Consultation Paper

11/1*

Financial Services Authority

Quarterly consultation

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FSA®

Financial Services Authority

Contents

The Financial Services Authority invites comments on this Consultation Paper. Comments on Chapters 4, 5 and 6 of this CP should reach us by **6 February 2011** and on Chapter 3 by **17 February 2011**. Comments on all other chapters should reach us by **6 March 2011**.

Comments may be sent by electronic submission using the form on the FSA's website at www.fsa.gov.uk/pages/Library/Policy/CP/2011/11_01.shtml
You can also respond by email: cp11_01@fsa.gov.uk

If you wish to respond by letter, please send your comments to the person named at the end of each chapter and set out below:

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If you are responding in writing to several chapters, please send your comments to Roslyn Anderson in Communications, who will pass your response on as appropriate.

All responses to the above people should be sent to:
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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure.

A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

List of acronyms used in this Consultation Paper

ASP	Alternatively secured pension arrangement
BCOBS	Banking: Conduct of Business sourcebook
BIPRU	Banks, Building Societies and Investment Firms
BBA	British Bankers' Association
BSA	Building Societies Association
CTFs	Child Trust Funds
COBS	Conduct of Business sourcebook
CP	Consultation Paper
CBA	Cost benefit analysis
FSMA	Financial Services and Markets Act 2000
GENPRU	General Prudential sourcebook
HMRC	HM Revenue and Customs
KFI	Key features illustration
LRs	Listing Rules
MIR	Minimum income requirement
OFT	Office of Fair Trading
PSD	Payment Services Directive
PALs	Provisional Allotment Letters
INSPRU	Prudential sourcebook for Insurers
RDR	Retail Distribution Review
RAAs	Revenue Allocated Accounts
ILAS	Simplified Individual Liquidity Adequacy Standards
SUP	Supervision manual

TISA	Tax Incentivised Savings Association
TC	Training and Competence
USP	Unsecured pension arrangement

1 Overview

1.1 In this Consultation Paper (CP), we invite comments on miscellaneous amendments to the Handbook. It proposes amendments:

- to require firms to tell us before it or another undertaking in its group issues any capital instrument which it wishes to include as regulatory capital (Chapter 2);
- to the liquidity regime set out in the Prudential sourcebook for Banks, Building Societies and Investment Firms (Chapter 3);
- to add qualifications to the list of qualifications that are appropriate for carrying on the activities set out in the Training and Competence sourcebook (Chapter 4);
- to accommodate within the Conduct of Business sourcebook proposed changes announced by HM Treasury (the Treasury) June 2010 to remove the requirement to annuitise pension savings by age 75, and replace the unsecured pension arrangement (USP), and alternatively secured pension arrangement (ASP), with other income withdrawal options (Chapter 5);
- to the rules regarding Child Trust Funds (CTFs) following the government's announcement of its intention to phase out government contributions to CTFs (Chapter 6);
- to amend the Glossary definition of 'approved index' in relation to COBS 21 (Permitted Links) (Chapter 7);
- to provide that the new Retail Distribution Review (RDR) rules on Professionalism and Adviser Charging should not apply to advised sales of Holloway policies with a small investment element (Chapter 8);
- to the Banking: Conduct of Business sourcebook in order to state that firms should put interest rates on statements, and to update reference to the industry cash ISA transfer guidelines (Chapter 9);

- to the Supervision manual (SUP) to require firms who are planning on changing their key contact telephone number to notify us of the new details before the change takes place (Chapter 10); and
- to the Listing Rules (LRs) to make it clearer how the rules are applied (Chapter 11).

1.2 Responses to Chapters 4, 5 and 6 of this Consultation should be received by 6 February 2011, and on Chapter 3 by 17 February 2011. Responses to all other chapters should be received by 6 March 2011.

CONSUMERS

The proposals in Chapters 4, 5, 6, 7, 8, 9 and 10 may be of interest to consumers.

2 Capital instruments: pre-issuance notification

Introduction

2.1 This chapter proposes a change to the General Prudential sourcebook (GENPRU), the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and the Prudential sourcebook for Insurers (INSPRU). Under the proposed change, a firm must tell us before it or another undertaking in its group issues any capital instrument which it wishes to include as regulatory capital.

2.2 We would make these amendments under our powers in section 138 (General rule-making power), section 150(2) (Action for damages), section 156 (General supplementary powers) and section 157 (Guidance) of the Financial Services and Markets Act 2000 (FSMA). The changes to the Handbook are set out in Appendix 2 to this CP.

2.3 These amendments will be of interest to all firms that calculate their regulatory capital under GENPRU.

Proposed amendments

2.4 The purpose of the new rules is to enable us to monitor the amount and type of capital firms are issuing. By introducing a notification process, we will have consistent data as to the nature and extent of issuance by all firms. It will oblige firms to ensure that there has been appropriate sign-off at a senior level within the firm and will bring us in line with international practice as many other regulators have pre-issuance notification requirements already in place.

2.5 Currently the provisions in SUP 15.3.8G(3) provide guidance that, in complying with Principle 11 (Relations with regulators), we would expect a firm to give us notice of any proposed action which would result in a material change in its capital adequacy or solvency, including any action which would result in a material change in the firm's financial resources. However, in practice we have found that provision of notice has not been consistent between firms.

2.6 We propose to add a requirement to GENPRU for firms to notify the FSA in writing before issuing capital instruments. Notification is to be provided at least one month in advance of the intended issue date. The notification should include:

- details of the size of the issue and whether the capital is intended to be issued to external investors or within its group;
- the tier of capital in which it is intended to be included;
- details of any new, unusual or different features of the capital instrument (compared with other instruments of a similar nature which the firm has issued before or which are widely available in the market); and
- confirmation from senior management that the instrument complies with the GENPRU eligibility requirements for the intended tier of capital.

2.7 This notification requirement will apply to all capital issuances that the firm intends to count towards its capital resources.

2.8 We propose to add a further requirement to BIPRU requiring all BIPRU firms to make the same notification and provide the same level of detail on any proposed issuance of capital instruments to be made by another undertaking within its group which will be included as part of the capital resources of the BIPRU firm, its UK consolidation group or non-EEA sub-group.

2.9 We also propose to add a similar group company notification requirement to INSPRU to cover issuances by entities within an insurance group.

2.10 If during the one-month notification period the information provided in the notification changes, then the firm must provide a further notification as soon as it becomes aware of the change.

2.11 We may look at a sample of the notifications in more detail or perhaps request further information from firms on their proposed instruments. However, this is not a pre-approval process and we will not, nor should we be deemed to be, providing approval (explicit or implicit) of any instruments or confirmation of their eligibility for inclusion in a particular tier of capital. Firms will continue to remain responsible for ensuring that their instruments comply with all the necessary provisions of GENPRU.

2.12 In exceptional circumstances we may accept less than one month's notice. In such circumstances the firm must notify us as soon as possible and explain why it is not possible to provide the full one month's notice. We will consider exceptional circumstances to arise where a firm's capital adequacy is likely to come under undue pressure unless it can adhere to a shorter notice period.

2.13 This new notification requirement should provide us with a more complete picture of capital issuances that form part of regulatory capital.

Q2.1: Do you have any comments on the proposal?

Cost benefit analysis

2.14 There is currently no explicit requirement for a firm to notify us before it issues a capital instrument, though most already do. This proposed rule is intended to ensure that we are informed of all new capital issuances that firms intend to use as regulatory capital.

2.15 The notification requirement will result in us being informed of any new, unusual, or different features and allow us to monitor the development of features in capital instruments before they are issued. It will ensure that we have received confirmation from senior management that the instrument complies with the GENPRU eligibility requirements for the intended tier of capital, in time to discuss this further with firms if required.

2.16 The direct compliance costs to banks, investment and insurance firms related to the preparation of the notification are expected to be of minimal significance. Firms already collect and hold the relevant information that is to be submitted under the new rule, and we do not expect to request additional information not held by firms.

2.17 There may be costs to firms if they need to delay capital issuances in order to comply with the rule. The requirement to notify us one month before the planned capital issue may constrain firms' decision making. Firms will no longer have complete discretion to issue capital instruments within a month timeframe for reasons other than failing to meet their regulatory capital requirements.

2.18 A survey of a limited sample of investment banks that specialise in structuring and marketing capital instruments indicates that most capital instruments take four to eight weeks to be developed, usually including a one to two week marketing period after senior management have ratified the compliance. If it takes the full four to eight weeks for the product to reach a stage at which senior management can approve it and notify us, the delay to firms' capital issuance could, in theory, be the full one month notification period. However, in practice, it is likely to be less because compliance checks are usually completed ahead of marketing. Our samples suggested that the timing is similar for banking and insurance instruments, with the exception that in the case of insurance issuance it may take longer, owing to necessary credit rating assessments. This should make the one month pre-notification requirement less restrictive for insurers.

2.19 We realise that this measure may reduce a firm's ability to capitalise on short-term commercial opportunities. When this happens, the firm may incur costs in the pricing of the instrument and access to the market. However, given that the delay in issuance is expected to be limited, we expect these costs to be relatively small. Moreover, firms can mitigate this cost by having instruments ready to issue ahead of market opportunity. The rule also provides that in exceptional circumstances firms may give us less than one month's notice.

2.20 There will be some resource implications for us, as we will have to collect more information. However, we do not expect these to be significant, as introducing this rule will partly formalise a process that is already informally in place through SUP 15.3.8G(3).

Q2.2: Do you agree with our description of the costs to firms?

Q2.3: Are there any other costs, benefits or other barriers to capital issuance in relation to this proposal that we have not adequately represented?

Q2.4: Are there any other changes firms may make in response to this proposal?

Compatibility statement

2.21 We believe the proposed notification requirement is compatible with our general duties under section 2 of FSMA.

2.22 The proposal is aimed primarily at our regulatory objectives of market confidence and financial stability. Requiring firms to pre-notify an issuance of capital, including senior management confirmation that the capital complies with the appropriate rules, should help to ensure that firms are confident that the capital they are issuing meets the necessary regulatory requirements on quality and characteristics and this should assist in monitoring firms' financial stability. We believe we have had regard to the principles of good regulation, in particular we consider the requirement to notify is proportionate to the benefits which can be achieved from such notification. We consider that these proposals are the most appropriate way of meeting our objectives. We expect the proposed rule to impose minimal costs on firms and ensure that we are informed of all new issuances that firms intend to use as regulatory capital.

Equality and diversity issues

2.23 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

Contact

Comments should reach us by 6 March 2011. Please send them to:

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3 Proposed minor amendments to the liquidity regime (BIPRU)

Introduction

3.1 This chapter proposes minor amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

3.2 The proposed amendments would be made under section 138 (General rule-making power), section 150(2) (Actions for damages) and section 156 (General supplementary powers) of the Financial Services and Markets Act 2000 (FSMA). Consultation on these proposals is for six weeks, and closes on 17 February 2010.

Background and context

3.3 In PS09/16[1] we set out our final policy for the UK's new framework for liquidity regulation. The new liquidity regime came into force on 1 December 2009. Elements of the regime were phased in for different classes of firms from 1 June 2010.

3.4 This chapter contains proposed amendments to the transitional provisions contained in BIPRU and to the Glossary. These amendments, which can be found in Appendix 3 to this CP, correct mistakes and delay full switch-on of the Simplified Individual Liquidity Adequacy Standards (ILAS) regime.

3.5 The amendments will be of interest to firms that report on the basis of the activities of their branch operations in the UK and simplified ILAS BIPRU firms. These proposals are unlikely to be of specific interest to consumers.

1 PS09/16 *Strengthening liquidity standards* (October 2009) www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_16.shtml

Proposed amendments

Transitional provisions for simplified firms (BIPRU TP 29)

Issue to be addressed

3.6 We have given simplified ILAS BIPRU firms a liquidity assets buffer scalar, the effect of which is to provide firms with a three-year transitional period, ending 1 October 2013, to fully comply with the simplified ILAS formula.

3.7 There are no equivalent transitional provisions for standard ILAS BIPRU firms. We announced on 18 November 2010[2] that we would not impose such requirements for standard firms before seeing final proposals on how the EU plans to implement changes, which the Basel Committee is making, to introduce minimum global liquidity requirements. These requirements are planned to be effective from 1 January 2015.

3.8 It would be preferable to harmonise the time frames that simplified and standard ILAS firms need to meet for the build up of their liquid assets buffers. So we are consulting on measures to extend the transition for simplified ILAS BIPRU firms in a manner which is in line with what we are likely to apply to standard ILAS BIPRU firms.

Background and context

3.9 We set simplified ILAS firms an industry-wide glide path providing a phased transition to firms holding 100% of their simplified buffer requirement. The effect is that simplified ILAS BIPRU firms have a transitional period of three years until 1 October 2013 to reach 100% of their simplified buffer requirement.

3.10 The Basel Committee is producing minimum liquidity requirements for internationally active banks that will be implemented in the UK through changes to EU law, with a proposed implementation date of 1 January 2015. We released a statement on tightening quantitative standards that postponed any decision on calibration and a transition path for standard ILAS BIPRU firms until we have more details of these changes.

3.11 However, at present we require simplified ILAS BIPRU firms to transition to full quantitative standards by 1 October 2013. We therefore propose to harmonise the implementation time frames for simplified and standard ILAS firms for the build up of their liquid assets buffer so that both classes of firms will hold 100% of their buffer requirements by 1 January 2015.

Proposed amendments

3.12 We propose amendments to the liquid assets buffer scalar for simplified ILAS BIPRU firms so that they are required to hold: 30% of their simplified buffer requirement until 28 February 2012; 50% until 30 June 2013; 70% until 31 December 2014; and 100% thereafter, when the proposed transitional provisions would cease to apply. In practice, this means that the duration of the transitional provisions would be extended by 15 months from 30 September 2013 until 31 December 2014.

2 www.fsa.gov.uk/pages/Library/Communication/Statements/2010/calibration.shtml

Q3.1: Do you agree with our proposals to amend the transitional provision (BIPRU TP29) for simplified ILAS BIPRU firms?

