

Quarterly Consultation No.11

December 2015



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The Financial Conduct Authority invite comments on this Consultation Paper. Comments should reach us by 4 January 2016 for Chapters 7 and 9, and 4 February 2016 for Chapters 2, 3, 4, 5, 6, 8 and 10 (see the Overview section for further details).

Comments may be sent by electronic submission using the form on the FCA's website at www.fca.org.uk/your-fca/documents/consultation-papers/cp15-42-response-form or by email to cp15-42@fca.org.uk.

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If you are responding in writing to several chapters then please send your comments to Emily How in Communications, who will pass your responses on as appropriate.

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Abbreviations used in this paper

AIA	Association of International Accountants
APR	annual percentage rate of charge
BIPRU	Prudential sourcebook for Banks, Building Societies and Investment Firms
CBA	cost benefit analysis
CCA	Consumer Credit Act 1974
CCD	Consumer Credit Directive
CDFI	community development finance institution
CFO	community finance organisation
CISI	Chartered Institute for Securities and Investment
CII	Chartered Insurance Institute
CONC	Consumer Credit sourcebook
CRD	Capital Requirements Directive (EU Directive 2013/36/EU), which forms part of the CRD IV legislative package
CRD IV	CRR and CRD
DISP	Dispute Resolution: Complaints sourcebook
DPA	Data Protection Act
EBA	European Banking Authority
EG	Enforcement Guide
ESMA	European Securities and Markets Authority
EU	European Union
FATF	Financial Action Task Force
FCA	Financial Conduct Authority

FRC	Financial Reporting Council
FSA	Financial Services Authority
FSMA	Financial Services and Markets Act 2000
GABRIEL	GAthering Better Regulatory Information Electronically
GEN	General Provisions
GENPRU	General Prudential sourcebook
GLs	EBA Guidelines on the Supervisory Review and Evaluation Process
HCSTC	high-cost short-term credit
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	Prudential sourcebook for Investment Firms
IRPRU-FSOC	Interim Prudential sourcebook for Friendly Societies
IPRU-INS	Interim Prudential sourcebook for Insurers
IRN	Individual Reference Number
LR	Listing Rules
MCD	Mortgage Credit Directive
MLAR	Mortgage Lenders and Administrators Return
NDFs	non-Directive insurers
NI	National Insurance
OD2	Omnibus II Directive
P2P	peer-to-peer
PD	Prospectus Directive
PERG	Perimeter Guidance manual
PR	Prospectus Rules
PRA	Prudential Regulation Authority
QCP	Quarterly Consultation Paper
RAO	Regulated Activities Order
RAP	relevant authorised persons
RDC	Regulatory Decisions Committee

RDR	Retail Distribution Review
RIAs	Retail Investment Advisors
RMAR	Retail Mediation Activity Return
RQB	Recognised Qualifying Body
RTS	regulated technical standards
SII	Securities and Investment Institute
SPS	Statement of Professional Standing
SREP	Supervisory Review and Evaluation Process
SUP	the Supervision manual
SYSC	Senior Management Arrangements, Systems and Control sourcebook
TCC	total charge for credit
TC	Training and Competence sourcebook
TD	Transparency Directive
TDAD	Transparency Directive Amending Directive
TDID	Transparency Directive Implementing Directive
TREA	Total Risk Exposure Amount
TSCR	Total SREP Capital Requirement

1. Overview

Chapter No.	Proposed changes to Handbook	Consultation Closing Period
2	To make certain consequential changes to rules and guidance relating to controllers.	4 February 2016
3	To make consequential changes to various RDR forms as a result of the Senior Managers' Regime.	4 February 2016
4	To add text to EG 7 to reflect the FCA's ability to apply to the Court under section 89NA for a voting rights suspension order.	4 February 2016
5	To make consequential changes to the Handbook for Solvency II and non-Directive firms.	4 February 2016
6	To make three proposed changes to the Supervision manual (SUP) that will amend the reporting requirements and submission methods for some regulated firms.	4 February 2016
7	To make changes to the Training and Competence sourcebook (TC) list of appropriate qualifications.	4 January 2016
8	To make amendments to our Consumer Credit sourcebook (CONC) and the Perimeter Guidance manual (PERG).	4 February 2016
9	Impact on LR of changes to PR proposed in CP15/28.	4 January 2016
10	Clarifications on CRDIV Pillar 2 and financial conglomerates.	4 February 2016

2. Amendments to rules and guidance relating to controllers

Introduction

- 2.1** This chapter sets out our proposals for consequential amendments we propose to make to certain rules and guidance relating to controllers.

Transposition of the Transparency Directive Amending Directive (TDAD)

- 2.2** Regulation 6 of the UK Transparency Regulations 2015 (2015 No.1755) makes amendments to sections 184, 301E and 422A of FSMA to include a new stabilisation exemption. It also makes changes to the wording of the trading book exemption. Regulation 6 comes into force on 31 May 2016.

Summary of proposals

- 2.3** We propose to amend the glossary definition of the term ‘controller’ for consistency with the amended version of FSMA.

Amending our guidance on controllers to reflect the current version of FSMA

- 2.4** Sections 184 and 422 of FSMA now refer to ‘controlled undertakings’ rather than ‘subsidiary undertakings’. We propose to amend our guidance at SUP 11 Annex 6G to clarify this change.

Q2.1: Do you have any concerns about our consequential amendment proposals for the rules and guidance on controllers?

Cost benefit analysis

- 2.5** We do not expect there to be an increase in costs for authorised persons as the proposed amendments relate to controllers of authorised persons.
- 2.6** A new category has been added to the list of situations where holdings are disregarded for the purposes of determining controllers. Accordingly, costs will reduce for the potential controllers that can take advantage of this exemption.
- 2.7** We do not expect that our costs to assess notifications under Part XII of FSMA will increase. There may be a small reduction in costs as some potential controllers can take advantage of the proposed new category of disregarded holdings.

- 2.8** The proposed rules would apply to mutual societies in the same way that they apply to other authorised persons.

Compatibility statement

- 2.9** We believe that the proposed amendments are in line with our objectives as the proposals will remove inconsistency between FSMA and our rules (and guidance).

Equality and diversity

- 2.10** We have considered the equality and diversity issues that may arise from the proposals and do not consider that these raise any concerns. We believe that many of the changes detailed above will have a very limited effect on consumers in general and we do not consider that these proposals adversely impact any of the groups with protected characteristics i.e. age, disability, gender, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.
- 2.11** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim, we welcome any feedback to this consultation.

