



No.7

Handbook Notice

December 2013

Financial Conduct Authority



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Handbook Notice 007

This Handbook Notice introduces the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative powers on 12 and 16 December 2013. It also contains information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board.

Contact names for the individual modules are listed in the relevant Consultation Papers and Policy Statements referred to in this Notice.

General comments and queries on the Handbook can be addressed to:

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However, queries on specific requirements in the Handbook should be addressed first to your normal supervisory contact in the FCA. For most firms this will be the FCA's Customer Contact Centre:

Tel: 0845 606 9966

Fax: 020 7066 0991

Email: fcc@fca.org.uk

Post: Customer Contact Centre
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

1. Overview

Legislative changes

- 1.1** On 12 and 16 December 2013, in addition to the instruments listed in the last Handbook Notice, the FCA Board made changes to the Handbook in 12 instruments which are listed in the table below.

CP	Title of instrument	Instrument No.	Changes effective
N/A	Handbook Administration (No 32) Instrument 2013	2013/73	Various
CP 13/6 CP 13/12	Capital Requirements Directive IV Instrument 2013	2013/74	1.1.2014
CP13/6 CP 13/12	Capital Requirements Directive IV (Governance and Remuneration) Instrument 2013	2013/75	1.1.2014 / 1.7.2014
CP13/6 CP13/12	Capital Requirements Directive IV (GENPRU and BIPRU Amendments) Instrument 2013	2013/76	1.1.2014
CP13/12	Capital Requirements Directive IV (AIFMD and UCITS Consequential Amendments) Instrument 2013	2013/77	1.1.2014
CP13/12	Capital Requirements Directive IV (Reporting) Instrument 2013	2013/78	1.1.2014/ 1.7.2014
CP13/9	Capital Requirements Directive IV (Consequential Amendments) Instrument 2013	2013/79	1.1.2014
Ch 9 CP13/9	Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment No 2) Instrument 2013	2013/80	6.4.2014
Ch 13 CP13/9	Conduct of Business (Platforms) (Amendment No 2) Instrument 2013	2013/81	13.12.2013
Ch 7 CP13/9	Supervision Manual (Reporting and Audit Requirements) (Amendment) Instrument 2013	2013/82	31.12.2013
CP13/11	Compensation Sourcebook (Investments by Large Unincorporated Associations and Certain Large Partnerships) Instrument 2013	2013/84	13.12.2013
CP13/7	Listing Rules (Annual Financial Report) Instrument 2013	2013/85	13.12.2013

- 1.2** Instrument FCA 2013/83 has also been made by the Board but will be published at a later date. The changes will be summarised in the January Handbook Notice.

Summary of changes

- 1.3** The legislative changes referred to above are listed and briefly described in Chapter 2 of this Notice.

Feedback on responses to consultations

- 1.4** Feedback to consultations are either set out in Chapter 3 of this Notice or published in separate Policy Statements.

2. Summary of changes

- 2.1** This chapter briefly describes FCA Handbook changes and changes outside the Handbook made by the Board on 12 and 16 December 2013. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the PRA please see www.bankofengland.co.uk/pr/Pages/publications/default.aspx

Handbook Administration (No 32) Instrument 2013 (FCA 2013/73)

- 2.2** The FCA Board has made minor administrative changes to various modules of the FCA Handbook, as listed below. These correct or clarify existing provisions. They were not consulted on because they are regarded either as falling within the scope of previous consultations or as being so minor that they do not warrant consultation. None of these changes represents any alteration in FCA policy.

Glossary of definitions

PRIN 1 and 3

SYSC 1

GEN 4 and Sch 4

COBS 4 and Sch 1

MCOB 2

SUP 11, 15 and 16

COLL 8

CONC 12

CREDS 1 and App 1

PROF 3

PERG 2 and 4

- 2.3** In summary the amendments made this month are as follows:
- a change in the title of the Credit Unions sourcebook (CREDS) in order to drop the word "New" from the title; corresponding changes have been made to references to this sourcebook throughout the Handbook;
 - this instrument splits all definitions which are currently shown as 'owned' by both the PRA and the FCA into two versions, one for each regulator, where these have not already been split by previous instruments. The FCA version will be shown in the Handbook under the heading "(B) (in the FCA Handbook)". Where a definition has not been previously split, the same definition text will appear in respect of both versions except where the FCA version is amended by this instrument or by other instruments. For the time being both versions will continue to be shown in the Handbooks of both regulators;
 - addition of a statutory instrument number to the definition of "AIFMD UK regulation";