Amendment to the definition of 'low frequency liquidity reporting firm'

Issue to be addressed

3.13 Standard ILAS BIPRU firms can qualify as 'low frequency liquidity reporting firms' by having a balance sheet size of less than £1bn. This means they must report monthly, rather than weekly, in normal times. The current Glossary definition of a 'low frequency liquidity reporting firm' applies at whole-firm rather than branch level, in the case of a branch reporting on its activities in the UK.

3.14 For smaller branches of larger firms, this creates more frequent reporting than is necessary, and is thus an unnecessary administrative burden. We believe that the burden on branches with total assets of less than £1 billion to report on a weekly rather than monthly basis is disproportionate to the marginal benefit derived.

Background and context

3.15 PS09/16 introduced quantitative reporting requirements for all ILAS BIPRU firms, the frequency of which varied depending on whether the firm was classified as a standard or low frequency reporting firm. Low frequency reporting firms report on a monthly, rather than weekly basis.

3.16 We believe that the administrative burden imposed upon branches with total assets of less than £1bn to report data items FSA047, FSA048 and FSA052 on a weekly basis rather than monthly, is disproportionate to the marginal benefit derived from a weekly analysis of returns. It is also an inefficient use of our resources to analyse weekly returns of these smaller operations.

Proposed amendments

3.17 We propose to amend the Glossary definition of 'low frequency liquidity reporting firm' to allow branches' reporting frequency to depend on balance sheet assets attributable to the UK branch, rather than the size of the balance sheet of the firm as a whole. This would result in more branches qualifying to be low frequency reporters, reporting on a monthly rather than weekly basis.

Q3.2: Do you agree with our proposal to amend the Glossary definition of a 'low frequency liquidity reporting firm'?

Cost benefit analysis

Transitional provisions for simplified firms (BIPRU TP 29)

3.18 In our assessment, amending the transitional provisions for simplified firms such that the duration of the transitional arrangements is increased, would not impose any material or significant costs.

3.19 There are two off-setting considerations in delaying the increase in standards of the liquidity regime for simplified ILAS firms to the extent that these firms take advantage of the longer transition period:

- the benefits of the liquidity regime will not be fully realised over the period of the delay (mitigation of firms' liquidity risk and associated reduction in probability of firm failures); and
- the costs to firms of a tougher prudential regime will be lower in the transition period.

3.20 Proportionate transitional arrangements for both simplified and non-simplified ILAS firms will ensure that these costs increase gradually over the same period for all firms. This means that firms adopting the simplified ILAS regime do not face proportionately higher costs over the transition period.

Amendment to the definition of 'low frequency liquidity reporting firm'

3.21 Under our existing rules, small self-sufficient branches need to report specific liquidity data items on a weekly basis and to have systems in place to ensure that, at all times, they are able to report these liquidity items daily. Reclassifying small branches of foreign firms as 'low frequency liquidity reporting firms' will decrease the reporting frequency to monthly. The proposed amendments also establish that we may require weekly reporting at any time on those liquidity data items. Under the changes the branch's systems and controls will no longer need to deliver daily reporting.

3.22 These amendments will affect up to 40 solo reporting branches. We believe that costs of setting up direct systems and controls estimated in CP09/13 are unaffected by the proposed amendments as firms are still required to report the same data. However, the lower overall reporting frequency could reduce affected firms' ongoing reporting costs, initially estimated at £144,880 annual average per firm, during normal times, although we should note that this cost estimate was based on larger institutions so is likely to be an over-estimate for the smaller branches. The ongoing cost reduction could be higher at stressed times as firms need to report on a weekly basis only. Lower reporting frequency could also alleviate our data-handling costs.

3.23 Lower reporting frequency, both in normal times and during stress periods, may reduce our ability to monitor firms' liquidity management at the branch level. We believe that these uncertainties are immaterial.

Compatibility statement

3.24 In Chapter 14 of PS09/16 we set out our view that the finalised liquidity regime – including the liquidity reporting regime, systems and controls requirements, as well as the transitional provisions for simplified firms – is compatible with our statutory objectives and the principles of good regulation.

3.25 The proposed minor amendments in this consultation are driven by feedback from firms, other industry participants as well as internal FSA feedback.

3.26 The proposals on which we are now consulting are intended to help us deliver our policy set out in PS09/16 and thereby to meet our statutory objectives of market confidence and consumer protection. We have also considered the principles of good regulation and, in particular, the principle that a burden or restriction should be proportionate to the benefits, the need to use our resources in the most efficient and economic way, as well as the international character of financial services and markets and the desirability of maintaining the competitive position in the UK.

Equality and diversity issues

3.27 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

Contact

Comments should reach us by 17 February 2011. Please send them to:

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4 Extending the list of appropriate qualifications in the Training and Competence (TC) sourcebook

Introduction

4.1 Our Training and Competence (TC) sourcebook includes qualification requirements for individuals carrying out certain retail activities. Requiring individuals to attain qualifications is one way of securing an appropriate degree of protection for retail consumers. Qualifications can provide a robust assessment of an individual's level of knowledge and, sometimes, skills.

4.2 We set out in PS10/18 a list of the qualifications that are appropriate for carrying on the activities set out in TC; this list was also set out in Appendix 4E to TC. We also said that we would consult for one month each time we proposed that a new qualification should be added or removed from the appropriate qualifications list.

4.3 The purpose of this consultation is to add further qualifications to two of the activities under the Retail Distribution Review (RDR). They offer an alternative route to qualification, and increase the number of appropriate qualifications we recognise.

The proposed qualification

4.4 The qualifications that we propose to add are included in the draft Handbook text in Appendix 4 and we consider that they meet our qualifications criteria as set out in TC Appendix 5G. We also consider that the Diploma in Investment Planning (work based assessment) from the Chartered Institute of Bankers in Scotland meets full qualification requirement up to and after 1 January 2013 under our RDR proposals, for the activities of advising on Packaged Products (which are not broker funds) and Friendly Society tax-exempt policies. We would make these additions using our powers under section 138 (General rule-making power) of the Financial Services and Markets Act 2000 (FSMA).

> Q4.1: Do you agree that these qualifications should be listed as appropriate qualifications?

Cost benefit analysis

4.5 Section 155 of FSMA requires us to perform a cost benefit analysis (CBA) of our proposed requirements and to publish the results, unless we consider the proposals will not give rise to any costs or to an increase in costs of minimal significance.

4.6 This proposal does not increase the costs set out in the CBA in CP10/12.[3] Therefore the costs as a result of this proposal are minimal and a CBA is not required under FSMA. We believe the proposal will deliver potential benefits by increasing the choice and style of qualifications available. In this case, one of the proposed qualifications uses an alternative assessment methodology to assessment by written examination. This meets the commitment that we made to work with qualification providers and other experts, such as the National Skills Academy for Financial Services, to help make a work-based assessment available for people wanting to avoid written examinations under the RDR.

Compatibility statement

4.7 The proposal is designed to help us meet our consumer protection objective and is relevant to the principles of good regulation – in particular, promoting the desirability of facilitating innovation in connection with regulated activities. We are satisfied that these proposals are compatible with our general duties under section 2 of FSMA.

Equality and diversity issues

4.8 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

Contact

Comments should reach us by 6 February 2011.

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3 CP10/12 *Competence and ethics* (June 2010)

5 Removal of the requirement to annuitise pension savings by age 75

Introduction

5.1 HM Treasury (the Treasury) announced in June 2010 that it proposed removing the requirement to annuitise pension savings by age 75, and replacing the unsecured pension arrangement (USP), and alternatively secured pension arrangement (ASP), with other income withdrawal options. The Treasury proposals, which formed HM Revenue and Customs' (HMRC's) draft legislation published in December 2010, are expected to be included in the Finance Bill 2011.

5.2 This chapter proposes amendments to the Conduct of Business sourcebook (COBS) to accommodate the proposed changes. We would also amend relevant definitions in our Handbook Glossary. We considered extending the suitability guidance on income withdrawals[4] to reflect the new income withdrawal arrangements as well as extending the Training and Competence qualifications for giving advice in this area, but have concluded that the current requirements are adequate.

5.3 The proposed changes to our Handbook will apply from the commencement of the expected Finance Bill 2011, which is likely to be some months after April 2011. Some firms may want to anticipate the changes in tax law which will be effective from 6 April 2011, rather than waiting for Royal Assent of the Bill, which is likely to be in July 2011. We are proposing transitional provisions to the effect that, if firms do anticipate the changes in the course of their regulated activities, they must act as if the full rule changes were already in place. It is for firms to assess the extent to which the future changes will affect the advice given to (or other interaction with) a client. Advisers will need to be aware of the developments as they happen to enable them to make reasonable assumptions when giving advice. It will also be for firms to satisfy themselves that, where they anticipate the legal changes before the Finance Act 2011 comes into effect, their activities are lawful.

5.4 This consultation aims to make the necessary consequential changes to our Handbook to ensure that our rules and HMRC legislation are aligned. Should the Finance Bill 2011 differ from HMRC draft legislation published in December 2010 in a way that will affect our rules after they have been made, we will amend our rules accordingly.

4 COBS 9.3.3.G http://fsahandbook.info/FSA/html/handbook/COBS/9/3

5.5 Our powers to change COBS and the Glossary are set out in sections 138, 156 and 157 of the Financial Services and Markets Act 2000 (FSMA). The text of the proposed amendments is set out in Appendix 5 to this CP and consultation on these proposals closes on 6 February 2011.

5.6 These proposals will be of relevance to pension providers, advisers and consumer groups.

Proposed amendments

5.7 Following the changes, consumers will have three choices when they come to take an income from their retirement fund; they can:

- purchase an annuity;
- make use of capped drawdown with a cap placed on the maximum annual withdrawal; or
- make use of flexible drawdown where they can withdraw an unlimited amount provided they can demonstrate, from other sources, a minimum income requirement (MIR).

5.8 We are proposing changes to COBS to ensure consumers remain adequately protected and that the interaction between our rules and HMRC legislation does not present unnecessary barriers to providers and advisers in providing their service. If we do not make changes in these areas, firms would find it difficult to carry out their business without breaching either HMRC legislation or COBS rules.

Consequential changes

5.9 We propose the following consequential changes:

- deletion of the Glossary definition of an 'unsecured pension' as defined in paragraph 4 of Schedule 28 to the Finance Act 2004 and replacement with a definition of 'drawdown pension';
- deletion of the Glossary definition of 'alternatively secured pensions' as defined in paragraph 5 of Schedule 28 to the Finance Act 2004;
- amendment of the Glossary definition of 'short-term annuity', as defined in paragraph 6 of Schedule 28 to the Finance Act 2004. Reference to age 75 will be deleted from sub-section (d); and
- changing the Glossary definition of 'income withdrawal'. The current definition is as defined in paragraph 7 of Schedule 28 to the Finance Act 2004 and distinguishes between income taken before and after age 75. This will be changed to mean 'an amount (other than an annuity) which the member is entitled to be paid from the member's drawdown pension fund in respect of an arrangement'. No age will be referred to.

5.10 In COBS 9.4.10G(5) we intend to amend the additional content for income withdrawal suitability reports where it refers to the current drawdown options before and after age 75. This will be replaced by 'the maximum income that can be withdrawn under a drawdown arrangement'.

5.11 When preparing product information, the contents of a key features illustration (KFI) document requires certain assumptions to be followed when calculating projections. COBS 13 Annex 2 (R 2.9) has additional requirements when calculating unsecured and alternatively secured pension projections. We propose changing this annex to require assumptions when calculating projections of drawdown pensions. Furthermore, references to alternatively secured pension in COBS 13 Annex 3, 2.2(3) R 1A and 1B will be replaced with reference to drawdown pension.

5.12 COBS 14.2.1R(3B) includes rules that firms must follow when providing product information to clients. A firm that sells the variation of a personal pension scheme to a retail client, must give that client information required by COBS 13 Annex 2.2.9R. We intend to delete the reference to unsecured and alternatively secured pensions and to replace it with a reference to drawdown pensions.

> Q5.1: Do you agree with these changes to the Glossary and COBS rules and guidance on annuities and income withdrawal to suitably reflect HMRC legislation?
>
> Q5.2: Do you consider the transitional provisions adequate? If not, why not?

Other changes

5.13 We considered whether we need to amend the suitability guidance on income withdrawals and short-term annuities in COBS 9.3.3G to reflect the changes around capped drawdown and flexible drawdown. The guidance already sets out that firms should consider, when making a recommendation about income withdrawals:

- the client's investment objectives, need for tax-free cash and state of health;
- current and future income requirements, existing pension assets and the relative importance of the plan, given the client's financial circumstances; and
- the client's attitude to risk, ensuring that any discrepancy is clearly explained between their attitude to an income withdrawal or purchase of a short-term annuity and other investments.

5.14 We think this guidance is adequate despite the changes.

> Q5.3: Do you agree that no extra suitability guidance is needed on income withdrawals?
>
> Q5.4: If you do not agree, what extra suitability guidance would be needed? Please provide details in your response.

5.15 We have considered the possibility of increasing the qualification standards in the Training and Competence (TC) sourcebook Appendix 1 for advice in the area of advised non-investment provisions to reflect the new options of income withdrawals. We do not think the changes will make it more complex to give advice. Accordingly, we do not propose any changes at this stage to the TC sourcebook. We still think that advice at the time of drawing pension benefits should not be restricted to certain advisers; instead, we believe that it is in consumers' best interests if more advisers can advise across the whole range of 'decumulation' options, including income withdrawals as well as annuities, and that they are competent to do so. There would be a danger that requiring higher qualifications for income withdrawals might influence other advisers without the extra qualification towards recommending annuities where withdrawals might be suitable. So we do not propose any changes at this stage to TC.

Q5.5: Do you agree that the current level of qualification in the TC sourcebook is adequate despite the income withdrawal changes? If not please present evidence as to why an increase in the qualification is needed.

Cost benefit analysis

5.16 When proposing new rules, we are obliged (under section 155 of FSMA) to publish a cost benefit analysis (CBA), unless we consider the proposals will give rise to no costs or to an increase in costs of minimal significance. A CBA is a statement of the differences between the baseline and the position that will arise if we implement the proposals.