3. Changes to RDR forms

Introduction

- 3.1** The FCA introduced the Retail Distribution Review (RDR) in December 2012 with the aims of:
- raising professional standards in the industry
 - providing greater clarity to consumers about different types of services available
 - clarifying charges associated with advice and services
- 3.2** The RDR regime requires firms and professional accredited bodies to submit data to the FCA on the training and competency of Retail Investment Advisors (RIAs), as well as any complaints upheld against RIAs. This data uses a system of Individual Reference Numbers (IRNs) to identify individual RIAs. We mainly use this information to supervise the professionalism requirements under the RDR regime.
- 3.3** From 7 March 2016 the new Accountability regime will replace the current Approved Persons Regime in banks, building societies, credit unions and PRA-designated investment firms (together, relevant authorised persons (RAPs)), and individuals who fall within the new Certification Regime will be approved by the firm rather than by the regulator. This impacts the existing customer function (CF30), which includes RIAs. As the FCA will no longer pre-approve these individuals, new RAP RIAs will not be issued with an IRN.
- 3.4** The FCA collects information on professional standards and complaints to monitor firms' compliance with the RDR. We are therefore developing a new system to uniquely identify new RAP RIAs, while also allowing existing RIAs to continue using their IRN.

Summary of proposals

- 3.5** Where IRNs are unavailable, the FCA is proposing to request that firms submit additional data that will uniquely identify RAP RIAs on an ongoing basis. These changes only impact firms with permissions to advise on retail investments.

Proposed changes to the Supervision (SUP) manual, and Training and Competence (TC) and Dispute Resolution: Complaints (DISP) sourcebooks

- 3.6** The changes apply to the following forms:
- SUP 10 Annex 9 – The Retail Investment Adviser Complaints Alerts Form

- TC 2.1.33 – Retail Investment Adviser Competence Notification Submission Form
- TC App 8.1 – Professional Standards Data Submission Form
- DISP 1 Annex C – Complaints by Retail Investment Advisers Form

3.7 In addition, our changes will affect two Handbook provisions: TC 2.2B.4 and DISP 1.10.2.

3.8 In particular, from 7 March 2016 firms will be asked to submit:

- an individual reference number; OR if the individual has not been issued with an IRN
- a national insurance (NI) number and date of birth; OR if NI unavailable
- date of birth, current passport number and nationality

3.9 We will also amend Handbook rule DISP 1.10.2AR to reflect the ability of firms to report RIA complaints without an IRN where other unique identifying information is provided.

3.10 We have also taken this opportunity to make some minor amendments to TC Appendix 8.1 by introducing an additional column for competency. This is to better clarify our policy intention.

Proposed changes to RMA-G

3.11 To reduce duplication and maximise use of resources, we also propose to merge the Professional Standards Data Submission Form in TC at TC 2.2B.4 with a revised version of RMA-G, which we propose to bring into force on 31 December 2016. This change will mean the information we need is submitted to our GABRIEL reporting system, in line with our data strategy principles of ensuring that our data is integrated, accessible and actionable.

3.12 In addition, we propose to delete the existing rules in TC 2.2B and the Professional Standards Data Submission Form in TC Appendix 8, which requires firms to submit the Professional Standards Alert report on a quarterly basis unless no changes have occurred to the relevant data in that quarter. These rules will be deleted with effect from 31 December 2016 and will be replaced by changes to form RMA-G in SUP 16 Annex 18A from the same date. Submission of this information will then align with the existing reporting requirements for RMA-G (half-yearly for most firms and quarterly for those firms with revenue for the year of over £5m).

3.13 We propose to require this information to be provided in each submission of the RMA-G in order to improve our oversight of the retail investment market. We appreciate that this will increase the reporting requirement for a minority of firms (i.e. those with few changes to adviser data). However, the changes will reduce the quarterly reporting requirement for a significant proportion of affected firms, and so we believe the net effect on the industry will be minimal. We also believe that the transparency of the requirement and the replacement of the existing Professional Standards Data Submission Form will improve firms' experience of providing this data.

3.14 In revising RMA-G, we have also proposed updates to the layout and breakdown of qualifications reporting for retail investment businesses to bring them in line with RDR requirements. Rather than only asking for the number of RIAs with an appropriate qualification, we have split this into one field asking for the number of advisers fully qualified to provide advice on retail investment products and another asking for the numbers of advisers holding a valid Statement of Professional Standing (SPS) issued by an accredited body. This will allow us to cross-check

the professional standards information with the summary figures collected in the initial tables in RMA-G. Overall this is a change that adds only one additional reporting field.

- 3.15** Two other small changes to this form are proposed. We have acted on feedback regarding how the 'total' fields should be reported in the current RMA-G and have redesigned the table to make this clearer. Finally, we have added one additional field to the proposed RMA-G professional standards reporting to include 'SPS Start Date' in order to improve the efficiency and cost-effectiveness of our oversight in this area.
- 3.16** The table below shows which RDR forms and rules we propose to change in this consultation paper:

Form/Handbook section	Associated rule	Note
Retail Investment Adviser Complaints Alert Form G	SUP 10 Annex 9	This form will be deleted and replaced with a new Retail Investment Adviser Complaints Alert Form in SUP 15 Annex 8. Effective from 7 March 2016.
The Retail Investment Adviser Competence Notification Form	TC 2.1.33	Effective from 7 March 2016.
Consequential amendments to rules in TC	TC 2.2B.4	Effective from 7 March 2016 and will be deleted on 31 December 2016.
Retail Investment Adviser Professional Standards Data Submission Form	TC 2.2B.4 TC App 8.1.1	This form will be deleted and replaced by a new version of RMA-G from 31 December 2016.
Complaints by Retail Investment Advisers Return	DISP 1 Annex 1C DISP 1.10.2AR	This will be replaced by a new version of the RIA complaints form.
RMA-G Training and Competence Data	SUP 16 Annex 18A	This replaces the RIA Professional Standards Data Submission Form from 31 December 2016.

Q3.1: Do you agree with the proposed changes to the forms and rules as outlined above?

Cost benefit analysis

- 3.18** Section 138I of the Financial Services and Markets Act (FSMA) requires the FCA to perform a cost benefit analysis (CBA) of our proposed requirements and to publish the results, unless it considers the proposal will not give rise to any cost or, if it does give rise to an increase in costs, the rise will be of minimal significance. We consider the incremental cost to firms of these proposals to be minimal, as, while firms will be required to submit new data to the FCA, it is data that firms already hold.