- amendments (in the Glossary and PERG) of references to the settlement system CREST, which is operated by Euroclear UK & Ireland Limited;
- changes to the order of sub-paragraphs within the definition of “instrument constituting the fund” and the reinsertion of text which had been inadvertently omitted by a previous instrument;
- amendment of cross-references within the definition of “prudential context”;
- addition of a new definition of “refinance” as a link back to the text of the definition of “finance”, which already refers to “refinance”;
- amendments to various definitions in the Glossary, and to provisions within COBS and COLL to clarify or correct the text following queries received from firms and industry bodies following publication of the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 (FCA 2013/46), or which are made necessary by changes made or being made by other instruments;
- adjustments to certain definitions in the Glossary, and provisions within PRIN, SYSC, GEN, MCOB and CONC to correct minor errors within the Consumer Credit (High-level Standards and Interim Regime) Instrument 2013 (FCA 2013/68);
- correction of cross-references within PRIN 1.2.2G, SYSC Annex 1, SUP 15.3.28R and 16 Annex 18BG;
- typographical corrections (including the italicisation of defined terms) in PRIN 3.1.8G and 3.4.3G, SYSC 1 Annex 1, CONS 12.1.1R and PROF 3;
- changes within SUP 11.9, SUP 16.4 and 16.5 to reinstate (until 1 March 2014) requirements in relation to the submission of reports relating to Controllers and Close Links; these requirements were inadvertently deleted by the Controllers and Close Links Reporting (Amendment) Instrument 2013 (FCA 2013/72) but should remain in force until 1 March 2014 when they will be amended by changes already made in that instrument;
- change within SUP 16.12.11R (in relation to applicable data items for firms in Regulated Activity Group 3) to make clear that the requirement to furnish an annual report and accounts does not apply to a firm which is subject to IPRU(INV) 13 and which is an exempt CAD firm;
- change to a cross-reference within the guidance notes to the Retail Mediation Activities Return (SUP 16 Annex 18BG);

2.4 These changes come into force as follows:

- changes to SUP 11.9, 16.4 and 16.5 take effect on **31 December 2013**;
- some of the changes to the Glossary, and the change in title of CREDS (with the associated consequential changes) come into force on **1 February 2014**;
- another Glossary change, some of the changes to PRIN and SYSC, and all of the changes to GEN, MCOB and CONC take effect on **1 April 2014**
- the remaining changes come into force on **1 January 2014**.

CRD IV legal instruments and guidance

- 2.5** Following consultation in CP13/6¹, chapter 16 of CP13/9² and CP13/12³ (together the CRD IV CPs), the FCA Board has made changes to those sections of the FCA Handbook identified in each of the legal instruments listed below.
- 2.6** These changes to the Handbook are required to transpose the provisions in Directive 2013/36/EU – where it is the responsibility of the FCA – and to exercise certain discretions in Regulation (EU) 575/2013) (together known as CRD IV).
- 2.7** Feedback to the CRD IV CPs was published by the FCA in a separate Policy Statement

Capital Requirements Directive IV Instrument 2013 (FCA 2013/74)

- 2.8** Following consultation, the FCA Board has made changes to the FCA Handbook sections listed below:
- Glossary of definitions**
SYSC 20
- 2.9** This instrument also introduces a new sourcebook to implement most of the prudential requirements for investment firms under CRD IV, called the Prudential sourcebook for Investment Firms (**IFPRU**).
- 2.10** This instrument comes into force on **1 January 2014**.

Capital Requirements Directive IV (Governance and Remuneration) Instrument 2013 (FCA 2013/75)

- 2.11** Following consultation, the FCA Board has made changes to the FCA Handbook sections listed below:
- Glossary of definitions**
SYSC 1, 4 7, 12, 19A and 19C
- 2.12** The FCA Board also made the following changes outside the Handbook:
- General Guidance on Proportionality: The Remuneration Code (SYSC 19A)** – for IFPRU firms
- General Guidance on Proportionality: The Remuneration Code (SYSC 19A)** – for BIPRU firms
- 2.13** This instrument comes into force on **1 January 2014**, except for SYSC 4.3A6R which will come into force on **1 July 2014**.