5.17 In most cases, the baseline is the status quo but this is not the case here. The baseline will be the changes brought about by the expected HMRC legislation where there will be no requirement to annuitise pension savings by age 75 and consumers will have the option to annuitise, or make use of drawdown income arrangements. This change in the income withdrawal landscape needs to be taken into account when assessing the costs and benefits.

Benefits

5.18 It is necessary to ensure that HMRC legislation and our COBS rules and guidance are aligned to avoid leaving firms in a position where they would be breaching either our rules or HMRC legislation. This could create costs for firms as they deal with an uncertain set of regulatory requirements and for consumers if they are given incorrect information. The consequential changes to COBS relating to income withdrawals align our requirements with HMRC legislation. If the regulatory position is not aligned, this would result in firms being in breach of either HMRC legislation or COBS rules.

Costs

5.19 Providers and advisers are likely to incur costs as a result of the Treasury changes and therefore some of our consequential changes would only have minimal or no costs.

5.20 Advisers already have to explain in the suitability report why the recommended option is suitable for the client. Suitability reports are prepared on an individual basis so firms should already have sufficient flexibility to include the required details. Furthermore, advisers will need to alter their documents because of the changes in HMRC legislation. In view of this, we expect costs to be of minimal significance.

5.21 We expect product providers to incur no or minimal costs of altering KFI projections for drawdown pensions, and for providing information about variations of a personal pension scheme because the changes introduced by HMRC legislation have the effect of requiring product providers to change these pieces of information provided to consumers. We would expect changes in relation to our proposals to be a part of product providers' projects to meet the changes to HMRC legislation.

5.22 We do not expect any costs to the FSA from these proposals.

> Q5.6: Do you have any comments on our analysis of the costs and benefits of the proposals we are making?

Compatibility statement

5.23 The amendments to COBS are designed to help us meet our consumer protection objective. We do not expect the proposals in this chapter to have an impact on the other statutory objectives.

5.24 We have considered the principles of good regulation and, in particular, that a burden should be proportionate to the expected benefits. As our analysis indicates, the cost impact of our proposals will be minimal. We are, therefore, satisfied that these proposals are compatible with our general duties under Section 2 of FSMA.

Equality and diversity issues

5.25 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

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6 Child Trust Funds – Proposed amendments

Introduction

6.1 This chapter proposes amendments to the rules regarding Child Trust Funds (CTFs). The text of the amendments is set out in Appendix 6 to this CP.

6.2 CTFs are tax-free investment or savings accounts for children, introduced for those born after 31 August 2002 by the Child Trust Fund Act 2004. CTFs can only be opened with a CTF voucher, which is issued by the government to new parents. Additional contributions up to £1,200 per year can be made into the CTF. The child receives control of the account at age 16, but cannot access the funds until age 18. The Child Trust Fund Regulations 2004 (the Regulations) require accounts to be managed at all times by a Her Majesty's Revenue and Customs (HMRC) approved provider and subject to the conditions prescribed by the CTF legislation.

6.3 On 24 May 2010, the government announced[5] its intention to phase out government contributions to CTFs. The Regulations have since been amended: the value of the CTF voucher was reduced from £250 to £50 for children born on or after 2 August 2010; and Age 7 payments ceased entirely for children turning 7 on or after 1 August 2010. Eligibility to CTFs will cease entirely for children born on or after 3 January 2011, in accordance with the Savings Accounts and Health in Pregnancy Grant Act 2010.[6] New CTF accounts will not be opened for any children born on or after 3 January 2011.

6.4 As a result of the decision to end CTF eligibility, the government is making amendments to the Regulations that aim to reduce burdens on CTF providers. An amendment has already been made to remove the obligation on CTF providers to accept all CTF vouchers so they can continue to be approved by government.[7] This means that existing CTF providers can continue to manage their back book of CTFs, but can choose not to accept any new business going forward.

5 http://www.hmrc.gov.uk/chancellors-statement/ctf-announce-qa.pdf
6 http://www.legislation.gov.uk/ukpga/2010/36/contents/enacted
7 http://www.legislation.gov.uk/uksi/2010/2599/contents/made

6.5 The government has announced an additional amendment[8] to the Regulations to further ease the administrative burden for providers. The requirement on CTF providers to issue annual statements will be replaced with the lesser requirement to issue statements automatically at ages four, ten and 16 (of the child), but not at other ages, provided the account is worth less than £300 at the statement date, or there have been no contributions between the previous and current statement dates.

6.6 The government has proposed these changes following feedback from providers and representative bodies after the announcement that government contributions to CTFs would reduce and then stop. The government believes the change to annual statements will encourage providers to continue to operate CTFs by reducing their costs – in particular, those who operate Revenue Allocated Accounts[9] (RAAs). CTF providers voluntarily accept RAAs, which by their nature usually only contain government contributions (i.e. are of relatively low value).

6.7 If we do not make appropriate changes, CTF providers would not be able to take advantage of this relaxation without breaching our Conduct of Business (COBS) rules. The government intends to coordinate the amendments to the Regulations so that they take effect as changes to our rules are implemented. The aim is to have these rules in place by the end of the current (2010/11) tax year. We have therefore decided to shorten the consultation period of this chapter to one month, ending on 6 February 2011, to give us sufficient time to consider the responses and confirm the implementation of changes by the end of the tax year.

Proposed amendments

6.8 Our COBS rules include reporting requirements on firms involved in designated investment business. The rules require clients to be issued with trade confirmations, periodic statement and annual statement of the funds. For CTFs, our rules allow these requirements to be met through the annual statement provided under the Regulations.

6.9 Following the government's changes, the Regulations will no longer require annual statements for all CTF accounts. CTF providers will only have to send statements automatically in relation to the fourth, tenth, and 16th birthdays (of the child in question) and not at other ages providing the CTF account falls into either of the following categories:

- the value of the CTF is less than £300 at the statement date; or
- there have been no contributions to the CTF between the previous and current statement dates.

6.10 Providers may continue to provide annual statements if they wish and clients may request an annual statement at any time.

6.11 We are proposing changes to COBS 16 allowing the reporting requirements to be met through the statements required under the amended Regulations, even though

8 http://www.hmrc.gov.uk/ctf/ctf-bulletin49.pdf – This bulletin sets out the intention to make the changes referred to in paragraphs 6.4, 6.5 and 6.9. The amendments have since been separated into different instruments.

9 RAAs are CTFs opened by HMRC where parents have failed to open an account for their child.

this may not be annual information in all cases. These COBS changes will mean that providers will be able to take advantage of the easements provided in the proposed changes in Regulations.

6.12 As a consequence of these changes, references elsewhere in COBS and the Glossary to 'annual statements' for CTFs need to be amended. We are therefore also proposing changes to the definition of a 'private customer' within the Glossary and to COBS 3.2.3R, which sets out who should be treated as the client in specific circumstances.

6.13 As discussed, the government intends for children born on or after 3 January 2011 to not be eligible for a CTF account. So, no new CTF accounts will be opened for children born on or after 3 January 2011. COBS contains rules that apply to the opening of a CTF. We do not plan to consult on removing these rules at this time. The government is looking at introducing an alternative savings and investment account for children and has suggested the implementation of 'Junior ISAs'. We consider it prudent to postpone amendments to other rules relating to CTFs to align with any broader considerations for any replacement product.

6.14 We would welcome feedback on our proposals, in response to the question below:

> Q6.1: Do you agree with our proposals to amend the rules on reporting information to clients to allow them to be met by the statement provided under the CTF regulations?

Cost benefit analysis

6.15 Section 155 of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) of any proposed changes to our rules, unless we consider the proposals will give rise to no increase in costs or to an increase in costs of minimal significance. A CBA is a statement of the differences between the baseline and the position that will arise if we implement the proposals. The baseline in this case includes the policy changes the government has made, most importantly the decision to end eligibility to CTFs.

Benefits

6.16 The benefits of reducing the frequency with which CTF providers have to issue statements to account holders will be a reduction in providers' costs. Government data shows that the total number of accounts opened as at 15 September 2010, for all vouchers issued to the same date, is 5.451m.[10] Based on the government data, we estimate that three quarters of these would qualify for reduced notification being either under £300 or having not received contributions in the last year. Given this,

10 HMRC Child Benefit quarterly statistics, http://www.hmrc.gov.uk/stats/child_trust_funds/ctf-sept2010.pdf

we expect cost savings for firms of £2m to £4m[11] per annum in aggregate. This cost reduction could help create a knock-on benefit by reducing the number of firms leaving the CTF market, and the consumer detriment this could cause.

6.17 We are aware that CTFs, being accounts containing relatively small sums of money, are generally low-margin products that take a number of years to become profitable. The amendments in August 2010, reducing the value of CTF vouchers from £250 to £50 and ceasing Age 7 payments, and the amendments in January 2010, ceasing eligibility to CTFs, reduce the potential profits the CTF market offers firms. This in turn reduces the incentive to remain in the market.

6.18 The government has amended the Regulations so that a provider can continue to be approved even if they no longer open any new CTF accounts. If providers withdraw from the market altogether by selling off their existing business, this could still harm existing and future CTF account holders. Closures of providers could cause instability within this area of the market, and transfers of business between providers could lead to customer confusion over who is running their accounts.

6.19 Reducing the administrative burdens on CTF providers will reduce the likelihood of firms deciding to withdraw from the market, and so will reduce this potential source of consumer detriment.

Costs

6.20 The cost of this proposal is that, if consumers receive information at a reduced frequency, they may be inclined to shop around less frequently. However, this will only apply to CTFs that either hold less than £300 or have not received a contribution in the last year. While this accounts for the majority of CTFs, these are accounts where there is already little engagement. Also, those who do want a statement will still be able to receive one on request. As such, we expect that any competition effects and consumer detriment arising from this proposal will be very small.

6.21 While we expect the direct costs to be very small, there is the question of who they hit. Being a fixed-value benefit, CTFs account for a higher proportion of savings the 'poorer' the recipient is. Also, the poorer a consumer is, the more likely they are to be financially excluded, and to a greater degree. Taken together, this suggests that the poorer a family is, the less likely it is that they will have more than £300 in a CTF account set up for any of their children, and to be active contributors. Therefore they are more likely to get a reduced frequency of information. However, since people who are less active in contributing to a CTF account are unlikely to be active in using the annual statement to compare accounts and consider switching providers, they are also unlikely to end up with a worse product due to receiving fewer statements. As such, while we are mindful of the distribution of costs, as well as the size of them, we believe they will be too small in this case to be a concern, especially given the consumer benefit of having more providers remain in the market.

11 This calculation is based on an estimated cost per statement of £1 (this aligns with estimate used in other consultations). As stated we estimate three quarters of CTF accounts would qualify for the reduced statement requirements (4 million accounts). It may be that some firms will choose to continue to provide annual statements and there is also the option for clients to request an annual statement so we have calculated the range of cost saving based on the reduced requirements being applied to 50-100% of the accounts where it can be applied (giving costs savings of £2-£4m).

6.22 We do not expect any significant costs to the FSA from these proposals, other than the minor amendments to a limited number of rules within the FSA Handbook.

6.23 We would welcome feedback on our cost benefit analysis, in response to the question below:

> Q6.2: Do you have any comments on our analysis of the costs and benefits of the proposals we are making?

Compatibility statement

6.24 We consider that the proposals in this chapter are compatible with our statutory objectives and the principles of good regulation. In particular:

Statutory objectives

6.25 The amendments to COBS are designed to help us meet our consumer protection objective, by ensuring CTF providers continue to maintain their obligations to CTF account holders.

Principles of good regulation

6.26 We consider that the costs of the proposals are proportionate to the benefits and that the proposals will have no impact on innovation, competition or the international character of financial services and markets.

Equality and diversity issues

6.27 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

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7 Approved indices and COBS 21

Introduction

7.1 This chapter proposes to amend the Glossary definition of 'approved index' in relation to COBS 21 (Permitted Links) and add guidance to COBS 21.3.2G. The proposed change relates specifically to COBS 21.3.1R, which sets out the basis on which indices may be used to provide benefits under linked long-term contracts of insurance.

7.2 The text of the proposed amendments is in Appendix 7 and it is relevant to firms offering linked long-term contracts of insurance. We estimate that it is potentially applicable to insurance contracts worth £21.2 billion offered by 59 firms (as calculated at the end of 2009).[12]

7.3 One of the current criteria for an index meeting the 'approved index' definition is that it is 'a national index of retail prices published under the authority of a government of a Zone A country (in any EEA state)'. While this long-standing definition appears to have been framed with the Retail Prices Index (RPI) in mind it does not mention that index in particular and its broad wording could accommodate other indices of a similar nature. We believe that it would be helpful to make it clear that the Consumer Prices Index (CPI) is also eligible as an approved index.

7.4 Another of the conditions for being approved as a national index of retail prices is that it is 'published by or under the authority of a government'. Since 2008 the Office for National Statistics (ONS) has been part of the UK Statistics Authority (UKSA) which is a non-ministerial department, directly accountable to Parliament. It is therefore an independent body operating at arm's length from government. This change to its status may create doubt about whether the indices published by the ONS strictly meet the conditions set out in the definition.

7.5 The proposed amendments are consequences of the changes described in the previous paragraphs and will remove any uncertainty.

7.6 We will make it clear that indices of retail prices published by the ONS, regardless of its change in status, are published under the authority of the UK government and that we regard the CPI as an approved index. We do not expect this to have any implications in terms of costs for firms.

12 Source: FSA Returns.

Detail

7.7 An estimated 59 firms write linked long-term contracts that provide benefits determined by reference to approved indices. The 'approved index' definition has been in place in its current form for a number of years. There is no detailed definition of what does and does not constitute an index in the definition of 'approved index'; the definition is also framed in a way that indicates that it was intended to allow the RPI and possibly other price indices of a similar nature and status to be used.

7.8 The proposed amendments are likely to be of relevance to firms offering to write bulk annuity contracts, where they take on the liabilities of occupational pension schemes. Some of those liabilities may in future be uprated in line with the CPI instead of the RPI. The proposed change to COBS 21.3.2G makes it clear that firms may issue policies, if they so choose, that provide benefits that are linked to the CPI. As such, it will impose no extra costs or burdens on affected firms.