- 3.19** We recognise that there will be a cost implication for accredited bodies as a result of the loss of the register, as well as one-off system changes. We have engaged with the relevant accredited bodies from an early stage and have taken on any feedback (where possible) to mitigate costs.
- 3.20** The FCA believes that the proposed changes to RMA-G, including merging the Professional Standards Data Submission Form with RMA-G, will improve the transparency of the reporting requirement for firms and improve the quality of data firms submit. While two fields have been added to the form (in addition to the data for RIAs being proposed for all forms), we believe the changes to these fields will result in minimal incremental costs to firms. We also consider that the proposed changes to RMA-G will enable the FCA to perform its statutory functions in a more efficient and effective way for the benefit of firms and our stakeholders.
- 3.21** The FCA considers that the proposed changes to the reporting frequency from 31 December 2016 will have a minimal incremental cost on the industry, as, while a minority of firms will report professional standards data more frequently than under the existing rules, a significant number will see a reduction in the reporting frequency.

Q3.2: Do you agree with the cost benefit analysis above?

Compatibility statement

- 3.22** Section 1B of FSMA requires the FCA, when discharging its general functions, as far as is reasonably possible, to act in a way that is compatible with its strategic objective and advances one or more of its operational objectives. The FCA also needs to carry out its general functions in a way that promotes effective competition in the interests of consumers, so as far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective.
- 3.23** We are satisfied that these proposals are compatible with our general duties under section 1B of FSMA, having regard to the matters set out in 1C(2) FSMA and the regulatory principles in section 3B.
- 3.24** In preparing the proposals as set out in this consultation, we have considered the FCA's duty to promote effective competition in the interests of consumers. It is our opinion that making changes to the data requested from firms and accredited bodies has no negative impact on competition, as this ensures ongoing unique identification of RIAs.

Equality and diversity

- 3.25** We are aware that these rule and form changes will require firms and accredited bodies to submit data considered 'personal data' under the Data Protection Act (DPA). The FCA will be the 'data controller,' and, even though the information received may not in itself every instance identify individuals, the FCA has access to other information that could identify individuals. This personal data will be handled in line with the requirements of the DPA, and the FCA adheres to the eight principles of good information handling:
- First Principle – Fair and lawful processing
 - Second Principle – Processing personal data for specified purposes

- Third Principle – Adequate, relevant and not excessive
- Fourth Principle – Accuracy
- Fifth Principle – Retention
- Sixth Principle – Data subject’s rights
- Seventh Principle – Security
- Eighth Principle – International transfers

3.26 We have considered the equality and diversity issues that may arise from these proposals. Overall, we do not consider that the proposals raise concerns regarding equality and diversity issues. We do not consider that the proposals in this consultation adversely impact any of the groups with protected characteristics, i.e., age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

3.27 We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim we welcome any feedback to this consultation.

4. Changes resulting from the implementation of the Transparency Directive Amending Directive (TDAD)

Introduction

- 4.1** In March 2015, we published CP15/11 which set out joint proposals between the Treasury and the FCA on implementing the Transparency Directive Amending Directive 2013/50/EU (TDAD), which amends the Transparency Directive (TD), the Transparency Directive Implementing Directive (TDID) and the Prospectus Directive (PD).¹ The final rules were published in November 2015.²
- 4.2** The TDAD requires that Member States provide competent authorities with the power to suspend voting rights for shareholders who do not comply with certain TD requirements. The new Transparency Regulations 2015³ transpose the TDAD's requirement by amending FSMA and giving the FCA the ability to apply to the Court for an order suspending voting rights.
- 4.3** We are now consulting on amendments to our Enforcement Guide (EG) in light of this new power, adding:
- EG 7.3A, to reflect the FCA's ability to apply to the Court to suspend a person's voting rights
 - EG 7.20-7.22, to describe how the FCA decides whether to apply to the Court for such an order

Summary of proposals

- 4.4** We are proposing to add text to EG 7 to reflect the FCA's ability to apply to the Court under section 89NA for a voting rights suspension order.
- 4.5** The text states that decisions about applying to the Court for a voting rights suspension order will be made by the RDC Chairman, and in his absence, by the RDC Deputy Chairman.

¹ CP15/11 *Implementation of the Transparency Directive Amending Directive (2013/50/EU) and other Disclosure Rule and Transparency Rule Changes* (March 2015)

² PS15/26 *Implementation of the Transparency Directive Amending Directive (2013/50/EU) and other Disclosure Rule and Transparency Rule Changes including feedback on CP15/11 and final rules* (November 2015)

³ SI

- 4.6** The text also states that, in deciding whether to apply to the Court for such an order, the FCA will consider the full circumstances of each case, and in particular, the factors set out in section 89NA of the Act.

Q4.1: Do you have any comments on our proposed approach to amend EG 7 in light of section 89NA FSMA?

Cost benefit analysis

- 4.7** Section 138I(2)(a) of FSMA requires us to publish a cost benefit analysis (CBA) when proposing draft rules. Section 138L(3) of FSMA provides that section 138I(2)(a) does not apply where we consider that there will be no increase in costs or the increase will be of minimal significance.
- 4.8** Annex 1 of CP15/11 and PS15/26 contained CBA relating to the implementation of the TDAD. The amendments proposed in this chapter either do not add to the costs estimated in the CBA or any increase in cost is of minimal significance. The changes in this Quarterly Consultation Paper (QCP) set out a decision-making procedure comparable to our existing approach, so we do not expect these proposals to result in costs additional to those already identified in the main CP 15/11.

Mutual societies

- 4.9** Section 138K of FSMA requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies, compared to other authorised persons. The expected effect on mutual societies was set out in Annex 2 of CP15/11. The proposed amendments do not have a negative impact on this expected effect.

Compatibility statement

- 4.10** Section 138I(2)(d) of FSMA requires us to explain why we believe our proposed rules are compatible with our strategic objective, advance one or more of our operational objectives and consider the regulatory principles in section 3B of FSMA.
- 4.11** A compatibility statement in relation to the implementation of TDAD was set out in Annex 2 of CP15/11. We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles.

Equality and diversity

- 4.12** We have considered the equality and diversity issues that may arise from these proposals. Overall, we do not consider that the proposals raise concerns regarding equality and diversity issues. We do not consider that the proposals in this consultation adversely impact any of the groups with protected characteristics, i.e., age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

- 4.13** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim we welcome any feedback to this consultation.