¹ CP13/6, *CRD IV for Investment Firms* (July 2013).

² CP13/9, *Quarterly Consultation (No 2)* (September 2013).

³ CP13/12, *CRD IV for Investment Firms 2 – Implementation* (October 2013).

Capital Requirements Directive IV (GENPRU and BIPRU Amendments) Instrument 2013 (FCA 2013/76)

- 2.14** Following consultation, the FCA Board has made changes to the FCA Handbook sections listed below:

**GENPRU 1, 2, 3, TP 8, TP 8A and TP 8B
BIPRU 1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 13, 14, TP 2, TP 15 and TP 21**

- 2.15** This instrument comes into force on **1 January 2014**.

Capital Requirements Directive IV (AIFMD and UCITS Consequential Amendments) Instrument 2013 (FCA 2013/77)

- 2.16** Following consultation, the FCA Board has made changes to the FCA Handbook sections listed below:

**Glossary of definitions
UPRU 1 and 2
IPRU(INV) 11 and TP 6
SUP 16 and TP 1**

- 2.17** This instrument comes into force on **1 January 2014**.

Capital Requirements Directive IV (Reporting) Instrument 2013 (FCA 2013/78)

- 2.18** Following consultation, the FCA Board has made changes to the FCA Handbook sections listed below:

**Glossary of definitions
SUP 16**

- 2.19** Part of this instrument comes into force on **1 January 2014** and the remainder comes into force on **1 July 2014**.

Capital Requirements Directive IV (Consequential Amendments) Instrument 2013 (FCA 2013/79)

- 2.20** Following consultation, the FCA Board has made changes to the FCA Handbook sections listed below:

**Glossary of definitions
PRIN 3
SYSC 4, 5, 6, 10, 20 and 21
GEN 2
FEES 3 and 6
MIPRU 4
UPRU 1
IPRU(FSOC) 7
IPRU(INV) 1, 3, 4, 5, 9, 13, 14 and App 14
CASS 6, 7 and 7A
MAR 5
SUP 3, 9, 11, 13, 13A, 14, 15 and App 3
COMP 1**

COLL 5
CREDS 2
FUND 3
RCB 1 and 2
PR App 1
DTR 5
EMPS 1
OMPS 1

2.21 The FCA Board also made the following changes outside the FCA Handbook:

EG 8
PERG 1, 4, 10 and 13

2.22 This instrument comes into force on **1 January 2014**.

Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment No 2) Instrument 2013 (FCA 2013/80)

2.23 Following consultation in chapter 9 of CP13/9⁴, the FCA Board has made changes to the following sections of the FCA Handbook:

COBS 13

2.24 In summary, these changes set out the FCA's clarification that all projections for in-force personal and stakeholder pensions will be adjusted for inflation in the same way as projections for new business.

2.25 This instrument comes into force on **6 April 2014**. Feedback to this consultation is set out in Chapter 3 of this Notice

Conduct of Business (Platforms) (Amendment No 2) Instrument 2013 (FCA 2013/81)

2.26 Following consultation in chapter 13 of CP13/9⁵, the FCA Board has made changes to the following sections of the FCA Handbook:

COBS 14

2.27 In summary, these changes set out the FCA's deferral of the implementation of the majority of the COBS 14.4 rules until 2015.

This instrument comes into force on **13 December 2013**. Feedback to this consultation is set out in Chapter 3 of this Notice.

Supervision Manual (Reporting and Audit Requirements) (Amendment) Instrument 2013 (FCA 2013/82)

⁴ CP13/9, *Quarterly Consultation (No 2)* (September 2013).

⁵ CP13/9, *Quarterly Consultation (No 2)* (September 2013).

- 2.28** Following consultation in chapter 7 of CP13/9⁶, the FCA Board has made changes to the following sections of the FCA Handbook:

SUP 16

- 2.29** In summary, these changes set out the FCA's removal of the MLAR restriction that requires firms to report in sterling.

- 2.30** This instrument comes into force on **31 December 2013**. Feedback to this consultation is set out in Chapter 3 of this Notice.