7.9 Since 1 April 2008 the ONS has been an executive body of the UKSA, which was established under section 1 of the Statistics and Registration Service Act 2007 (the 2007 Act) and, under section 2, exercises its functions 'on behalf of the Crown'. The purpose of the 2007 Act was to create an independent body to produce and publish statistics free from government influence.

7.10 Strictly speaking, the ONS is, therefore, not a government body as it is linked to the 2007 Act. So the indices it publishes could be regarded as not being 'published by or under the authority of a government' as required by the definition of 'approved index'. Again, we propose to amend the definition to make it clear that the change of status of the ONS does not prevent indices of retail prices that it publishes from being approved indices.

Q7.1: Do you agree with our proposals to add guidance and amend the definition of 'approved index' as described above?

Cost benefit analysis

7.11 The proposed amendments confirm the status of indices of retail prices published by ONS by removing the uncertainty as a result of the change of ONS status. In addition, the proposed amendments also make clear that the CPI is acceptable as an approved index. This should not create any additional costs as firms are free to continue indexing their products to the RPI. However, by explicitly making clear that the CPI is also an approved index, firms are now free to issue long-term contracts linked to the CPI should they wish to. No single inflation measure can meet all users' needs.[13]

13 www.statistics.gov.uk/downloads/theme_economy/cp_brief_guide_2004.pdf

Compatibility statement

7.12 The proposed change furthers our statutory objective of ensuring market confidence in that it gives firms writing relevant business clarity in relation to their obligations by removing uncertainty. It also meets our principle of good regulation that we should be proportionate. We are doing this so that firms can avoid carrying out any legal analysis or applying for waivers or modifications to the relevant rules.

Equality and diversity issues

7.13 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

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8 Retail Distribution Review – exemption of certain Holloway sickness policies

Introduction

8.1 Holloway sickness policies are insurance policies combining income protection insurance and an investment element, which are sold by about a dozen friendly societies. This chapter sets out our proposal that the new Retail Distribution Review (RDR) rules on Professionalism and Adviser Charging should not apply to advised sales of Holloway policies with a small investment element (those falling within a new definition of 'Holloway exempt sickness policy').

8.2 We would make these amendments under section 138 (General rule-making power) and section 157(1) of the Financial Services and Markets Act 2000 (FSMA). The text of the amendments can be found in Appendix 8. The amendments will be of interest primarily to firms (insurers and intermediaries), but also to consumers and consumer bodies.

8.3 We published the RDR Adviser Charging rules in PS10/6.[14] The final RDR Professionalism rules have not yet been published. Subject to the outcome of this consultation, the proposed exemption and the new definition of 'Holloway exempt sickness policy' would come into force on 31 December 2012.

Background

8.4 Holloway policies are intended primarily as sickness protection rather than savings, although they generate surpluses in which the policyholders participate and the size of the investment element can, in practice, range from a very small sum to a significant amount compared to the total premiums paid. Where the investment element is relatively small, the products are comparable to income protection insurance that does not have an investment element rather than to other with-profit savings products.

8.5 The investment element of Holloway policies means they come within our Conduct of Business sourcebook. So they will fall under the new Glossary definition of 'retail investment product' being introduced under the RDR rules and be subject to the new rules from the end of 2012 unless we introduce a

14 PS10/6 *Distribution of retail investments: Delivering the RDR – feedback to CP09/18 and final rules* (March 2010)

specific exemption. The RDR rules ban payment of commission for advised sales and introduce new professional standards.

Proposed amendments

8.6 Under the current rules, intermediaries selling Holloway policies on an advised basis can receive commission from providers, in the same way as they can for income protection policies with no investment element. Once the RDR rules come into force at the end of 2012, commission cannot be paid for advised sales of investments falling within the new definition of 'retail investment product'. However, firms that opt up from ICOBS to COBS for the sale of income protection policies with no investment element will still be able to pay commission.[15]

8.7 The RDR professionalism rules would mean that advisers selling Holloway policies would have to meet the new standards even if they did not also sell other types of investments. Advisers selling other types of investments as well as Holloway policies will have to meet the new standards in any case, even if we introduce an exemption for Holloway policies.

8.8 It has been suggested that all Holloway policies should be exempted from the RDR requirements, to avoid being at a competitive disadvantage compared to income protection policies with no investment element. However, the investment element can be significant in comparison to the premiums paid (in the past, some payouts have exceeded total premiums, though there has been a trend in recent years towards lower maturity payments), and in this case we consider the policies to be comparable to other with-profit savings products. So, we are proposing an exemption for those Holloway policies with a small investment element. Following discussions with the Association of Financial Mutuals, we are consulting on a threshold where the projected maturity value contained in the key features illustration is 20% or less of accumulated premiums, using the mid-rate projection of the Holloway provider (see COBS 13). The Holloway provider would have to determine which policies fell under this threshold and inform the intermediaries selling those policies whether the RDR rules applied. There would not be any retrospective assessment once policies had been sold, based on the actual maturity payments.

8.9 As explained above, we do not consider that all Holloway policies should be exempted, since the size of the maturity value will mean that some are more akin to other investment products than non-investment products. However, we would welcome other suggestions for defining those Holloway policies that should benefit from an exemption.

> Q8.1: Do you agree that Holloway policies with a small investment element should be exempt from the RDR Adviser Charging and Professionalism requirements? If not, please give your reasons and provide any supporting evidence.

15 PS10/13 *Pure protection sales by retail investment firms: remuneration transparency and the COBS/ICOBS election – Feedback on CP10/8 and final rules* (September 2010)

Q8.2: If your answer to Q8.1 is 'Yes', please say which option you support for defining 'small investment element':

(a) our proposed threshold of a projected maturity value of 20% or less of total premiums, based on the mid-rate projection used by the Holloway provider; or

(b) a different solution.

Q8.3: If your answer to Q8.2 is (b), please give your reasons and explain how you think we should define 'small investment element'.

Q8.4: Do you have any other comments on the draft rules in Appendix 8?

Cost benefit analysis

8.10 When proposing new rules, or amendments to rules, we are obliged (under section 155 of FSMA) to publish a cost benefit analysis (CBA), unless we consider that the proposals will give rise to no costs or to an increase in costs of minimal significance. As a matter of policy, we also provide a CBA for significant proposed guidance relating to rules.

8.11 The proposal to exempt certain Holloway policies with a small investment element from the RDR Adviser Charging and Professionalism requirements recognises the fact that these policies are closer to protection products (i.e. income protection policies) where risks to consumers are more limited, than investment products. The proposed exemption will therefore avoid imposing additional costs[16] on the sales of these policies. This, in turn, would ensure that Holloway policies will continue to be available in the market[17], therefore maintaining the product variety in the market.

8.12 The exemption from the Adviser Charging rules will allow advisers selling Holloway policies to continue receiving commission for the policies falling within the scope of the exemption. The exemption from the Professionalism rules will allow those advisers who do not also provide advice on investments that fall under the RDR rules to avoid incurring additional costs. An adviser providing advice on investments as well as Holloway policies will need to meet the new Professionalism requirements in any case.

8.13 Firms whose business does not fall under the exemption, and who choose not to redesign their products, will incur the costs associated with the RDR Adviser Charging and Professionalism Rules. The CBA prepared for the RDR rules (contained in Annex 2 of CP09/18 and Annex 1 of PS10/6) did not envisage any

16 The CBA prepared for the RDR rules (contained in Annex 2 of CP09/18 and Annex 1 of PS10/6) did not envisage any exemptions for product providers.

17 The policies are attractive to certain consumers, for example, self-employed people, because of the ability to choose a short deferred period before policy benefits start to be paid in the event of a claim.

exemptions for product providers. So the cost estimates set out in paragraphs 16-20 of Annex 1 of PS10/6 have incorporated those costs.

8.14 There are 11 active Holloway providers, six of which write only Holloway products. Based on information provided to us by a consultancy firm[18], some providers' policies are well above the proposed threshold, some have only policies that fall underneath it, and others have products that could be redesigned so that all their Holloway policies fall under the threshold. We estimate that among the £4m aggregate new business premium income for Holloway policies in 2009, around 70% of the new business premium income relates to policies below or near the proposed threshold. Our proposal will allow all the Holloway providers to make a business decision as to whether they wish to provide policies from the end of 2012 that fall inside or outside the scope of the RDR rules. So, given the limited risk to consumers, our proposal will allow Holloway policy providers to avoid the costs of complying with the RDR rules if they so wish.

Q8.5: Do you have any comments on the cost benefit analysis?

Compatibility statement

8.15 We consider that the proposals in this chapter are compatible with our statutory objectives and the principles of good regulation. In particular:

Statutory objectives

8.16 The proposals will meet our objective of consumer protection by ensuring that Holloway policies with a small investment element can still be sold to those consumers for whom they are attractive without the firms having to meet additional costs arising from the RDR.

Principles of good regulation

8.17 We consider that the proposals are proportionate. They do not impose additional costs on Holloway providers; instead, they allow those who wish to continue providing Holloway policies on the current basis to avoid the costs of complying with the RDR rules, and enable exempt Holloway policies to continue competing with non-profit income protection policies.

Equality and diversity issues

8.18 We consider that our proposal to exempt certain Holloway policies from the RDR rules will enable Holloway policies to remain available to a wide range of prospective customers, by allowing those policies with a small investment element to continue to be sold in competition with non-profit income protection policies. So, we do not expect any adverse impact on equality or diversity.

18 OAC Consulting, which provided information to us on seven Holloway providers.

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9 Proposed changes to the Banking: Conduct of Business sourcebook (BCOBS)

Introduction

9.1 This chapter proposes the following amendments to the Banking: Conduct of Business sourcebook (BCOBS):

- amending the guidance at BCOBS 4.2.2G that firms 'should consider' putting interest rates on statements to state firms 'should' do so; and
- updating the reference to the industry cash ISA transfer guidelines in BCOBS 5.1.8G.

9.2 We would make these amendments under section 157 (Guidance) of the Financial Services and Markets Act 2000 (FSMA). The text of the proposed amendments is set out in Appendix 9.

9.3 Subject to the outcome of this consultation, we plan to implement the proposed changes to BCOBS 4.2.2G on 30 June 2011. The proposed changes to BCOBS 5.1.8G would take effect at the earliest opportunity.

9.4 This chapter will be of interest to firms that carry on the regulated activity of accepting deposits, consumer groups and personal and small business consumers of banking services.

Proposed amendments

Interest rates on statements

9.5 On 29 June 2010, an Office of Fair Trading (OFT) report on cash ISAs[19] announced that banks had voluntarily agreed to provide interest rates on cash ISA statements (paper and electronic) in time for the 2012 ISA season. The report also recommended that the FSA may wish to consider amending the guidance at BCOBS 4.2.2G that firms 'should consider' putting interest rates on statements to state firms 'should' do so, for all savings accounts.

19 *Cash ISAs: Response to super complaint by Consumer Focus* (June 2010) – www.oft.gov.uk/shared_oft/super-complaints/OFT1246.pdf

9.6 We propose to amend BCOBS 4.2.2G accordingly. However, it is important to note that:

a) the proposed changes would apply only to statements in relation to non-payment accounts (our proposed changes would not apply to payment accounts as disclosure of information about the rate of interest that applies to a payment account is an area that falls within the harmonised conduct of business requirements in the Payment Services Directive (PSD). In relation to areas that are fully harmonised by PSD, we are unable to go beyond these requirements. It is of course open to firms to apply our proposed guidance more widely). We have previously said that, in our view, non-payment accounts include term deposit accounts and child trust fund accounts, accounts denominated in currencies other than sterling or euro and structured deposits[20] rather than all savings accounts. Some savings accounts, such as instant access savings accounts, may be payment accounts.

b) The changes would apply only where statements must be issued in line with the requirements in BCOBS 4. So, for example, it would not apply where a customer has a passbook that records transactions or for an internet banking service. Customers with these accounts should, however, continue to receive advance notification of interest changes under BCOBS 4.1.2G. They would also be able to find out the interest rate on their account either by enquiring when routinely visiting a branch (for passbook accounts), enquiring over the telephone or by navigating to this information when operating their account online.

c) And the proposed changes would not specify if firms should display a single interest rate or historical interest rates on the statements they issue as we consider this to be for firms to decide.

9.7 We have considered whether this proposed amended guidance should instead be a rule. However, we continue to believe it cannot be justified as a rule on cost/benefit grounds, particularly as there is complementary guidance on advance notification of interest rate changes in BCOBS 4.1.2G.

9.8 We have also considered whether our proposal raises any issues in relation to equality and diversity. For the reasons outlined in paragraph 9.6(b) above, we believe they do not.

Q9.1: Do you agree with our proposal to amend BCOBS 4.2.2G?

Q9.2: Do you agree that our proposal should take effect on 30 June 2011?

Q9.3: Do you have any comments on the draft guidance at BCOBS 4.2.2G?

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20 Our proposals would also apply to cash ISAs that are also non-payment accounts. However, we have not mentioned them in this chapter as the industry has already agreed to provide interest rates on cash ISA statements in time for the 2012 ISA season.

Q9.4: Do you agree that our proposal does not raise any issues in relation to equality and diversity?

Updating the reference to the industry cash ISA transfer guidelines

9.9 We propose to amend BCOBS 5.1.8G so that it refers to the revised industry guidelines produced by the British Bankers' Association (BBA), the Building Societies Association (BSA) and the Tax Incentivised Savings Association (TISA) on cash ISA transfers.[21]

Q9.5: Do you have any comments on the draft guidance at BCOBS 5.1.8G?

Cost benefit analysis (CBA)

9.10 This CBA focuses on our proposal to amend BCOBS 4.2.2G that firms 'should consider' putting interest rates on statements to state firms 'should' do so.

9.11 Our proposal would potentially affect the population of firms that carry out the regulated activity of accepting deposits in the retail banking market. This includes UK-authorised banks, building societies, credit unions and incoming branches of EEA credit institutions. As reported in Appendix 8 of our 2009/10 Annual Report, this population totalled 371 banks and building societies and 494 credit unions as of 31 March 2010.

9.12 As mentioned in paragraph 9.6, the types of accounts affected by our proposal would be non-payment accounts that receive statements.