5. Solvency II – Consequential changes to the Handbook for non-Directive firms

Introduction

- 5.1** The Prudential Regulation Authority (PRA) has consulted on the prudential regime for non-Directive insurers or 'NDFs'⁴ and consequential amendments necessary to reflect the adoption of the Solvency II Firms sector of the PRA Rulebook.⁵ At the same time, the PRA has removed its rules from the existing Handbook and reworked them into its new PRA Rulebook. The PRA has made clear it do not believe its proposals represent changes to existing policy except in a few specific instances where we are not making further changes at this stage pending further review of any conduct implications. As a result, the FCA is proposing consequential changes, many of which are purely mechanical and arise from the restructuring of the Handbook and the transposition of PRA rules into the PRA Rulebook. We are also taking the opportunity to consult on some minor changes to parts of the Handbook relevant to Solvency II firms. These are mainly to further align our rules with the PRA Rulebook.
- 5.2** The text of the proposed amendments, and the statutory powers they will be made under, can be found in Appendix 5.

Summary of proposals

- 5.3** The proposed consequential amendments are largely administrative and do not reflect any change in policy. Most consist of changes to reflect that PRA rules on NDFs have been moved from the joint FCA and PRA Handbook to the PRA Rulebook. They can be broadly categorised as follows:
- FCA rules currently cross-referring to PRA rules in the Handbook that need updating (for example, in SUP 4 Actuaries where there is a conduct interest overlay to the appointment of actuaries under the PRA's rules). Until references to individual rules are updated, the General Provisions (GEN) part of the Handbook requires firms to read references in the FCA Handbook to the PRA Handbook rules as references to the relevant provision in the PRA Rulebook.
 - Updates to the General Prudential sourcebook (GENPRU) and to INSPRU, IPRU-INS and IPRU-FSOC to reflect the split of the FCA and PRA's Handbooks. GENPRU contains rules for both insurers and other firms which the FCA prudentially regulates. We are proposing to

⁴ Solvency II will not apply to approximately 100 small insurers in the UK who are classified as non-Directive firms.

⁵ This has been published by the PRA in the following consultation papers: The prudential regime for non-Solvency II insurance firms and consequential amendments – CP27/15 (13 August 2015) The PRA Rulebook: Part 3 – CP17/15 (April 2015) and The PRA Rulebook: Part 4 - CP28/15 (14 August 2015)

strip out references to insurers and connected provisions in GENPRU 1 and 2 as the FCA no longer has rules that apply to insurers in these chapters. The exception is GENPRU 2.2.270 to 2.2.274 which have conduct implications. We propose moving these to COBS 20 (as we have done already for Solvency II firms). Similarly, we are proposing consequential changes to INSPRU, IPRU(INS) and IPRU(FSOC), although these rulebooks still contain conduct related FCA rules.

- Generic changes to reflect the transition away from a shared FCA and PRA Handbook. For example, in places we are proposing to change 'appropriate regulator' to refer just to 'the FCA'.
- General updates to reflect consequential changes as a result of the transition from the FSA Handbook to the PRA Rulebook. For example, in INSPRU there are references to US insurance regulators which are now out of date. The PRA is updating these and the FCA should align with them where appropriate.
- Changes to the Handbook to align with the PRA in the way they have approached Solvency II firms in their Rulebook. For example, in SUP 13 and 13A we are removing guidance which refers to the PRA approach (if the PRA itself has not published material to that effect).
- Amendments to our Senior Management Arrangements, Systems and Control sourcebook (SYSC) to clarify that our Solvency II consequential changes made in March 2015 do not have the effect of bringing pure reinsurers into scope of the money laundering requirements in SYSC, as no change in the current scope of those provisions was intended. We are also proposing to change the territorial scope provisions of SYSC 2 and 3 back to the position under FSA rules so that they apply 'in a prudential context' to activities wherever they are carried out.

Q5.1: Do you agree with our consequential changes to the Handbook as set out in this chapter?

Q5.2: Do you agree that these proposed changes cover all the consequential changes necessary to ensure the organised functioning of the FCA Handbook? If not, please provide us with information on the further changes you deem necessary and why.

Cost benefit analysis

- 5.4** The changes outlined in this consultation are consequential amendments to the FCA Handbook arising from PRA changes to the structure of its rules. There is no intention to depart from the existing regime for NDFs or Solvency II firms, except to the extent appropriate to align with the PRA approach. These changes will apply to mutual societies in broadly the same way as they do to other insurers. As such, these changes do not add any other costs or benefits other than those to which firms are already subject as a result of PRA changes.

Compatibility statement

- 5.5** PS15/8⁶ made reference to the implementation of Solvency II. These consequential changes contribute towards the strategic and operational objectives of the FCA by aiming at consistency across the FCA Handbook and PRA Rulebook. We have had regard to the principles set out in section 3B of FSMA. We believe the proposed consequential changes are compatible with all these principles.

Equality and diversity

- 5.6** We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper (CP). Overall, we do not consider that the proposals in this CP raise concerns in terms of equality and diversity issues. We do not consider that the proposals in this consultation adversely impact any of the groups with protected characteristics i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.
- 5.7** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim we welcome any feedback to this consultation.

⁶ PS15/8 *Solvency II* (March 2015)

6.

Changes to compliance, financial crime and Mortgage Lenders and Administrators reporting

Introduction

- 6.1** This chapter sets out proposed changes to the Supervision manual (SUP). These changes will alter the reporting requirements for some regulated firms.
- 6.2** The proposals will be of interest to:
- any firms subject to the Money Laundering Regulations
 - banks
 - building societies
 - designated investment firms
 - credit unions
 - investment firms
 - general insurers
 - life insurers
 - consumer credit firms
 - financial advisers
 - friendly societies
 - Lloyds Managing Agents
 - mortgage lenders
 - electronic money issuers

Summary of proposals

Changes to compliance reporting submission method for banking groups

- 6.3** We supervise firms by analysing information about firms' record of compliance with their regulatory requirements. Form NGP005 (a list of all the overseas regulators applicable to a bank's business) and form NGP006 (an organogram showing the authorised entities in a bank's group) are set out in SUP 16.6.5R. They help us determine whether a firm is complying with the requirements applicable to its business.
- 6.4** Firms currently submit this information to us either by post, fax or email. Our proposal is that the method of submission is automated through the GABRIEL online reporting system. We will combine the forms into a single return. As these returns are not in a standardised format we propose that firms will be able to upload the document into GABRIEL as a PDF.
- 6.5** We believe this proposal will increase efficiency and avoid the potential errors of manual submission. Processing time will be reduced for the approximately 300 to 350 firms required to submit these returns and for the FCA itself.

Q6.1: Do you have any comments on our proposals to require compliance reports for banks to be provided to us via the GABRIEL system?