Compensation Sourcebook (Investments by Large Unincorporated Associations and Certain Large Partnerships) Instrument 2013 (FCA 2013/84)

- 2.31** Following consultation in CP13/11⁷, the FCA Board has made changes to the following sections of the FCA Handbook:

Glossary of definitions

FEES TP 9

COMP 4 and TP 1

- 2.32** In summary, these changes ensure our rules properly implement the Investor Compensation Schemes Directive (ICSD) regarding the eligibility of large unincorporated associations and partnerships.

- 2.33** This instrument comes into force on **13 December 2013**. The outcome of this consultation is set out in Chapter 3 of this Notice.

Listing Rules (Annual Financial Report) Instrument 2013 (FCA 2013/85)

- 2.34** Following consultation in CP13/7⁸, the FCA Board has made changes to the following sections of the FCA Handbook:

LR 9, App 2 and TR 11

- 2.35** In summary, these changes remove the overlap between the Listing Rules and the new Directors' Remuneration Reporting Regulations and make a consequential amendment resulting from the Narrative Reporting Regulations.

- 2.36** This instrument comes into force on **13 December 2013**. Feedback to this consultation was published by the FCA in a separate Policy Statement.

⁶ CP13/9, *Quarterly Consultation (No 2)* (September 2013).

⁷ CP13/11, *Financial Services Compensation Scheme- unincorporated associations and partnerships* (October 2013).

⁸ CP13/7, *Consequential Changes to the Listing Rules resulting from the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations* (August 2013).

3. Consultation feedback

- 3.1** This chapter provides feedback on consultations that do not have a separate Policy Statement published by the FCA.

Chapter 9 of CP13/9, Quarterly Consultation (No 2)

Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment No 2) Instrument 2013 (FCA 2013/80)

Background

- 3.2** In March 2013 the Financial Services Authority published PS13/2⁹ which contained our rules for inflation-adjusted projections and effect of charges information for personal and stakeholder pensions, including self-invested personal pensions (SIPPs). In Chapter 9 of CP13/9¹⁰, in response to a number of queries, we consulted on:
- a.** clarifying that these rules applied to in-force business as well as at point of sale;
 - b.** a consequential amendment to the rule on in-force projections which are consistent with statutory money purchase illustrations (SMPI);
 - c.** enabling firms to provide existing policyholders with projections in nominal terms on request in certain circumstances;
 - d.** reinstating the intermediate rate exemption for projections for in-force life business which was inadvertently removed; and
 - e.** removing an out-of-date rule on the maximum level of contributions to a personal pension scheme.

- 3.3** All the rules form part of COBS 13 Annex 2 on Projections.

Feedback

- 3.4** The consultation closed on 6 November 2013 and we received 12 responses, mainly from product providers and illustration software providers.
- 3.5** Those who commented all agreed that projections for in-force pensions policies should be adjusted for inflation and some respondents agreed that the draft rule achieved its purpose in

⁹ PS13/3 *Restrictions on the retail distribution of unregulated collective investment schemes and close substitutes* (June 2013) www.fca.org.uk/your-fca/documents/policy-statements/ps13-03

¹⁰ CP13/9 *Quarterly Consultation Paper No 2* (September 2013) <http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-09>

clarifying the issue. However, one firm pointed out that the amendment to the SMPI rule would, in future, prevent variations (prompted by the SMPI) being illustrated on a basis consistent with SMPs. Most respondents could foresee few instances where a policyholder would need a projection of retirement income in nominal terms and some thought permitting such requests would undermine our general policy on inflation-adjusted illustrations. However, a pension mortgage was cited as an example of where a projection of the lump sum benefit in nominal terms would be helpful. Firms were also concerned that the cost of maintaining projection systems for both inflation-adjusted and nominal returns had not been taken into account and that if the rule was mandatory rather than permissive, it would be extremely challenging to implement by 6 April 2014.

- 3.6** The reinstatement of the intermediate rate exemption for in-force life projections was welcomed by firms.
- 3.7** Respondents agreed that the rule on maximum contributions to a pension scheme was redundant for the purposes of keyfacts illustrations (KFI). However, one respondent queried the redraft of the rule which also included the provisions for making projections for a product with six months or less to maturity. They considered that the redrafted rule which referred to in-force products would prevent a reasonable basis being used for a new product of six months or less.