Direct costs to the FSA

9.13 Our proposal would result in minimal incremental costs to us. Our supervisors would take account of the new guidance within their existing supervisory approach.

Compliance costs

9.14 To determine the compliance costs to firms, we asked the BBA, the BSA and credit union representatives to send a questionnaire to their members on our behalf. This asked them to estimate the potential costs arising from our proposal for interest rates on statements. We also asked firms to tell us whether they currently provide or have any plans to provide interest rates on statements.

9.15 We received 20 responses: seven banks, eleven building societies and two credit union trade bodies. Together, these represent approximately three quarters of the personal current accounts market in the UK and a correspondingly large proportion of the savings market. We are grateful to the BBA, the BSA, and credit union trade bodies and their members for the help they have given us.

9.16 Overall, most respondents thought that significant incremental costs or benefits were unlikely to result from our proposal for firms to put interest rates on statements.

21 *Cash ISA to Cash ISA Transfer Guidelines.*

9.17 Eleven respondents pointed out that they either already provide this information or intend to do so, most during 2011. These firms jointly constitute around 65% of the total market for personal current accounts and a correspondingly large proportion of the savings market. So most of these respondents would be unaffected by the proposal. Some might incur costs if they have to bring implementation of our proposal forward to 30 June 2011. However, we would expect such costs to be minimal.

9.18 Of the seven respondents who expected to incur incremental costs, the main cost related to a one-off development cost to integrate the change into their IT systems. Respondents did not report any ongoing costs. Cost estimates varied widely. Three firms suggested incremental costs of between £5,000 and £15,000. Two expected to incur costs but were unable to provide estimates. The remaining two indicated large total cost estimates (in excess of hundreds of thousands) but were unable to provide further details which would allow us to assess overall reliability or the incremental nature of these.

9.19 Two credit union trade bodies thought our proposal would only affect those credit unions offering child trust funds. They estimated that credit unions might incur additional one-off costs if they had to amend computerised account systems. This was unlikely to cost more than around £250 per credit union. They also pointed out that this change could potentially affect more credit unions in the future when legislation allowing them to offer interest bearing term accounts takes effect.

Benefits

9.20 Our proposal aims to increase transparency and improve information to customers:

- Currently, most consumers receive interest rate information once a year in a booklet. Having this information in a personalised form alongside account balance information could make the account holder more likely to read the information.
- Having this information would mean consumers would be better informed about the interest rate on their account. They would, therefore, be better able to decide if they are getting value for money and whether to switch to more appropriate products for their needs, assuming that improved information disclosures lead to changes in consumer behaviour.

9.21 We acknowledge that significant incremental benefits may not result from our proposal. The benefit will depend on the number of consumers that are likely to act on the information provided. Given the nature of some of the accounts that may be affected (for example, child trust funds, term deposits and structured deposits), this number may not be high, especially in the short term.

Compatibility statement

9.22 We consider that our proposal is compatible with our general duties under section 2 of FSMA. Our proposal is designed to meet our statutory objectives of market confidence and the protection of consumers in the following ways:

- our proposed guidance should increase transparency and understanding, which leads to increased market confidence; and
- our proposed guidance would help to secure the appropriate degree of protection for consumers as interest rate information would enable customers to make better-informed and timelier decisions about their deposits.

9.23 In developing our proposal, we have considered the principles of good regulation and are satisfied that our proposal is the most appropriate for the purposes of meeting our objectives.

> Q9.6: Do you agree with our cost benefit analysis and compatibility statement?

Contact

Comments should reach us by 6 March 2011. Please send them to:

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10 Change to firms' core information reporting requirements: telephone numbers

Introduction

10.1 In this chapter we outline our proposal for a change in the Supervision manual (SUP), specifically with regards to the core information a firm is required to tell us about. We intend to ask firms who are planning on changing their key contact telephone number to notify us of the new details before the change takes place.

10.2 In making this change, we would exercise our powers under the following sections of the Financial Services and Markets Act 2000 (FSMA):

a) section 138 (General rule-making power);

b) section 157 (Guidance); and

c) section 156 (General supplementary powers).

10.3 This proposal will be of interest to all firms and consumers. The text of the change is set out in Appendix 10 to this CP.

Proposed amendments

10.4 Firms are required on an annual basis to verify the accuracy of their standing data[22] and report any changes to us on an annual basis (see SUP 16.10).

10.5 In addition firms also need to notify us *before* making a change if it is changing its name or address, specifically its principal place of business and, in the case of an overseas firm, its registered office (or head office) together with the date at which the new address becomes effective (see SUP 15.5.1R and SUP 15.5.4R).

10.6 Some firms do notify us of a change in their telephone number before the change takes place, but this practice is inconsistent across the industry. The risk of not addressing this issue could mean that potentially it could take firms up to 12 months before they report a change in their contact telephone number.

22 the information relating to a *firm* held by the *FSA* on the matters set out in SUP 16 Annex 16AR e.g. firm name, address, contact details, name of compliance officer etc.

10.7 So, in addition to requiring firms to notify us in advance of name and address changes we are proposing that they should also tell us about changes in their telephone number beforehand. This will improve the quality of the information held on the FSA Register and thereby address the small risk to our consumer protection and market confidence objectives posed by keeping inaccurate data on the Register. As the change proposed would be made by rule, we are required under FSMA to consult on this change.

10.8 We are not intending to make any changes to the standing data section on the ONA system. We will aim to publish the final rules in Q2 2011 at which time the rules will become effective.

> Q10.1: Do you agree with our proposal to require firms to notify us of a change in the telephone number of (a) their principal place of business and (b) (in the case of overseas firms) their head office, before that change takes place?

Cost benefit analysis

10.9 When proposing new rules or amendments to rules, we are obliged (under section 155 of FSMA) to publish a cost benefit analysis (CBA), unless we consider that the proposals will give rise to no costs or to an increase in costs of minimal significance.

10.10 We do not believe that this proposal will have any measurable cost implications, either for market participants or for us, so a CBA is not required.

Compatibility statement

10.11 The proposed amendment is designed to help us meet our consumer protection and market confidence objectives. We are satisfied that it is compatible with our general duties under section 2 of FSMA.

Equality and diversity

10.12 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

Contact

Comments should reach us by 6 March 2011. Please send them to:

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11 Proposed changes to Listing Rules (LR)

Introduction

11.1 In this chapter we are consulting on amendments to the Listing Rules (LRs) that are intended to make it clearer how the rules are applied. The text of the amendments is set out in Appendix 11.

11.2 This chapter will be of interest primarily to issuers and firms advising on, investing in or dealing, with UK-listed securities, as well as individual investors in UK-listed securities.

Proposed amendments

Admission to trading

11.3 We propose to amend LR 2.2.3R and LR 14.3.1R to reflect our intention, as set out in CP09/24[23], that listed 'equity shares' and not 'equity securities' must be admitted to trading on a regulated market. This is a minor amendment to correct the changes made following consultation in CP09/24.

Pre-emption rights of overseas companies

11.4 We propose to amend LR 9.3.12R(4) to include the sale of treasury shares that are equity shares in the exemption for overseas companies with a premium listing from the requirement to offer such shares firstly to existing shareholders. This change reflects the intention of the original drafting in CP09/24 and is a minor amendment to correct the change made following consultation in that CP.

Open offers

11.5 In our Report to HM Treasury on implementing the recommendations of the Rights Issue Review Group published in April 2010, we made a number of recommendations for rule changes relating to open offers.

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23 CP09/24 *Listing regime review: Policy statement for CP08/21 and further minor consultation* (October 2009)

11.6 First, we stated that it might be useful to clarify that the requirements in LR 9.5.4R and LR 9.5.5R, which apply to rights issues, should apply equally to open offers made with a compensatory element. These requirements concern the settlement of compensation to non-accepting shareholders and announcements of offer and rump placing results. We are therefore proposing to add a new rule to this effect and clarify the wording of LR 9.5.8R(2).

11.7 Second, we suggested that the open offer subscription period should be a minimum of ten business days and we therefore propose to add a new rule to this effect as LR 9.5.7AR. This mirrors the limit already in place in the London Stock Exchange's Admission and Disclosure Standards.

Major shareholder disclosures in accounts

11.8 LR 9.8.6R(2) requires a statement in annual reports disclosing the notifications received from major shareholders under DTR5. The rule does not at present stipulate during what period these notifications must have been received. So we propose to make clear that the rule relates to notifications received as at the end of the period under review, and to include changes that have occurred between the end of the period under review and a date not more than one month before the AGM.

Updated references to external guidance/rules

11.9 Actuarial Guidance Note GN11, referred to in LR 9.8.8R(12)(b), has been superseded by Regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996. Similarly, LR 15.6.4R refers to the Appraisal and Valuation Standards (fifth edition) issued by the Royal Institution of Chartered Surveyors; this edition has been superseded by the sixth edition. We therefore propose to correct both references.

Related party transactions

11.10 We need to amend several cross references within LR 11.1.6R, together with an erroneous additional sub-heading under LR 11 Annex 1.1R, so they refer correctly to the application of related party transaction rules. These minor amendments are intended to avoid confusion in how the rules apply.

Transitional provision on pre-emption

11.11 LR TR 5 allows a UK company to continue to rely on an authority to dis-apply pre-emption rights granted under section 95 of the Companies Act 1985, which remains in force on 6 April 2010, until it expires. The provision is currently stated as relating to LR 9.3.12R(3), but was intended to relate to LR 9.3.12R(1) to (3) so we propose to amend it accordingly.

Omission of information

11.12 There is presently no guidance in LR to issuers and their advisers as to the grounds under which we consider information may be omitted from circulars. We therefore propose to introduce new guidance in LR 13 to remedy this; this will replicate the grounds described in LR 9.7A.3G in relation to the preliminary statement of annual results, statement of dividends and half-yearly reports. We propose also to add a rule to specify how the request should be made.

Independence of Board

11.13 We are proposing to clarify LR 15.2.12AR to make it clearer that a Board with an equal number of independent and non-independent members does not satisfy the independence requirement of LR 15.2.11R.

Continuing obligations of OEICs

11.14 OEICs are presently required to comply with the pre-emption requirements contained in LR 9.3.11R. Since OEICs can only create and redeem new shares within an upper issued share capital limit, these requirements are not appropriate and we propose to change LR 9.3.12R and LR 16.4.1R to reflect this.

UK GDR issuers

11.15 LR 18.2.10 requires a UK GDR issuer to list its underlying equity to enable its GDRs to be eligible for listing. This rule was intended to prevent other UK issuers from getting a 'backdoor' listing of their equity via GDRs, but has become superfluous with the introduction of the standard listing regime. So we are proposing to delete the rule.

Relevant definitions

11.16 The definitions of 'premium listing (commercial company)' and 'premium listing (investment company)' currently relate to 'equity securities'. We propose to amend this to 'equity shares' to reflect our policy intention as set out in CP09/28.[24]

Rights issue subscription period

11.17 Since 1 October 2009, section 562(5) of the Companies Act 2006 has required a 14-day offer period for pre-emptive share offers, the first day being the date of the posting of the hard copy Provisional Allotment Letters (PALs), or (if later) the date on which any notice is published in the London Gazette. Previously the Companies Act had required a minimum of a 21-day subscription period, formulated on clear days.

11.18 In Policy Statement PS09/2 '*Rights issue subscription periods*' we explained that we had amended LR 9.5.6R, LR 9.5.15R(2)(h) and LR 14.3.9R(2)(g) from 10 February 2009 to require a 10 'business day' offer period for rights issues. These rules do not say how to identify the first business day, which could be taken as the day after the date of the posting of the PALs. In effect, this means that the Listing Rules will impose a longer rights issue subscription period than is now required under the Companies Act. This was not our intention, so we are proposing to amend the wording to remove this anomaly.

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24 CP09/28 *Listing Regime review: Consultation on changes to the listing categories consequent to CP09/24* (November 2009)

Q11.1: Do you agree that the requirements for compensation and announcements in relation to rights issues should be extended to open offers?

Q11.2: Do you agree with our proposal to limit the notifications received from major shareholders, which are required to be included in the annual report, to a statement of notifications received as at the end of the period under review and any changes that have occurred between the end of the period under review and a date not more than one month prior to the AGM

Q11.3: Do you agree with our intention to include the grounds under which we consider information can be omitted from a circular?

Q11.4: Do you agree that OEICs should not be required to comply with the pre-emption requirements in LR 9.3.11R?

Q11.5: Do you have comments on any other changes we are proposing to make in this chapter?

Cost benefit analysis

11.19 Section 155 of FSMA requires us to publish a cost-benefit analysis 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.

11.20 The changes to the Listing Rules set out above do not change the substance of the existing rules. They clarify existing requirements, update references to external sources, correct erroneous terminology and make it easier for firms to comply with regulation. We therefore expect the incremental costs to firms to be of minimal significance.

Compatibility statement

11.21 In presenting the proposals set out in this chapter, we are satisfied that they are compatible with the general duties conferred upon us under section 73 of FSMA.

11.22 The amendments proposed are compatible with our general duties because they improve the accuracy and usability of our existing rules, and enhance the compatibility of those provisions with our statutory duties.

11.23 In making these changes, we considered our principles of good regulation. In particular, we considered the need to use our resources in the most efficient and economic way. The proposals set out in this chapter should not lead to any material change terms of how efficiently and economically we use our resources.

11.24 We also considered the principle that a burden or restriction imposed on a person should be proportionate to the benefits, considered in general terms, which are expected to arise from the imposition of the burden or restriction. We do not consider that the proposed amendments will impose any material burden or restrictions on a person as these amendments do not change market practice, but rather clarify the existing LRs. The changes should make it easier for firms to understand the rules and to comply with them.

Equality and diversity issues

11.25 We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

Contact

Comments should reach us by 6 March 2011. Please send them to:

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List of questions

Chapter 2:

Q2.1: Do you have any comments on the proposal?

Q2.2: Do you agree with our description of the costs to firms?

Q2.3: Are there any other costs, benefits or other barriers to capital issuance in relation to this proposal that we have not adequately represented?

Q2.4: Are there any other changes firms may make in response to this proposal?

Chapter 3:

Q3.1: Do you agree with our proposals to amend the transitional provision (BIPRU TP29) for simplified ILAS BIPRU firms?