Change to Mortgage Lenders and Administrator Report (MLAR) guidance

- 6.6** We require data from home finance providers and administrators to assist with the prudential supervision of firms, to assess the chance and impact of the failure of firms on our ability to meet our statutory objectives and to help assess the risks in the home finance market.
- 6.7** In SUP 16 Annex 19BG we provide guidance notes to help clarify how to complete MLAR. Our proposal is to amend the text under the heading 'C3.2 Capital Requirement' to make clear which figure is required.
- 6.8** We believe this proposal will help clarify to firms what is required in question C3.2 of MLAR. This change will affect approximately 150 firms.

Q6.2: Do you have any comments on our proposal to amend the guidance notes relating to question C3.2 of MLAR?

Introduction of financial crime reporting form

- 6.9** Combating financial crime is an important objective of the FCA. We have a statutory duty to enhance the integrity of the UK's financial system, which includes protecting it from exploitation by financial criminals. Many of the firms we regulate are subject to the requirements of the UK's Money Laundering Regulations, and we are responsible for supervising their compliance with those regulations. When performing our duties related to money laundering, the supervisory standards we are expected to meet are formulated by the Financial Action Task Force (FATF). The FATF is an international body that sets global standards on combating money laundering and terrorist financing, and which periodically reports publicly on the adequacy of countries' efforts to comply with those standards.
- 6.10** At present, our financial crime supervisory work relies on the use of ad hoc data requests to gather information about firms' systems and controls. We do not currently gather information from firms about financial crime regularly. This affects our ability to operate a truly risk-sensitive

supervisory approach in line with global standards. Consequently, we propose to introduce a financial crime return for the first time.

6.11 The proposed form asks firms to provide information about:

- the location of their customers
- the jurisdictions that the firm has business in that it considers pose a high risk
- the resources the firm allocates to tackling financial crime
- the number of suspicious activity reports the firm files with the authorities
- sanctions and asset freezes
- the firm's general views on which are the most prevalent types of fraud

6.12 We propose to automate the collection of this information using our electronic reporting system, GABRIEL. This will ensure the data are in a standardised format allowing for improved consolidation and cataloguing. In addition, automatic alerts can be put in place to bring any potential issues to the relevant supervisor's attention. It will be implemented by a new regulatory report called REP-CRIM. We believe this approach ensures data requirements are transparent and predictable.

6.13 We will use the data collected by this return to support our financial crime supervision. The data will enable us to conduct more desk-based supervisory work than we currently can. In turn, this will help us identify financial crime risks and trends, as well as possible emerging issues. It will also ensure we have better quality and more consistent comparable data about firms. This will assist us in more accurately risk-rating firms and allow us to better target our specialist resources. We will also be able to focus our resources on the firms that pose the highest financial crime risk, and reduce the possibility of our visiting firms posing lower risk – an unnecessary burden for those firms and an inefficient use of FCA resources. A more efficient risk-based approach should allow us to better fulfil our statutory duties, particularly for money laundering, and will demonstrate an improved strategy to industry and the wider world.

6.14 The data will be used by the FCA to conduct proactive trend analysis and to identify emerging risks. In addition, we expect the form to reduce the need for us to make ad hoc data requests from firms.

6.15 We propose to apply this annual form to approximately 3,600 firms. It will apply at entity-level to those firms subject to the Money Laundering Regulations 2007 (including banks, building societies and PRA-designated investment firms) as well as some general insurance firms and Lloyds Managing Agents. It will also apply to credit unions and friendly societies subject to the criteria in the proposed SUP 16.22.

6.16 This form (REP-CRIM) will impose new burdens on firms. We have aimed to avoid imposing these burdens on smaller enterprises or those supervised by professional bodies. This means the great majority of the firms we regulate that are subject to the Money Laundering Regulations will not need to prepare a return. The following types of firm will fall outside the requirement:

- intermediaries with a turnover of under £5m⁷
- authorised professional firms
- consumer credit firms with a turnover of under £5m

6.17 We estimate that this will ensure only 3,500 firms will be under an obligation to complete this return, out of an estimated 17,000 firms.

6.18 We propose that the form is completed annually with reference to a firm's accounting reference date and a remittance period of 30 working days.

Q6.3: Do you have any comments on REP-CRIM (the new Financial Crime Report)?

Q6.4: Do you have any comments on the guidance notes for REP-CRIM?

Q6.5: Do you have any comments on the proposed application of this reporting requirement to credit unions and friendly societies where they undertake activities in scope of the proposed rules?

Q6.6: Do you have any comments on the proposed revenue thresholds for relevant firms?

Q6.7: The data we gather in the proposed Financial Crime Return could be used to compile aggregated and anonymised statistics to provide industry-wide views on fraud risks or high-risk jurisdictions, for example. This could inform a firm's own approach to the management of financial crime risks. Do you have any comments on this?

Cost benefit analysis

6.19 Sections 138I and 138J of FSMA require us to publish a cost benefit analysis (CBA) when proposing draft rules. We are required to publish an analysis and estimate of the cost and benefits. This requirement does not apply if there will be no increase in costs or if any increase will be of minimal significance.

Changes to compliance reporting submission method

6.20 The change of submission method for compliance reporting will make the collection of this information more efficient for both firms and the FCA. This change will require firms to submit this information (via form REP010) through the GABRIEL system, a system firms required to complete the returns are already familiar with. There will be no additional reporting requirements, only a change to how the forms are submitted.

⁷ Note that the £5m turnover threshold is the same as those used for quarterly reporting of the RMAR and for determining the frequency of reporting for consumer credit firms.

Change to MLAR guidance

6.21 The change to the MLAR guidance notes in SUP 16 Annex 19BG will not result in any increase of costs for firms.

Introduction of a financial crime reporting form

6.22 The introduction of this form will result in higher fixed costs for some regulated firms. We anticipate this extra cost will be partly offset by a reduction in the number and cost of ad hoc data requests relating to financial crime. The rules accompanying this return aim to maximise transparency about our expectations, and will allow firms to plan for the submission of this data, something that ad hoc requests can make difficult.

6.23 We are attempting to reduce the burden of the reporting by introducing a minimum revenue threshold for certain sectors. The majority of firms we supervise that are subject to the Money Laundering Regulations will not need to complete this return due to their smaller size and lesser potential to prevent us from achieving our financial crime objectives fully. While a significant number of firms will be required to complete the form, we believe the number of firms that will need to complete the entire form is low. Most of the information that we propose to ask for will already be available to firms (even if it is not in the precise format asked for on the form). We have also aimed not to ask for information which will require firms to make significant systems changes to gather. For example, we only propose to ask firms to report their perceptions about fraud trends, rather than include data about incidences of fraud that would be expensive to collate. Consequently, we anticipate that the costs of compiling data for the proposed return should be relatively low.