Our response

- 3.8** We are pleased that respondents agreed that the proposed rules have clarified the situation for in-force projections. In the light of comments received, we have reviewed the proposed wording to the SMPI rule to clarify that projections which are consistent with SMPI requirements may only be used for in-force products. We have decided not to proceed with the rule requiring existing policyholders to be given projections of retirement income in nominal terms if they request one. However, as pension mortgages were cited as potentially requiring a projection of the lump sum benefits in nominal terms, we have inserted new guidance in row 1.2AG that makes it clear that where a policyholder requests such information for planning purposes, firms can provide it should they wish to do so.
- 3.9** The final rules reflect the reinstatement of the intermediate rate exemption for in-force life products.
- 3.10** We have removed the rule on maximum contributions, as consulted. The final wording of the rule on projections for business with six months or less to maturity retains the in-force wording. This is for consistency with the disclosure requirements in article 185 of the Solvency Directive, as consulted on in CP11/25.¹¹

Cost benefit analysis and compatibility statement

- 3.11** In CP13/9, we considered that there was no cost attached to the proposals which were a clarification of the rules published in PS13/2. A small number of respondents disagreed, highlighting the potential cost if firms were required to produce both real and nominal projections. At least one firm would also have incurred costs in amending in-force projections if we had proceeded with the SMPI rule as consulted upon. However, we consider that the final rules we have made do not impose additional cost on firms. In particular, the guidance which permits firms to illustrate lump sum benefits in nominal terms is permissive and imposes no compulsory costs on firms.

Equality and diversity issues

¹¹ CP11/25 *Distribution of retail investments: RDR Adviser Charging and Solvency II disclosures* (November 2011) www.fca.org.uk/your-fca/documents/consultation-papers/fsa-cp1125

- 3.12** We received no comments in relation to our statement set out in CP13/9 and continue to believe that these proposals have little impact on the equality agenda and do not give rise to discrimination.
- 3.13** The changes made by this instrument are listed in Chapter 2 of this Notice.

Chapter 13 of CP 13/9, Quarterly Consultation (No 2)

Conduct of Business (Platforms) (Amendment No 2) Instrument 2013 (FCA 2013/81)

Background

- 3.14** Following consultation in CP10/29¹², we made rules and guidance requiring intermediate unitholders (including platforms) to provide fund information and voting rights to the underlying beneficial investors in authorised funds. These rules were originally scheduled to come into force as part of the Retail Distribution Review (RDR) on 31 December 2012.¹³
- 3.15** After discussions with industry on a number of issues, we proposed in CP12/11¹⁴ to defer the 'in-force' date of the COBS 14.4 rules to 31 December 2013 with the aim of re-consulting on a revised version of the rules.
- 3.16** In Chapter 13 of CP 13/9¹⁵ we proposed to conduct further research on the effectiveness of the current information provided to investors in funds, covering both those who invest via intermediate arrangements and those who invest in funds directly, coupled with a proposal to defer the in-force date of the rules to end 2015. However, we also proposed to allow the rule and guidance on information requests by authorised fund managers (AFMs) for liquidity management purposes (COBS 14.4.10R to 14.4.12G) to come into force on 31 December 2013 as planned.

Feedback

- 3.17** In total, we received nine responses to our consultation, four submitted by trade associations and five by regulated firms. All respondents welcomed the deferral of COBS 14.4.1R to 14.4.9R and encouraged us to undertake further research in this area.
- 3.18** One respondent asked us to also delay the rule and guidance on information requests by AFMs for liquidity management purposes. This would allow time for all relevant stakeholders to agree what constitutes a reasonable request, addressing what they saw as ambiguity in the rules.

Our response

- 3.19** We will delay the date COBS 14.4.1R to 14.4.9R (ie, provision of information and voting rights) comes into force, in line with our proposal. We will take account of the feedback on the rules themselves when discussing our proposed approach to the research with firms and consumer groups.

