtue of article 36J of that Order, to be regarded as a person who uses, may use, has or may have used or has or may have contemplated using, services provided by authorised persons in carrying on a *regulated activity* of the kind specified by article 36H of that Order or article 64 of that Order so far as relevant to that activity.**

Consumer Credit sourcebook

Schedule 6 Rules that can be waived

FCA

6.1 As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules) or section 248 (Scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *UK's* responsibilities under those directives.

Recognised Investment Exchanges

Information technology systems

2.5.18

FCA

G

Information technology is likely to be a major component of the systems and controls used by any *UK recognised body*. In assessing the adequacy of the information technology used by a *UK recognised body* to perform or support its *relevant functions*, the *FCA* may have regard to:

- (1) the organisation, management and resources of the information technology department within the *UK recognised body*;
- (2) the arrangements for controlling and documenting the design, development, implementation and use of information technology systems; and
- (3) the performance, capacity and reliability of information technology systems.

2.5.19

FCA

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The *FCA* may also have regard to the arrangements for maintaining, recording and enforcing technical and operational standards and specifications for information technology systems, including:

- (1) the procedures for the evaluation and selection of information technology systems;
- (2) the arrangements for testing information technology systems before live operations;
- (3) the procedures for problem management and system change;
- (4) the arrangements to monitor and report system performance, availability and integrity;
- (5) the arrangements (including spare capacity and access to back-up facilities) made to ensure information technology systems are resilient and not prone to failure;
- (6) the arrangements made to ensure business continuity in the event that an information technology system does fail;
- (7) the arrangements made to protect information technology systems from damage, tampering, misuse or unauthorised access; and
- (8) the arrangements made to ensure the integrity of data forming part of, or being processed through, information technology systems.

2.5.20

FCA

G

The *FCA* may have regard to the arrangements made to keep clear and complete audit trails of all uses of information technology systems and to reconcile (where appropriate) the audit trails with equivalent information held by system users and other interested parties.

2.5A Guidance on Public Interest Disclosure Act: Whistleblowing

Application and Purpose: Application

2.5A.1
FCA

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This section is relevant to every *UK recognised body* to the extent that the Public Interest Disclosure Act 1998 ("PIDA") applies to it.

Purpose

2.5A.2
FCA

G

- (1) The purposes of this section are to:
 - (a) provide *UK recognised bodies* with *guidance* regarding the provisions of PIDA; and
 - (b) Encourage *UK recognised bodies* to consider adopting and communicating to workers appropriate internal procedures for handling workers' concerns as part of an effective risk management system.
- (2) In this section "worker" includes, but is not limited to, an individual who has entered into a contract of employment.

2.5A.3
FCA

G

The *guidance* in this section concerns the effect of PIDA in the context of the relationship between *UK recognised bodies* and the *FCA*. It is not comprehensive guidance on PIDA itself.

Practical Measures: Effect of PIDA

2.5A.4
FCA

G

Under PIDA, any clause or term in an agreement between a worker and his employer is void in so far as it purports to preclude the worker from making a protected disclosure (that is, "blow the whistle").

2.5A.5
FCA

G

In accordance with section 1 of PIDA:

- (1) a "protected disclosure" is a qualifying disclosure which meets the relevant requirements set out in part 4A of the Employment Rights Act 1996;
- (2) a "qualifying disclosure" is a disclosure, made in the public interest, of information which, in the reasonable belief of the worker making the disclosure, tends to show that one or more of the following (a "failure") has been, is being, or is likely to be, committed:
 - (a) a criminal offence; or