6.24 The proposed form will benefit the FCA in terms of efficient and effective use of our resources through better use of data. The introduction of this form helps us implement a supervisory approach that is consistent with the global standards set by FATF. It is also in line with our data strategy; providing data that is accessible to the relevant people, which is of high quality and well-catalogued.

Q6.8: Do you have any questions or comments about our CBA?

Compatibility statement

6.25 Section 1B of FSMA requires us, so far as is reasonably possible, to act in a way that is compatible with our strategic objective and advances one or more of our operational objectives. In this case our strategic objective to ensure that the relevant markets function well is enhanced by these changes which will improve data quality and provide us with more information on the markets we regulate. We also need to carry out our general functions in a way that promotes effective competition in the interests of consumers.

6.26 The proposed changes to SUP 16 will allow us to collect more accurate firm data, collect and process data more efficiently and help us to identify emerging risks. This will allow us to more effectively supervise firms and advance our consumer protection and market integrity objectives.

6.27 We do not believe that making the proposed changes in this chapter will have an impact on competition. These changes are expected to impose low costs on firms and do not affect firms' incentives or ability to compete in the market.

Compatibility with the regulatory principles

- 6.28** We have considered the principles set out in section 3B of FSMA and believe the proposed changes are compatible with all of these principles.

Mutual societies

- 6.29** The only proposed change in this chapter to impact mutual societies will be the financial crime return. Firms required to submit this return will have a turnover of over £5 million, therefore only mutual societies of sufficient size would need to provide us with this return. We therefore believe the impact on mutual societies will be minimal.

Equality and diversity

- 6.30** We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper (CP). Overall, we do not consider that the proposals in this CP raise concerns in terms of equality and diversity issues. We do not consider that the proposals in this consultation adversely impact any of the groups with protected characteristics i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.
- 6.31** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim we welcome any feedback to this consultation.

7.

Changes to the Training and Competence (TC) sourcebook

Introduction

- 7.1** The Training and Competence (TC) sourcebook sets out the qualification requirements for individuals carrying out certain retail activities. We consult for one month each time a new qualification is added, or when other minor changes are made to the list of appropriate qualifications.
- 7.2** This chapter will interest firms and individuals who are subject to our TC requirements. The text of the proposed amendments and the statutory powers they will be made under are set out in Appendix 7.

Summary of proposals

- 7.3** We propose adding one new qualification to the appropriate qualifications list in TC and amending two existing qualifications.

New qualification and amendments

- 7.4** We propose amending the details of the following two qualifications on the appropriate qualifications list:
- Chartered Insurance Institute – CF1: UK financial services, regulation and ethics. This is proposed to be listed as being appropriate for TC activities 10, 14, 15, 16, 17, 18 and 19 (key 3⁸, 4 and 3, 5). It is currently listed as being appropriate for activities 15, 16, 17, 18 and 19 (key 4 and 5).
 - Chartered Insurance Institute – RO1 Paper: Regulation and Ethics. This is proposed to be listed as being appropriate for TC activities 10, 14, 15, 16, 17, 18 and 19 (key 3, 4 and 3, 5). It is currently listed as being appropriate for activities 15, 16, 17, 18 and 19 (key 4 and 5).
- 7.5** We propose adding the following new qualification to the appropriate qualifications list:
- Chartered Institute for Securities and Investment (CISI) – (Formerly the Securities and Investment Institute (SII); formerly The Securities Association) – Investment Operations Certificate – Client Money and Assets being appropriate for activity 16 (key 6)

⁸ UK Financial Services Regulation and Ethics examination standard.

Q7.1: Do you know of any reason why these qualifications should not be added to and/or amended on our appropriate qualifications?

- 7.6** These proposals are intended to help ensure that the relevant markets function well. They should also help secure an appropriate level of protection for consumers. In particular, the proposals build on consumer protection currently provided by competent advisers that keep our TC rules up to date through the addition of relevant new qualifications and changes to current qualifications.

Cost-benefit analysis

- 7.7** Section 138I of the Financial Services and Markets Act (FSMA) requires us to perform a cost benefit analysis (CBA) of our proposed requirements and to publish the results, unless we consider the proposal will not give rise to any cost or to an increase in costs of minimal significance. This proposal does not incur any costs as it simply updates the list of appropriate qualifications.

Compatibility statement

- 7.8** Section 1B of FSMA requires the FCA, when discharging its general functions, as far as is reasonably possible, to act in a way that is compatible with its strategic objective and that advances one or more of its operational objectives. The FCA also needs to, as far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective, carry out its general functions to promote effective competition for consumers.
- 7.9** We are satisfied that these proposals are compatible with our general duties under section 1B of FSMA, having regard to the matters set out in 1C(2) FSMA and the regulatory principles in section 3B.
- 7.10** In preparing the proposals as set out in this consultation, we have considered the FCA's duty to promote effective competition in the interests of consumers. We believe that making changes to the appropriate qualifications lists has no impact on competition, as this simply increases the number of qualifications available.
- 7.11** The proposed changes are not expected to have a significantly different impact on mutual societies.

Equality and diversity

- 7.12** We have considered the equality and diversity issues that may arise from these proposals. Overall, we do not consider that the proposals raise concerns regarding equality and diversity issues. We do not consider that the proposals in this consultation adversely impact any of the groups with protected characteristics, i.e., age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

- 7.13** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim we welcome any feedback to this consultation.

8. Consumer credit amendments

Introduction

- 8.1 In this chapter, we propose some amendments to our Consumer Credit sourcebook (CONC) and the Perimeter Guidance manual (PERG).
- 8.2 This consultation will be of interest to firms, their advisers and trade bodies. It may also interest consumers and consumer organisations.
- 8.3 The text of the proposed amendments, and the statutory powers they would be made under, are set out in Appendix 8.

Summary of proposals

- 8.4 The amendments are mostly minor. In the majority of cases they correct anomalies or gaps in existing provisions or clarify their operation, and many are in response to queries from firms and other stakeholders. We also propose some deregulatory changes to our financial promotion rules in response to feedback to CP15/6⁹ (see PS15/23¹⁰).
- 8.5 The amendments in this chapter relate to chapters 2, 3, 4, 6, 11 and Appendix 1 of CONC, and PERG 2.3 (which relates to CONC 14).