¹² CP10/29 *Platforms: Delivering the RDR and other issues for platforms and nominee-related services* (November 2010) www.fsa.gov.uk/pubs/cp/cp10_29.pdf

¹³ PS11/9 *Platforms: Delivering the RDR and other issues for platforms and nominee-related services* (August 2011) www.fsa.gov.uk/pubs/policy/ps11_09.pdf

¹⁴ CP12/11 *Quarterly Consultation (No 33)* (June 2012) www.fsa.gov.uk/static/pubs/cp/cp12-11.pdf

¹⁵ CP13/9 *Quarterly Consultation (No 2)* (March 2013) www.fca.org.uk/static/documents/consultation-papers/cp13-09.pdf

- 3.20** The rule and guidance on information requests by AFMs for liquidity management purposes (COBS 14.4.10R to 14.4.12G) will come into force on 31 December 2013 as planned. These provisions are designed to help AFMs manage liquidity in their funds. Changes in distribution models and the corresponding shift of investors to platforms have made it more difficult for AFMs to understand and analyse their investor base. We believe that information about the investor base from intermediate unitholders will help AFMs to manage liquidity in authorised funds more effectively.
- 3.21** As explained in chapter 5 of PS11/9, we have decided not to produce an exhaustive list of the types of information an AFM can request for liquidity management purposes. Different information may be required depending on the type of fund – for example, an equity manager may not need the same information as a bond fund manager and information needs may develop over time. We expect industry participants will work together to ensure consistency or standards for the request and provision of this information.
- Cost benefit analysis and compatibility statement**
- 3.22** CP13/9 contained a cost benefit analysis (CBA) setting out the costs and benefits of our proposal. There were no comments received on the CBA and we have not made any changes to our final instrument from the one consulted on. Therefore, we believe that the CBA remains valid.
- 3.23** We received no comments on the compatibility statement, which remains as stated in the consultation paper.
- Equality and diversity issues**
- 3.24** We continue to believe that these changes do not give rise to discrimination and are of low relevance on the equality agenda. We received no comments during consultation on any equality issues that respondents could foresee.
- 3.25** The changes made by this instrument are listed in Chapter 2 of this Notice.

Chapter 7 of CP 13/9, Quarterly Consultation (No 2)

Supervision Manual (Reporting and Audit Requirements) (Amendment) Instrument 2013 (FCA 2013/82)

Background

- 3.26** The Mortgage Lenders and Administrators Return (MLAR) was originally designed to collect data through the Firms Online system, which only allowed firms to report in sterling. However, when the Gathering Better Regulatory Information Electronically (GABRIEL) system was rolled out in 2008, it allowed firms to report in a number of currencies to support the requirements for FSA00x data items. GABRIEL allows firms to choose one of seven reporting currencies and set it for all of their GABRIEL reporting (when not specifically requested to report in sterling by the Handbook rules and guidance).
- 3.27** We are proposing to remove the restriction that firms must report in sterling from the MLAR guidance annex (SUP 16 Annex 19BG) in order to be consistent with how the GABRIEL system operates. We also propose to amend the titles of SUP 16 Annex 19AR and SUP 16 Annex 19BG, which both incorrectly refer to the MLAR as the ‘Mortgage Lending and Administration Return’, to the correct title of ‘Mortgage Lenders and Administrators Return’.

- 3.28** The Payment Services Regulations 2009 (PSRs) allows payment institutions three alternative methods for calculating their own funds requirements: Methods A, B and C. Firms agree the method they will use at the stage of authorisation and then demonstrate compliance by annual submission of data item FSA056.
- 3.29** Following consultation in CP09/7¹⁶ and confirmation in PS09/8¹⁷, we have been basing our fees for authorised payment institutions in fee-block G3 on the income measure set out under Method C of the PSR. However, we have to write separately to the 319 payment institutions that do not use Method C asking them to email us the figure that is needed by FEES 4 Annex Part 3 to calculate the firm's fees. This is inefficient and resource-intensive, both for firms and the FCA, creating a separate reporting and validation exercise in addition to their normal regulatory reporting.
- 3.30** We thought it would be more efficient to ask firms to provide the data at the same time as they complete the rest of their regulatory reporting on payment services. We also proposed to introduce a new data element whereby payment institutions who use methods A or B to record their own funds requirement, are required to record their total annual income in Euros – element 67B.

Feedback

- 3.31** We did not receive any feedback on our proposals and, therefore, intend to implement the proposals as stated.

Cost benefit analysis and compatibility statement

- 3.32** Section 155 of FSMA requires us to publish a cost benefit analysis (CBA) of the implications of the proposed amendments. The requirement, under section 155 of FSMA, does not apply if there will be no increase in costs or if any increase in costs will be of minimal significance. We received no comments in respect of the CBA or the compatibility statement and therefore believe that they remain valid.