Q3.2: Do you agree with our proposal to amend the Glossary definition of a 'low frequency liquidity reporting firm'?

Chapter 4:

Q4.1: Do you agree that these qualifications should be listed as appropriate qualifications?

Chapter 5:

Q5.1: Do you agree with these changes to the Glossary and COBS rules and guidance on annuities and income withdrawal to suitably reflect HMRC legislation?

Q5.2: Do you consider the transitional provisions adequate? If not, why not?

Q5.3: Do you agree that no extra suitability guidance is needed on income withdrawals?

Q5.4: If you do not agree, what extra suitability guidance would be needed? Please provide details in your response.

Q5.5: Do you agree that the current level of qualification in the TC sourcebook is adequate despite the income withdrawal changes? If not please present evidence as to why an increase in the qualification is needed.

Q5.6: Do you have any comments on our analysis of the costs and benefits of the proposals we are making?

Chapter 6:

Q6.1: Do you agree with our proposals to amend the rules on reporting information to clients to allow them to be met by the statement provided under the CTF regulations?

Q6.2: Do you have any comments on our analysis of the costs and benefits of the proposals we are making?

Chapter 7:

Q7.1: Do you agree with our proposals to add guidance and amend the definition of 'approved index' as described above?

Chapter 8:

Q8.1: Do you agree that Holloway policies with a small investment element should be exempt from the RDR Adviser Charging and Professionalism requirements? If not, please give your reasons and provide any supporting evidence.

Q8.2: If your answer to Q8.1 is 'Yes', please say which option you support for defining 'small investment element':

(a) our proposed threshold of a projected maturity value of 20% or less of total premiums, based on the mid-rate projection used by the Holloway provider; or

(b) a different solution.

Q8.3: If your answer to Q8.2 is (b), please give your reasons and explain how you think we should define 'small investment element'.

Q8.4: Do you have any other comments on the draft rules in Appendix 8?

Q8.5: Do you have any comments on the cost benefit analysis?

Chapter 9:

Q9.1: Do you agree with our proposal to amend BCOBS 4.2.2G?

Q9.2: Do you agree that our proposal should take effect on 30 June 2011?

Q9.3: Do you have any comments on the draft guidance at BCOBS 4.2.2G?

Q9.4: Do you agree that our proposal does not raise any issues in relation to equality and diversity?

Q9.5: Do you have any comments on the draft guidance at BCOBS 5.1.8G?

Q9.6: Do you agree with our cost benefit analysis and compatibility statement?

Chapter 10:

Q10.1: Do you agree with our proposal to require firms to notify us of a change in the telephone number of (a) their principal place of business and (b) (in the case of overseas firms) their head office, before that change takes place?

Chapter 11:

Q11.1: Do you agree that the requirements for compensation and announcements in relation to rights issues should be extended to open offers?

Q11.2: Do you agree with our proposal to limit the notifications received from major shareholders, which are required to be included in the annual report, to a statement of notifications received as at the end of the period under review and any changes that have occurred between the end of the period under review and a date not more than one month prior to the AGM?

Q11.3: Do you agree with our intention to include the grounds under which we consider information can be omitted from a circular?

Q11.4: Do you agree that OEICs should not be required to comply with the pre-emption requirements in LR 9.3.11R?

Q11.5: Do you have comments on any other changes we are proposing to make in this chapter?

Appendix 2

Capital instruments: pre-issuance notification

Appendix 2

CAPITAL INSTRUMENTS (NOTIFICATION) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 138 (General rule-making power);
(2) section 150(2) (Actions for damages);
(3) section 156 (General supplementary powers); and
(4) section 157(1) (Guidance).

B. The rule making powers referred to above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [] 2011.

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
General Prudential sourcebook (GENPRU)	Annex B
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex C
Prudential sourcebook for Insurers (INSPRU)	Annex D

Citation

E. This instrument may be cited as the Capital Instruments (Notification) Instrument 2011.

By order of the Board
[ ] 2011

Annex A

Amendments to the Glossary of definitions

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

capital instrument	(in *GENPRU*, ~~and~~ *BIPRU* and *INSPRU* 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*.

Annex B

Amendments to the General Prudential sourcebook (GENPRU)

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

2.2.6 G This table belongs to *GENPRU* 2.2.5G

Topic	Location of text
...	
Capital used to meet the *base capital resources requirement* for *BIPRU firms*	*GENPRU* 2.2.60R to *GENPRU* 2.2.60G-
Notification of issuance of *capital instruments*	*GENPRU* 2.2.61AR to *GENPRU* 2.2.61DG
…	

…

2.2.61 G …

Notification of issuance of capital instruments

2.2.61A R A *firm* must notify the *FSA* in writing of its intention to issue a *capital instrument* which it intends to include within its *capital resources* at least one month before the intended date of issue unless there are exceptional circumstances which make it impracticable to give such a period of notice, in which event the *firm* must give as much notice as is practicable in those circumstances. When giving notice, a *firm* must:

(1) provide details of the amount of capital the *firm* is seeking to raise through the intended issue and whether the capital is intended to be issued to external investors or within its *group*;

(2) identify the stage of the *capital resources table* the *capital instrument* is intended to fall within;

(3) include confirmation from a *senior manager* of the *firm* responsible for authorising the intended issue that the *capital instrument* complies with the *rules* applicable to instruments included in the stage of the *capital resources table* identified in (2); and

(4) provide details of any features of the *capital instrument* which are novel, unusual or different from a *capital instrument* of a similar nature previously issued by the *firm* or widely available in the market or not

specifically contemplated by the *rules*.

2.2.61B R A *firm* must provide a further notification to the *FSA* in writing including all the information required in *GENPRU* 2.2.61AR(1) to (4) as soon as it proposes any change to the intended date of issue, amount of issue, type of investors, stage of capital or any other feature of the *capital instrument* to that previously notified to the *FSA*.

2.2.61C G In exceptional circumstances a *firm* may provide less than one month's notice of the intended issue. The *FSA* is unlikely to consider circumstances to be exceptional unless they are such that there is a risk of a *firm's capital resources* falling below its *capital resources requirement* or coming under pressure if a one-month notification period is observed. In such circumstances a *firm* should notify the *FSA* as soon as it has resolved to issue further capital and provide details of its circumstances and why it is not possible to provide one month's notice of the intended issue.

2.2.61D G Details of the notification to be provided by a *BIPRU firm* in relation to *capital instruments* issued by another *undertaking* in its *group* for inclusion in its *capital resources* or the *consolidated capital resources* of its *UK consolidation group* or *non-EEA sub-group* are set out in *BIPRU* 8.6.1AR to *BIPRU* 8.6.1CG. Details of the notification to be provided by an *insurer* in relation to *capital instruments* issued by another *undertaking* in its *group* for inclusion in its *group capital resources* are set out in *INSPRU* 6.1.43AR to *INSPRU* 6.1.43CG.

…

Schedule 2

Notification and reporting requirements

…

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
…				
GENPRU 2.2.19R	…			
GENPRU 2.2.61AR	Intention to issue a *capital instrument* for inclusion in *capital resources*	Fact of intention and details of intended amount, issue date, type of investor, stage of capital, features of instrument and confirmation of	Intention to issue	One month prior to issue unless exceptional circumstances prevent a *firm* adhering to a one-month period

		compliance with *rules*		
GENPRU 2.2.61BR	Proposed changes to details of the issue of a *capital instrument* notified under *GENPRU* 2.2.61AR	Proposed change and all information required under *GENPRU* 2.2.61AR(1) to (4)	Intention to change any details of the issue previously notified to the *FSA*	As soon as the changes are proposed

Annex C

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

In this Annex, underlining indicates new text.

General

8.6.1 R …

8.6.1A R A *firm* must notify the *FSA* in writing of the intention of another member of its *group* which is not a *firm* to issue a *capital instrument* which it intends to include within its *capital resources* or the *consolidated capital resources* of its *UK consolidation group* or *non-EEA sub-group* at least one month before the intended date of issue unless there are exceptional circumstances which make it impracticable to give such a period of notice, in which event the *firm* must give as much notice as is practicable in those circumstances. When giving notice, a *firm* must:

(1) provide details of the amount of capital to be raised through the intended issue and whether the capital is intended to be issued to external investors or within its *group*;

(2) identify the stage of the *capital resources table* the *capital instrument* is intended to fall within;

(3) include confirmation from a *senior manager* of the *firm* responsible for authorising the inclusion of the issue within *capital resources* or *consolidated capital resources* that the *capital instrument* complies with the *rules* applicable to instruments included in the stage of the *capital resources table* identified in (2); and

(4) provide details of any features of the *capital instrument* which are novel, unusual or different from a *capital instrument* of a similar nature previously issued by the *firm* or widely available in the market or not specifically contemplated by the *rules*.

8.6.1B R A *firm* must provide a further notification to the *FSA* in writing including all the information required in *BIPRU* 8.6.1AR(1) to (4) as soon as any changes are proposed to the intended date of issue, amount of issue, type of investors, stage of capital or any other feature of the *capital instrument* to that previously notified to the *FSA*.

8.6.1C G In exceptional circumstances a *firm* may provide less than one month's notice of the intended issue. The *FSA* is unlikely to consider circumstances to be exceptional unless they are such that there is a risk of the *consolidated capital resources* of the *UK consolidation group* or *non-EEA sub-group* falling below its *consolidated capital resources requirement* or coming under pressure if a one-month notification period is observed. In such circumstances a *firm* should notify the *FSA* as soon as the *group undertaking* has resolved to issue further capital and provide details of its circumstances and why it is not possible to provide one month's notice of the intended issue.

…

Schedule 2

Notification and reporting requirements

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
…				
BIPRU 7.10.130R	…			
BIPRU 8.6.1AR	Intention to issue a *capital instrument* for inclusion in *capital resources*	Fact of intention and details of intended amount, issue date, type of investor, stage of capital, features of instrument and confirmation of compliance with *rules*	Intention to issue	One month prior to issue unless exceptional circumstances prevent a *firm* adhering to a one-month period
BIPRU 8.6.1BR	Proposed changes to details of the issue of a *capital instrument* notified under *BIPRU* 8.6.1AR	Proposed change and all information required under *BIPRU* 8.6.1AR(1) to (4)	Intention to change any details of the issue previously notified to the *FSA*	As soon as the changes are proposed

Annex D

Amendments to the Prudential sourcebook for Insurers (INSPRU)

In this Annex, underlining indicates new text.

Calculation of GCR

…

6.1.43 R …

6.1.43A R A *firm* must notify the *FSA* in writing of the intention of another member of its *group* which is not a *firm* to issue a *capital instrument* which it intends to include within the *group capital resources* of an *undertaking* in *INSPRU* 6.1.17R at least one month before the intended date of issue unless there are exceptional circumstances which make it impracticable to give such a period of notice, in which event the *firm* must give as much notice as is practicable in those circumstances. When giving notice, a *firm* must:

(1) provide details of the amount of capital to be raised through the intended issue and whether the capital is intended to be issued to external investors or within its *group*;

(2) identify the stage of the *capital resources table* the *capital instrument* is intended to fall within;

(3) include confirmation from a *senior manager* of the *firm* responsible for authorising the inclusion of the issue within *group capital resources* that the *capital instrument* complies with the *rules* applicable to instruments included in the stage of the *capital resources table* identified in (2); and

(4) provide details of any features of the *capital instrument* which are novel, unusual or different from a *capital instrument* of a similar nature previously issued by the *firm* or widely available in the market or not specifically contemplated by the *rules*.

6.1.43B R A *firm* must provide a further notification to the *FSA* in writing including all the information required in *INSPRU* 6.1.43AR(1) to (4) as soon as any changes are proposed to the intended date of issue, amount of issue, type of investors, stage of capital or any other feature of the *capital instrument* to that previously notified to the *FSA*.

6.1.43C G In exceptional circumstances a *firm* may provide less than one month's notice of the intended issue. The *FSA* is unlikely to consider circumstances to be exceptional unless they are such that there is a risk of *group capital resources* of an *undertaking* in *INSPRU* 6.1.17R falling below its *group capital resources requirement* or coming under pressure if a one-month notification period is observed. In such circumstances a *firm* should notify the *FSA* as soon as the *group undertaking* has resolved to issue further capital and provide details of its circumstances and why it is not possible to provide one month's notice of the intended issue.

…

Schedule 2

Notification and reporting requirements

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
…				
INSPRU 3.1.65R	…			
INSPRU 6.1.43AR	Intention to issue a *capital instrument* for inclusion in *capital resources*	Fact of intention and details of intended amount, issue date, type of investor, stage of capital, features of instrument and confirmation of compliance with *rules*	Intention to issue	One month prior to issue unless exceptional circumstances prevent a *firm* adhering to a one-month period
INSPRU 6.1.43BR	Proposed changes to details of the issue of a *capital instrument* notified under *INSPRU* 6.1.43AR	Proposed change and all information required under *INSPRU* 6.1.43AR(1) to (4)	Intention to change any details of the issue previously notified to the *FSA*	As soon as the changes are proposed

Proposed minor amendments to the liquidity regime (BIPRU)

LIQUIDITY STANDARDS (MISCELLANEOUS AMENDMENTS NO 2) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 138 (General rule-making power);
(2) section 156 (General supplementary powers); and
(3) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [ ]

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Liquidity Standards (Miscellaneous Amendments No 2) Instrument 2011.

By order of the Board
[ ]

Annex A

Amendments to the Glossary of definitions

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

low frequency liquidity reporting firm

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 £1 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 *FSA* as part of an application for a *Part IV 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~~ paragraphs (b) and (c) apply at the level of the ~~*firm*~~ *branch* rather than of the ~~*branch*~~ *firm* ~~in the case of any *firm* reporting on the basis of the activities of its branch operation in the *United Kingdom*~~.