Distance marketing

- 8.6 CONC 2.7 contains distance marketing rules, and CONC 2.7.7G relates to disclosure of contractual terms and conditions and other information. It refers to the Consumer Protection (Distance Selling) Regulations 2000, but from 13 June 2014 these were superseded by the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013¹¹ which implement the distance selling provisions of the Consumer Rights Directive. The proposed amendment updates the reference.
- 8.7 We propose an equivalent change to update the statutory reference at CONC 11.1.2R (which concerns the right to cancel under certain distance contracts).
- 8.8 In addition, we propose an addition to CONC 11.1.2R to clarify the application of the provisions in the case of a distance contract comprising an initial service agreement followed by successive or separate operations.

Financial promotions: representative example

- 8.9 CONC 3.5 relates to financial promotions about credit agreements not secured on land. Within this chapter, CONC 3.5.3R states that a financial promotion must include a representative example, containing standard information, in cases where the promotion indicates a rate of

⁹ CP15/6 *Consumer credit – proposed changes to our rules and guidance* (February 2015)

¹⁰ PS15/23 *Consumer credit – feedback on CP15/6 and final rules and guidance* (September 2015)

¹¹ SI 2013/3134

interest or an amount relating to the cost of credit. This implements article 4(1) of the Consumer Credit Directive (CCD) and was previously in regulations made under the Consumer Credit Act 1974 (CCA).

- 8.10** As indicated in PS15/23, we are consulting (in response to feedback on CP15/6) on disapplying this requirement in cases where the promotion relates only to agreements where the annual percentage rate of charge (APR) is 0%. We are satisfied that this is permissible under the CCD, given that article 2(2)(f) exempts agreements where the credit is granted free of interest and without any other charges: if the APR is 0%, the total charge for credit (TCC) is zero. We consider that including a representative example in such cases gives no material benefit to consumers.
- 8.11** Exempting such promotions from the requirement for a representative example will reduce costs to firms advertising interest-free credit, and facilitate promotions in media where space is limited. By reducing the amount of information we require in promotions, it will also make it easier for consumers to focus on key facts. The representative example does not, in any case, include non-TCC charges such as default fees. It includes the amount of any deposit payable, but if failure to mention this in a particular case would make the promotion misleading, this can be tackled under CONC 3.3.1R (which requires financial promotions and communications to be clear, fair and not misleading).
- 8.12** We propose a corresponding change to the accompanying guidance at CONC 3.5.4G. We would also remind firms of CONC 3.5.12R which prohibits use of the expression 'interest free' or any similar expression, unless (in the case of credit financing goods or services) the total amount payable does not exceed the cash price.

Financial promotions: representative APR

- 8.13** CONC 3.5.7R requires a representative APR to be shown if the financial promotion includes certain types of information, commonly referred to as 'triggers' and comprising 'sub-prime' indications, comparative indications and incentives.
- 8.14** As above, we propose to disapply this requirement in cases where the promotion relates only to agreements where the APR is 0%. We consider that including a representative APR in such cases would not materially benefit consumers.
- 8.15** The original purpose of the requirement, in cases where no representative example is triggered, was to ensure 'balance' in advertising, with the representative APR providing a cost indicator to counter-balance emphasis on benefits in the promotion. However, this serves no useful purpose where there are no TCC charges and so the representative APR is 0%.

Financial promotions: community finance organisations

- 8.16** As indicated in PS15/23, we propose to disapply the requirement for a representative APR in cases where the firm is a community finance organisation (CFO). This term covers a community benefit society, a registered charity and a community interest company limited by guarantee, and so includes some (but not all) community development finance institutions (CDFIs).¹²
- 8.17** CFOs are already exempt from the rules on high-cost short-term credit (HCSTC), including the price cap and risk warning, on the basis that (like credit unions) they serve a social purpose. They can play an important role in addressing the gap between HCSTC and mainstream lending

¹² We understand that there are fewer than 60 CDFIs, of which around 20 (primarily smaller ones) are CFOs.

in a fair and responsible way, by lending to sub-prime and other vulnerable consumers,¹³ and they are subject to a degree of scrutiny by their respective registering authority or regulator.

- 8.18** CFOs lend to individuals, businesses and social enterprises. In the case of lending to individuals,¹⁴ the focus is on providing affordable credit to consumers who are financially excluded, for example, because they do not have a bank account or they have a poor or limited credit history. In many cases CFOs also provide ancillary services such as budgeting advice and financial literacy support, and they can help customers set up bank accounts or credit union facilities.¹⁵
- 8.19** Currently, if a CFO promotes awareness of its products this is likely to trigger a representative APR. This contrasts with other sub-prime lenders who may be able to rely more easily on brand awareness or general product recognition. As such, CFOs are potentially at a disadvantage. Our proposal seeks to address that, and thereby promote more effective competition in the interests of consumers.
- 8.20** The APR is likely to be lower in the case of CFO lending, but may nevertheless deter consumers from applying as it may appear high in isolation. In contrast, if the consumer sees the APR as part of a representative example which also includes the amount of each repayment and the total amount payable, they may be more likely to make an informed decision. Showing the representative APR on its own may therefore lead to sub-optimal choices, with consumers forgoing essential expenditure or borrowing in other ways which may be less suitable and not include welfare-enhancing ancillary services.
- 8.21** We understand that all or most CFO websites currently include a representative example, including a representative APR. Our proposal would not affect this (and we would be prevented in any event from exempting CFOs from the representative example requirement because this derives from the CCD). It will, though, make it easier for CFOs to promote themselves in social media and other forms of advertising and allow them to reach consumers who may benefit from their products and services.
- 8.22** An APR will still be required in pre-contract credit information and credit agreements, but it will be presented as part of a package of information so will be seen in context.

Peer-to-peer platforms

- 8.23** CONC 3.7.3R requires a credit broker to indicate, in a financial promotion or document intended for consumers, the extent of its powers, including whether it works exclusively with one or more lenders or independently. CONC 4.4.2R requires a credit broker to disclose any fee payable by the customer for its services and to agree this in writing or other durable medium before a credit agreement is entered into. The lender must also be informed of the fee so that it can be taken into account in the APR calculation.
- 8.24** These rules transpose requirements in article 21 of the CCD applicable to 'credit intermediaries'. A person is a credit intermediary within article 3 of the CCD only if the relevant lender is acting by way of business.

¹³ PS14/3 *Detailed rules for the FCA regime for consumer credit* (February 2014)

¹⁴ The rules in CONC 3.5 do not apply to financial promotions which indicate clearly that they are solely promoting credit agreements for business purposes; they also do not apply to lending secured on land.

¹⁵ According to the annual report of the Community Development Finance Association, total CDFI lending to individuals in 2014 was £18.9m (41,938 individuals). The typical loan was for £450 over 11 months at an average APR of 67%. The report estimates that customers saved £4m in loan repayment charges.