Equality and diversity issues

- 3.33** We received no comments in relation to our statement set out in CP13/9 and continue to believe that these proposals have little impact on the equality agenda and do not give rise to discrimination.
- 3.34** The changes made by this instrument are listed in Chapter 2 of this Notice.

CP13/11 – Financial Services Compensation Scheme- unincorporated associations and partnerships

Compensation Sourcebook (Investments by Large Unincorporated Associations and Certain Large Partnerships) Instrument 2013 (FCA 2013/85)

Background

- 3.35** In October we consulted in CP13/11¹⁸ on extending eligibility to claim on the Financial Services Compensation Scheme (FSCS) if an investment firm failed. This was to ensure our rules properly

¹⁶ CP09/7 – Regulatory fees and levies – Rates proposals 2009/10 (February 2009) http://www.fsa.gov.uk/pubs/cp/cp09_07.pdf

¹⁷ PS09/8 – Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2009/10 http://www.fsa.gov.uk/pubs/policy/ps09_08.pdf

¹⁸ CP13/11 *Financial Services Compensation Scheme – unincorporated associations and partnerships* (October 2013) www.fca.org.uk/your-fca/documents/consultation-papers/cp13-11

implemented the Investor Compensation Schemes Directive (ICSD). We proposed to amend COMP to extend eligibility to claim on the FSCS for investment business in relation to future failures of investment firms to:

- all unincorporated associations, irrespective of size; and
- large partnerships provided they do not exceed the size limits that apply to companies.

3.36 We also proposed to apply the FSCS's existing compensation limit and scope for investment business to the unincorporated associations and partnerships that will become eligible to claim on the FSCS.

Feedback

3.37 We received no responses to the CP.

Our response

3.38 As we received no responses, we have made the rule change to COMP and the change came into force on 13 December 2013.

3.39 We have added a transitional provision to our FEES sourcebook to set out how firms whose financial year ends in 2013 should report tariff data for the purpose of FSCS levies. This will give firms flexibility and clarity in reporting data relating to business with claimants that become eligible for FSCS compensation in 2013 because of this rule change. Firms whose financial year ends in the period 13 – 31 December 2013 have the flexibility to use one of the following methods:

- a. include all the annual income attributable to this business;
- b. do not include any annual income attributable to this business; or
- c. include only that part of the annual income attributable to this business that is attributable to the period from 13 December 2013 to the end of the firm's financial year.

3.40 All other firms (ie, firms whose financial year ends on or before 12 December 2013) need not include any of the annual income attributable to this business.

Cost benefit analysis and compatibility statement

3.41 The cost benefit analysis and compatibility statement in CP13/11 remain valid.

Equality and diversity issues

3.42 As stated in CP13/11, we have assessed the likely equality and diversity impacts of the proposals and we continue to think that they do not give rise to any concerns.

3.43 The changes made by this instrument are listed in Chapter 2 of this Notice.

4. Additional information

Making corrections

- 4.1** The FCA reserves the right to make correctional or clarificatory amendments to the instruments made at the Board meeting without further consultation should this prove necessary or desirable.

Publication of Handbook material

- 4.2** This Notice is published on the FCA website and is available in hardcopy.
- 4.3** The formal legal instruments (which contain details of the changes) can be found on the FCA's website listed by date and reference number at <http://fshandbook.info/FS/InstrumentsByDate.jsp> or listed by module at <http://fshandbook.info/FS/InstrumentsByModule.jsp>. The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4** The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5** The consolidated text of the Handbook can be found on the FCA's website at <http://fshandbook.info>.
- 4.6** Copies of the FCA's consultation papers referred to in this Notice are available on the FCA's website or on request in hardcopy form.

Obligation to publish feedback

- 4.7** This Notice, and the feedback to which paragraph 1.3 refers, fulfil for the relevant text made by the Board the obligations in sections 138I(4) and (5) and similar sections of the Financial Services and Markets Act 2000 ('the Act'). These obligations are: to publish an account of representations received in response to consultation and the FCA's response to them; and to publish (where applicable) details of any significant differences between the provisions consulted on and the provisions made by the Board, with a cost-benefit analysis and a statement under s138K(4) of the Act if a proposed altered rule applies to authorised persons which include mutual societies.

Comments

- 4.8** We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, they should be sent to Saira Hussain or Melanie Purdie (see contact details at the front of this Notice).

Financial Conduct Authority



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