Annex B

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

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

TP 29 Liquid assets buffer scalar: simplified ILAS BIPRU firms

Application			
29.1	R	*BIPRU TP 29* applies to ~~a *firm* which on 1 June 2010 is~~ a *simplified ILAS BIPRU firm*.	
Duration of transitional provisions			
29.2	R	*BIPRU TP 29* applies from 1 December 2009 until ~~30 September 2013~~ <u>31 December 2014</u>.	
Transitional provisions			
29.3	R	A *simplified ILAS BIPRU firm* falling into *BIPRU* TP 29.1 must ensure that:	
		(1)	at all times between 1 October 2010 and ~~30 September 2011~~ <u>28 February 2012</u>, its liquid assets buffer is no less than 30% of the amount of its *simplified buffer requirement*;
		(2)	at all times between ~~1 October 2011~~ <u>1 March 2012</u> and ~~30 September 2012~~, <u>30 June 2013</u>, its liquid assets buffer is no less than 50% of its *simplified buffer requirement*; and
		(3)	at all times between ~~1 October 2012~~ <u>1 July 2013</u> and ~~30 September 2013~~ <u>31 December 2014</u>, its liquid assets buffer is no less than 70% of its *simplified buffer requirement*.
29.4	G	The effect of *BIPRU* TP 29.3 is that a *firm* that is a *simplified ILAS BIPRU firm* ~~as at 1 December 2009~~ has a transitional period <u>until 31 December 2014</u> ~~of three years within which~~ to build up its liquid assets buffer so that at the end of that period it holds in its buffer assets equal to 100% of its *simplified buffer requirement*.	
29.5	G	In relation to a *firm* which becomes a *simplified ILAS BIPRU firm* after ~~1 December 2009 and before 1 October 2010~~ <u>[date amendments, if made, commence]</u> the *FSA* will consider as part of that *firm's simplified ILAS waiver* application ~~whether it is appropriate~~ <u>how</u> to apply the scalar approach described in *BIPRU* TP 29.3 to the *firm* in question ~~and if so from what date that approach should apply~~. ~~Where the *FSA* agrees that the scalar approach is appropriate, it~~ <u>The FSA</u> will incorporate the scalar into the terms of the *firm's simplified ILAS waiver*.	

Extending the list of appropriate qualifications in the Training and Competence sourcebook

TRAINING AND COMPETENCE SOURCEBOOK (QUALIFICATIONS AMENDMENTS) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(a) section 138 (General rule-making power);
(b) section 149 (Evidential provisions);
(c) section 156 (General supplementary powers);
(d) section 157(1) (Guidance); and

(2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.

B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The Training and Competence sourcebook (TC) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Training and Competence Sourcebook (Qualifications Amendments) Instrument 2011.

By order of the Board
[*date*]

Annex

Amendments to the Training and Competence sourcebook (TC)

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

Appendix 4E – Appropriate Qualification tables

...		
Qualification table relating to : Advising on *Packaged Products* (which are not *broker funds*) and *Friendly Society* tax-exempt policies - Activity Numbers 4 and 6 in TC Appendix 1.1.1 R		
Qualification	**Qualification Provider**	**Key**
...		
Certificate in Financial Planning (Post 17/09/2004)	Chartered Institute of Bankers in Scotland	1
Diploma in Investment Planning (work based assessment)	Chartered Institute of Bankers in Scotland	1
Registered Representative Full Membership Exams – where candidates hold all 3 papers or have both the Stock Exchange Practice and Techniques of Investment papers	London Stock Exchange (records now kept by The Chartered Institute for Securities & Investment (Formerly the Securities and Investment Institute)	1
...		
Qualification table relating to : Managing *investments* or Acting as a *Broker fund adviser* – Activity ~~number~~ numbers 14 and 10 in TC Appendix 1.1.1R		
Qualification	**Qualification Provider**	**Key**
...		
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities and Investment Institute)	1

Diploma (where candidate holds 3 modules as recommended by the *firm*)	The Chartered Institute for Securities & Investment (Formerly the Securities and Investment Institute)	1
...		

Removal of the requirement to annuitise pension savings by age 75

PENSIONS (CHANGES TO ANNUITISATION AND INCOME WITHDRAWALS RULES) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 138 (General rule-making power);
(2) section 156 (General supplementary powers); and
(3) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. (1) Part 2 of Annex B to this instrument comes into force on [*date*].
(2) The remainder of this instrument comes into force when the Finance Act 2011 comes into force.

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Pensions (Changes to Annuitisation and Income Withdrawals Rules) Instrument 2011.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

drawdown pension	(as defined in paragraph 4 of Schedule 28 to the Finance Act 2004): (a) a *short-term annuity*; or (b) an *income withdrawal*.

Amend the following as shown.

~~*alternatively secured pension*~~	~~(as defined in paragraph 5 of Schedule 28 to the Finance Act 2004) *income withdrawal*~~
income withdrawals	(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 4 of that Schedule) in respect of an arrangement; or ~~(i) if the member has not reached the age of 75, amounts (other than the payment of annuity) which the member is entitled to be paid from the member's unsecured pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement;~~ ~~(ii) if the member has reached the age of 75, amounts which the member is entitled to be paid from the member's alternatively secured pension fund (as defined in paragraph 11 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.
short-term annuity	(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 ~~unsecured~~ 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 ends before the member reaches age 75~~; and (e) it is either a level annuity, an increasing annuity or a relevant linked annuity.
~~*unsecured pension*~~	~~(as defined in paragraph 4 of Schedule 28 to the Finance Act 2004):~~ ~~(a) a *short-term annuity*; or~~ ~~(b) an *income withdrawal*.~~

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

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

Part 1: Comes into force when the Finance Act 2011 comes into force

9.4 Suitability reports

…

Additional content for income withdrawals

9.4.10 G When a *firm* is making a *personal recommendation* to a *retail client* about *income withdrawals* or purchase of *short-term annuities*, explanation of possible disadvantages in the *suitability report* should include the risk factors involved in entering into an *income withdrawal* or purchase of a *short-term annuity*. These may include:

…

(5) the maximum income that can be withdrawn under a *drawdown pension* ~~an *alternatively secured pension* after age 75 is significantly less than the maximum that applies before age 75~~.

…

13 Annex 2 Projections

…

R			
Additional requirements: ~~unsecured and alternatively secured~~ drawdown pensions			
2.9	(1)	A *standardised deterministic projection* for ~~an unsecured or *alternatively secured pension*~~ 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 ~~an unsecured or *alternatively secured pension*~~ 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)	the maximum initial income specified in the tables published by the Government Actuaries Department for ~~an unsecured or *alternatively secured pension* (as the case may be)~~ a *drawdown*

			pension;
		…	
		(e)	the projected open market values and the amounts of annuity ~~at age 75 or~~ on the date at which it is reasonably assumed that an annuity will be purchased ~~(which, for an *alternatively secured pension*, must be after ten years)~~; and
		…	

…

13 Annex 3 Charges

R

…

2.2 The effect of charges table

…

(3) must be completed in accordance with the following notes:

R		
1A	(a)	…
	…	
	(d)	For ~~an *alternatively secured*~~ a *drawdown* *pension* figures must be included for each year for a term of ten years.
	…	
1B	(a)	…
	(b)	For ~~an *alternatively secured*~~ a *drawdown* *pension* figures must be included for each year for a term of ten years.
	…	

14.2 Providing product information to clients

The provision rules

14.2.1 R A *firm* that sells:

…

(3B) the variation of a *personal pension scheme* to a *retail client*, which involves an election by the *client* to make *income withdrawals* or a purchase of a *short-term annuity*, must provide that *client* with such information as is necessary for the *client* to understand the consequences of the variation, including where relevant, the information required by *COBS* 13 Annex 2.2.9R (Additional requirements: ~~unsecured and alternatively secured~~ drawdown pensions);

…

Part 2: Comes into force on [*day immediately following the date of this instrument*]

TP 2 Other Transitional Provisions					
(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
...					
2.15	*COBS* 9.4.10G; *COBS* 13 Annex 2; *COBS* 13 Annex 3; *COBS* 14.2.1R	R	A *firm* which anticipates the coming into force of the Finance Act 2011 by carrying on any *regulated activity* in relation to a drawdown pension (as defined in paragraph 4 of Schedule 28 to the Finance Act 2004) must act as if the amendments to the *Handbook* set out in Annex A and Annex B Part 1 to the Pensions (Changes to Annuitisation and Income Withdrawals)	[*Day immediately following date of this instrument*] until the coming into force of the Finance Act 2011	[*Day immediately following date of this Instrument*]

			Instrument 2011 (FSA 2011/xx) were in force.		
2.16	*COBS* 9.4.10G; *COBS* 13 Annex 2; *COBS* 13 Annex 3; *COBS* 14.2.1R	G	A *firm* intending to anticipate the coming into force of the Finance Act 2011 by carrying on any *regulated activity* in relation to a drawdown pension (as defined in paragraph 4 of Schedule 28 to the Finance Act 2004) should satisfy itself that it would be acting lawfully in so doing.	[*Day immediately following date of this Instrument*] until the coming into force of the Finance Act 2011	[*Day immediately following date of this Instrument*]

Child Trust Funds – Proposed amendments

CHILD TRUST FUNDS (AMENDMENT) INSTRUMENT 2010

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(a) section 138 (General rule-making power);
(b) section 156 (General supplementary powers);

(2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.

B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on […].

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Child Trust Funds (Amendment) Instrument 2011.

By order of the Board
[…]

Annex A

Amendments to the Glossary of definitions

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

private customer	(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:

…

(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 ~~annual~~ 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 ~~annual~~ statement must be sent in accordance with Regulation 10 of the *CTF Regulations*;

…

…

Annex B

Amendments to the Conduct of Business sourcebook

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

Who is the client?

3.2.3 R …

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

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

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

…

Special cases

16.2.6 R In relation to business that is not *MiFID or equivalent third country business*, a *firm* need not despatch a confirmation if:

(1) the *firm* has agreed with the *client* (in the case of a *retail client*, in writing and with the *client's* informed consent) that confirmations need not be supplied, either generally or in specified circumstances; or

(2) the *designated investment* is a *life policy*, *stakeholder pension scheme* or a *personal pension scheme* (other than a *SIPP*); or

(3) the *designated investment* is held within a *CTF* and the ~~annual~~ statement provided under the *CTF Regulations* includes the information that would have been contained in a confirmation under this section (other than information that has since become irrelevant).

…

Periodic reporting: special situations

16.3.10 R In relation to business that is not *MiFID* or *equivalent third country business*, a *firm* need not provide a *periodic statement*:

(1) to a *client* habitually resident outside the *United Kingdom* if the *client* concerned has so requested or the *firm* has taken reasonable steps to establish that he does not wish to receive it;

(2) in respect of a *CTF*, if the ~~annual~~ statement provided under the *CTF Regulations* contains the *periodic information*.

…

16.4.1 R (1) A *firm* that holds *client designated investments* or *client money* for a *client* must send that *client* at least once a year a statement in a *durable medium* of those *designated investments* or that *client money* unless such a statement has been provided in a *periodic statement*.

(2) A *credit institution* need not send a statement in respect of *deposits* held by it.

(3) This *rule* does not apply in relation to a *firm* holding *client designated investments* or *client money* under a *personal pension scheme* or a *stakeholder pension scheme* where doing so is not *MiFID or equivalent third country business*.

(4) A *CTF* account provider holding *client designated investments* or *client money* under a *CTF* where doing so is not *MiFID or equivalent third country business* must provide a statement but need not do so more frequently than required by Regulation 10 of the *CTF Regulations*.

Appendix 7

Approved indices

PERMITTED LINKS (AMENDMENT NO 3) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):

(1) section 138 (General rule-making power);
(2) section 141 (Insurance business rules);
(3) section 156 (General supplementary powers);
(4) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Permitted Links (Amendment No 3) Instrument 2011.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text.

approved index in relation to *permitted links*:

(a) …

(b) a national index of retail prices published by or under the authority of a government<u>, or by a body under the national legislation,</u> of a *Zone A country*; or

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text.

21.3.2	G	(1)	Nothing in these rules prevents a *firm* making allowance in the value of any *permitted link* for any notional tax loss associated with the relevant *linked assets* for the purposes of fair pricing.
		(2)	In the *FSA*'s view the Consumer Prices Index is a national index of retail prices and so may be used as an *approved index* for the purposes of *COBS* 21.3.1R(1).

Retail Distribution Review – exemption of certain Holloway sickness policies

Appendix 8

RETAIL DISTRIBUTION REVIEW (HOLLOWAY SICKNESS POLICIES) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(a) section 138 (General rule-making power);
(b) section 156 (General supplementary powers);
(c) section 157(1) (Guidance); and

(2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.

B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 31 December 2012.

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Retail Distribution Review (Holloway Sickness Policies) Instrument 2011.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

Holloway exempt sickness policy	a *Holloway sickness policy* in respect of which the mid-rate projection in the *key features illustration* prepared for the purposes of *COBS* 13.1.1R(2) shows a projected maturity value of 20% or less of accumulated *premiums.*

Amend the following definition as shown. Underlining indicates new text.

retail investment adviser	an *employee* who carries on activities 2, 3, 4, 6, 10, 12 and 13 in *TC* Appendix 1.1.1R <u>(other than in relation to *Holloway exempt sickness policies*)</u>.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text.

6.1A Adviser charging and remuneration

Application – Who? What?

…

6.1A.2A R This section does not apply to a *firm* when it makes a *personal recommendation* to a *retail client* in relation to a *Holloway exempt sickness policy*.

…

6.1B Retail investment product provider requirements relating to adviser charging and remuneration

Application – Who? What?

…

6.1B.2A R This section (except for *COBS* 6.1B.12R) does not apply to a *firm* in circumstances where a *retail client* receives a *personal recommendation* in relation to the *firm's Holloway exempt sickness policy*.

…

6.1B.12 R (1) If a *firm's Holloway sickness policies* are sold through an intermediary, the *firm* must notify the intermediary as to which of those policies, if any, are *Holloway exempt sickness policies*.

(2) The notification in (1) must be made by the *firm* in good time before the intermediary *personally recommends* or *arranges* the sale of a *Holloway exempt sickness policy*.

6.2A Describing advice services

Application – Who? What?

…

6.2A.1A R This section does not apply to a *firm* when it makes a *personal recommendation* to a *retail client* in relation to a *Holloway exempt sickness policy*.

Proposed changes to the Banking: Conduct of Business sourcebook

BANKING: CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT NO 2) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of its powers under section 157(1) (Guidance) of the Financial Services and Markets Act 2000 ("the Act").

Commencement

B. This instrument comes into force as follows:

(1) the amendments in Part 1 of the Annex come into force on 30 June 2011;
(2) the amendments in Part 2 of the Annex come into force on [].

Amendments to the Handbook

C. The Banking: Conduct of Business sourcebook (BCOBS) is amended in accordance with the Annex to this instrument.

Citation

D. This instrument may be cited as the Banking: Conduct of Business Sourcebook (Amendment No 2) Instrument 2011.

By order of the Board
[ ]

Annex

Amendments to the Banking: Conduct of Business sourcebook (BCOBS)

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

Part 1: Comes into effect on 30 June 2011

4.2.2 G A *firm* should ~~consider indicating~~ indicate the rate or rates of interest that apply to a *retail banking service* in each statement of account provided or made available to a *banking customer* in respect of that *retail banking service* in accordance with *BCOBS* 4.2.1R.

Part 2: Comes into effect on [ ]

5.1.8 G A *firm* may find it helpful to take account of the European Banking Industry Committee Common Principles for Bank Account Switching and the ~~British Bankers' Association/ Building Societies Association/ Tax Incentivised Savings Association Cash ISA Transfers: Guidelines~~ Cash ISA to Cash ISA Transfer Industry Guidelines.

Change to firms' core information reporting requirements: telephone numbers

SUPERVISION MANUAL (CORE INFORMATION) (AMENDMENT) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 138 (General rule-making power);
(2) section 156 (General supplementary powers);
(3) section 157 (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [ ].

Amendments to the Handbook

D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Supervision Manual (Core Information) (Amendment) Instrument 2011.

By order of the Board
[]

Annex

Amendments to the Supervision manual (SUP)

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

15 Notifications to the FSA

…

15.5 Core information requirements

…

15.5.4 R …

Change in telephone numbers

15.5.5 R ~~[deleted]~~ A *firm* must give the *FSA* 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 G ~~[deleted]~~ *SUP* 15.5.4R and *SUP* 15.5.5R mean that a *firm* should notify the *FSA* of a change in telephone number even if the address of the office is not changing.

…

Submitting notifications to the FSA

15.5.9 R (1) A *firm* other than a *credit union* must submit any notice under *SUP* 15.5.1R, *SUP* 15.5.4R, *SUP* 15.5.5R and *SUP* 15.5.7R by submitting the form in *SUP* 15 Ann 3R online at www.fsa.gov.uk .

(2) A *credit union* must submit any notice under *SUP* 15.5.1R, *SUP* 15.5.4R, *SUP* 15.5.5R 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 *FSA'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, *SUP* 15.5.5R and *SUP* 15.5.7R 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).

…

15 Annex 1R Application of SUP 15 to incoming EEA firms and incoming Treaty firms

…

Applicable sections		Application
…		
SUP 15.5.5R to *SUP* 15.5.6G	~~Change in legal status~~ Change in telephone numbers	~~Do not apply~~ Applies in full
…		

…

Sch 2 Notification requirements

...

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
…				
SUP 15.5.5 R	~~Notifications - change in legal status~~ Change to certain telephone numbers.	~~The fact of the proposed change in liability~~ Details of the new number and the date of the change.	~~A proposed change in a *firm's* legal status which limits the liability of any of its members or *partners*~~ Change to certain telephone numbers. ~~This includes:~~	Reasonable advance notice.

			~~(1) re-registration as a limited liability company of a *company* incorporated with unlimited liability; and~~	
			~~(2) a general *partner* in a *firm* becoming a limited *partner*.~~	
…				

Proposed changes to Listing Rules

LISTING RULES SOURCEBOOK (AMENDMENT NO X) INSTRUMENT 2010

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:

(1) section 73A (Part 6 rules);
(2) section 75 (Applications for listing);
(3) section 96 (Obligations of issuers of listed securities);
(4) section 101 (Part 6 rules: general provisions);
(5) section 138 (General rule-making power);
(6) section 156 (General supplementary powers);
(7) section 157(1) (Guidance); and
(8) schedule 7 (The Authority as Competent Authority for Part 6)

Commencement

B. This instrument comes into force on [*date*].

Amendments to the Handbook

C. The Glossary of definitions is amended in accordance with Annex A to this instrument.

D. The Listing Rules sourcebook (LR) is amended in accordance with Annex B to this instrument.

Citation

E. This instrument may be cited as the Listing Rules Sourcebook (Amendment No X) Instrument 2011.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking though indicates deleted text.

premium listing (commercial company)	a *premium listing* of *equity* ~~*securities*~~ <u>*shares*</u> (other than those of a *closed-ended investment fund* or of an *open-ended investment company*).
premium listing (investment company)	a *premium listing* of *equity* ~~*securities*~~ <u>*shares*</u> of a *closed-ended investment fund* or of an *open-ended investment company*).

Annex B

Amendments to the Listing Rules sourcebook (LR)

In this Annex, underlining indicates new text and striking though indicates deleted text.

Admission to trading

2.2.3 R Other than in regard to *securities* to which *LR* 4 applies, to be *listed*, *equity* ~~*securities*~~ *shares* must be admitted to trading on a *regulated market* for *listed securities* operated by a *RIE*. All other *securities* must be admitted to trading on a *RIE*'s market for *listed securities*.

Pre-emption rights

9.3.12 R *LR* 9.3.11R does not apply to:

…

(4) an *overseas company* with a *premium listing* that has obtained the consent of its shareholders to issue *equity securities* or to sell *treasury shares* that are *equity shares* other than in accordance with *LR* 9.3.11R either:

(a) within the terms of an authority equivalent to that required by section 570 or 571 of the Companies Act 2006; or

(b) in accordance with the law of its country of incorporation provided that the country has implemented Article 29 of Directive 77/91/EEC; or

(5) an *open-ended investment company*.

9.5 Transactions

…

9.5.6 R A *listed company* must ensure that the offer relating to a *rights issue* remains open for acceptance for at least 10 *business days* beginning on the first *day* on which the *rights issue* is open for acceptance.

Open offers

…

9.5.7A R A *listed company* must ensure that the *open offer* remains open for acceptance for at least 10 *business days* beginning on the first *day* on which the *open offer* is open for acceptance.

9.5.8 R A *listed company* must ensure that in relation to communicating information on an *open offer*:

(1) if the offer is subject to shareholder approval in general meeting the announcement must state that this is the case; and

(2) the *circular* dealing with the offer must not contain any statement that might be taken to imply that the offer gives the same entitlements as a *rights issue* unless it is an offer with a compensatory element.

9.5.8A R If existing *shareholders* do not take up their rights to subscribe in an *open offer* with a compensatory element:

(1) the *listed company* must ensure that the *equity securities* to which the offer relates are offered for subscription or purchase on terms that any premium obtained over the subscription or purchase price (net of expenses) is to be for the account of the holders, except that if the proceeds for an existing holder do not exceed £5.00, the proceeds may be retained for the *company's* benefit; and

(2) the *equity securities* may be allotted or sold to underwriters, if on the expiry of the subscription period no premium (net of expenses) has been obtained.

9.5.8B R A *listed company* must ensure that for a subscription in an *open offer* with a compensatory element the following are notified to a *RIS* as soon as possible:

(1) the offer price and principal terms of the offer; and

(2) the results of the offer and, if any *securities* not taken up are sold, details of the sale, including the date and price per *share*.

…

Temporary documents of title (including renounceable documents)

9.5.15 R A *listed company* must ensure that any temporary document of title (other than one issued in global form) for an *equity security*:

(1) is serially numbered;

(2) states where applicable:

…

(h) for a *rights issue*, the time, being not less than 10 *business days*, in which the offer may be accepted, beginning on the first *day* on which the rights issue is open for acceptance, and how *equity securities* not taken up will be dealt with; and

…

…

Additional information

9.8.6 R In the case of a *listed company* incorporated in the *United Kingdom*, the following additional items must be included in its annual financial report:

…

(2) a statement showing~~,~~ all interests disclosed to the *listed company* in accordance with *DTR* 5 as at the end of the period under review including ~~as at a date not more than one month prior to the date of the notice of the annual general meeting~~:

(a) ~~all information disclosed to the *listed company* in accordance with *DTR* 5~~ all changes in the interests disclosed to the *listed company* that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting; or

(b) if there have been no changes in the period described in (a), a statement that there have been no changes ~~that there have been no disclosures, if no disclosures have been made~~.

…

Report to shareholders

9.8.8 R The report to the shareholders by the Board required by *LR* 9.8.6R(7) must contain the following:

…

(12) for *defined benefit schemes*:

(a) details of the amount of the increase during the period under review (excluding inflation) and of the accumulated total amount at the end of the period in respect of the accrued benefit to which each *director* would be entitled on leaving service or is entitled having left service during the period under review;

(b) either:

(i) the transfer value (less *director's* contributions) of the relevant increase in accrued benefit (to be calculated in accordance with ~~Actuarial Guidance Note GN11~~ <u>regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996</u> but making no deduction for any under-funding) as at the end of the period; or

…

…

…

Transactions to which this chapter does not apply

11.1.6 R *LR* 11.1.7R to *LR* 11.1.10R do not apply to a *related party transaction* if it is a transaction or arrangement:

(1) of a kind referred to in paragraph 1 <u>or 1A</u> of *LR* 11 Annex 1R ~~R~~ (a small transaction <u>or a transaction the terms of which were agreed before a person became a related party</u>; or

(2) of a kind referred to in paragraph 2 to <u>9</u> ~~10~~ of *LR* 11 Annex 1R ~~R~~ and does not have any unusual features.

…

…

11 Annex 1R **Transactions to which related party transaction rules do not apply**

	Small transaction
1	A transaction or arrangement where each of the applicable *percentage ratios* is equal to or less than 0.25%.
	~~**Issue of new securities and sale of treasury shares**~~
	Transaction agreed before person became a related party
1A	…
…	

…

Omission of information

13.1.7 G The *FSA* may authorise the omission of information required by *LR* 13.3 to *LR* 13.6, *LR* 13.8 and *LR* 13 Annex 1R, if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the *listed company*, provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the matter covered by the *circular*.

13.1.8 R A request to the *FSA* to authorise the omission of specific information in a particular case must:

(1) be made in writing by the issuer;

(2) identify the specific information concerned and the specific reasons for the omissions; and

(3) state why in the issuer's opinion one or more grounds in *LR* 13.1.7G apply.

…

Admission to trading

14.3.1 R Other than in regard to *securities* to which *LR* 4 applies, the *listed equity* ~~*securities*~~ *shares* of a *company* must be admitted to trading on a *regulated market* for *listed securities* operated by a *RIE*.

…

Temporary documents of title (including renounceable documents)

14.3.9 R A *company* must ensure that any temporary document of title (other than one issued in global form) for a *share*:

(1) is serially numbered;

(2) states where applicable:

…

(g) for a *rights issue*, the time, being not less than 10 *business days*, in which the offer may be accepted, beginning on the first *day* on which the *rights issue* is open for acceptance, and how *shares* not taken up will be dealt with; and

…

…

Independence

15.2.12A R For the purposes of *LR* 15.2.11R, a majority of the board or equivalent body of the *applicant* ~~(including the Chairman) must not be~~ must be independent. The following are not independent:

(1) the Chairman, *directors*, *employees*, partners, officers or professional advisers of or to:

(a) an *investment manager* of the *applicant*; or

(b) a master fund or *investment manager* referred to in *LR* 15.2.11R(2); or

(c) any other *company* in the same *group* as the *investment manager* of the *applicant*; or

(2) the Chairman, *directors*, *employees* or professional advisers of or to other investment *companies* or funds that are:

(a) managed by the same *investment manager* as the *investment manager* to the *applicant*~~:~~; or

(b) managed by any other *company* in the same *group* as the *investment manager* to the *applicant*.

…

Annual financial report additional requirements for property investment entities

15.6.4 R A valuation required by *LR* 15.6.3R must:

(1) either:

(a) be made in accordance with the Appraisal and Valuation Standards ~~(5th edition)~~ (6th edition) issued by the Royal Institution of Chartered Surveyors; or

(b) where the valuation does not comply in all applicable respects with the Appraisal and Valuation Standards ~~(5th edition)~~ (6th edition) issued by the Royal Institution of Chartered Surveyors, include a statement which sets out a full explanation of such non-compliance; and

(2) be carried out by an external valuer as defined in the Appraisal and Valuation Standards ~~(5th edition)~~ (6th edition) issued by the Royal Institution of Chartered Surveyors.

…

Requirements with continuing application

16.4.1 R An *open-ended investment company* must comply with:

(1) *LR* 9 (Continuing obligations) except *LR* 9.2.6 BR, ~~and~~ *LR* 9.2.15R and *LR* 9.3.11R;

(2) *LR* 15.5.1R;

(3) *LR* 15.6.1R; and

(4) the condition set out in *LR* 16.1.1R(1) or (2).

…

Certificates representing equity securities of a ~~*UK*~~ UK company

18.2.10 R ~~Certificates representing *equity securities* of an *investment entity* (wherever incorporated or established) will be *admitted to listing* only if the *equity securities* they represent are already *listed* or are the subject of an application for *listing* at the same time.~~ [deleted]

…

App 1.1 Relevant definitions

…

…	
premium listing (commercial company)	a *premium listing* of *equity* ~~*securities*~~ *shares* (other than those of a *closed-ended investment fund* or of an *open-ended investment company*).
premium listing (investment company)	a *premium listing* of *equity* ~~*securities*~~ *shares* of a *closed-ended investment fund* or of an *open-ended investment company*.
…	

…

TR 5 Transitional Provision for companies incorporated in the United Kingdom

(1)	(2) Material to which the transitional provisions applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1.	*LR* 9.3.12R (1), (2) and (3)	R	Where a *listed company* has an authority to disapply statutory pre-emption rights	From 6 April 2010	6 April 2010

			under section 95 of the Companies Act 1985 and that authority remains in force on or after 6 April 2010, the *company* can continue to rely on it until it expires and will not need to seek a new authority under section 571 of the Companies Act 2006.		

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