8.25 Peer-to-peer (P2P) platforms are currently excluded from being 'credit brokers' by virtue of article 36A(2) of the Regulated Activities Order (RAO)¹⁶ on the basis that the relevant activities are covered instead by article 36H on operating an electronic system in relation to lending. As such, CONC 3.7.3R and 4.4.2R do not apply.

8.26 We propose to apply the requirements in article 21 of the CCD to P2P platforms where they are acting as credit intermediaries, via the addition of a new CONC 3.7A and a new CONC 4.3.3AR, with a minor change to CONC 4.3.1R.

8.27 In practice, we think it unlikely that the proposed changes will impact materially on firms. However, they are necessary to ensure full and proper implementation of the CCD.

Credit cards and store cards

8.28 CONC 6.7.12R requires firms under a regulated credit agreement for a credit card or store card to notify the customer at least 30 days before an increase in the rate of interest comes into effect. This was carried across from Office of Fair Trading guidance which reflected the Lending Code and other voluntary industry code provisions.

8.29 We are proposing to remove this requirement, as we consider that it may exceed the maximum harmonisation provisions of the CCD.¹⁷ Section 78A of the CCA implements the requirement in article 11 of the CCD that the consumer is informed before any change in the borrowing rate enters into force.

8.30 We are not, however, amending CONC 6.7.13R which entitles the customer to close the account in the event of an increase in the interest rate on a credit card or store card and to pay off the outstanding balance at the previous rate over a reasonable period.

Credit broker fees

8.31 CONC 6.8 gives guidance on section 155 of the CCA, which deals with refunds of credit broking fees. Section 155 applies where, following an introduction to a creditor or another credit broker, no relevant agreement is entered into within six months.

8.32 Our guidance in CONC refers to an introduction to 'a source of credit' and we consider this to be potentially ambiguous, as it may imply that it is limited to introductions direct to a lender rather than to another credit broker. We propose therefore to amend the wording in CONC 6.8.3G and 6.8.4AR to make clear that these provisions also cover introductions to other credit brokers, in line with section 155.

8.33 We are also correcting an omission in the current drafting of CONC 6.8.4AR, which refers to introductions to a source of credit but does not mention consumer hire agreements (the broking of which is also covered by section 155 of the CCA).

High net worth exemption

8.34 Under articles 60H and 60Q of the RAO, agreements with high net worth individuals are exempt from regulation, subject to certain conditions. One of these conditions is that a statement of the person's income or assets be made in accordance with FCA rules. The relevant rules are set out in Appendix 1 to CONC, and CONC App 1.4.3R specifies that the statement must be signed by the lender or owner (subject to App 1.4.4R) or by an accountant who is a member of any of the bodies listed or of a professional body for accountants established in a jurisdiction outside the United Kingdom.

¹⁶ The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, SI 2001/544.

¹⁷ For this reason, we are proposing the change now rather than waiting for a consultation on proposed remedies from the credit card market study, see <http://www.fca.org.uk/news/credit-card-market-study>.

8.35 We propose to add the Association of International Accountants (AIA) to this list. The AIA is registered in the UK but has a global membership base. It is a Recognised Qualifying Body (RQB) for statutory audit purposes, under the Financial Reporting Council's (FRC's) rules, and is also a recognised supervisor for anti-money laundering purposes. Adding it to the list increases the range of options for individuals and firms (particularly those based overseas) for obtaining a statement of high net worth.

8.36 We are also amending the heading of CONC App 1 to clarify its scope.

Self-employed agents

8.37 CONC 14 deals with the appointment of a self-employed individual as the firm's agent, subject to certain conditions set out in CONC 14.1.2R. These include that the individual works as an agent only for the firm and not as an agent for any other principal.

8.38 PERG 2.3 gives guidance generally on whether an individual is carrying on his or her own business, and PERG 2.3.7G sets out a number of indicators, including whether the individual supplies services to 'more than one client (principal *firm*)'. Given that 'firm' is italicised, this suggests that the provision is limited to an authorised person and so it is permissible to supply services to other principals if they are not authorised. This is not the intention for CONC 14, and so we propose to remove the words in brackets (principal *firm*) which are unnecessary in this context.

Assessment

8.39 The amendments proposed in this chapter are mostly minor. Many are intended to correct anomalies or gaps, or to clarify the application of existing provisions. We are also proposing some deregulatory changes to the financial promotion rules, but do not consider that these will impact materially on consumers.

Q8.1: Do you have any comments on the proposed amendments?

Cost benefit analysis

8.40 Section 138I of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) unless, in accordance with section 138L, we believe that there will be no increase in costs or that the increase will be of minimal significance. Section 138I also requires us to publish an estimate of costs and benefits unless these cannot be reasonably estimated or it is not reasonably practicable to estimate them.

8.41 We are satisfied that the proposed amendments either do not increase costs to firms or consumers, or any increase will be of minimal significance.

Compatibility statement

8.42 When consulting on new rules, we are required by section 138I(2) FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in section 3B FSMA. We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.

- 8.43** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. They advance our operational objectives of securing an appropriate degree of consumer protection and promoting market integrity, and help to promote effective competition in the interests of consumers. We are satisfied that any burdens or restrictions are proportionate to the expected benefits.

Mutual societies

- 8.44** Section 138K(2) FSMA requires us to prepare a statement setting out our opinion on whether proposed rules will have an impact on mutual societies which is significantly different from the impact on other authorised persons.
- 8.45** We are satisfied that the proposed amendments do not impact on mutual societies to a greater extent than on other authorised firms. Where a CFO is a mutual society, the proposed change will make it easier for it to promote its products and services.

Equality and diversity

- 8.46** We have considered the equality and diversity issues that may arise from these proposals. Overall, we do not consider that the proposals raise concerns regarding equality and diversity issues or adversely impact any of the groups with protected characteristics, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.
- 8.47** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim we welcome any feedback to this consultation.

9.

Impact on Listing Rules of proposed Prospectus Rules amendments pursuant to EU regulatory technical standards

Introduction

- 9.1** In this chapter we are consulting on the impact on our Listing Rules sourcebook (LR) of changes to our Prospectus Rules sourcebook (PR) which we propose to make in line with draft regulatory technical standards (RTS) on the Prospectus Directive (PD). The draft RTS arise from the Omnibus II Directive (OD2) and were published by the European Securities and Markets Authority (ESMA) on 25 June 2015.¹⁸ We consulted on the PR changes in our consultation paper CP15/28.¹⁹
- 9.2** This chapter will be of interest to:
- UK and overseas issuers, and other persons who apply for the admission of securities to the professional securities market or who otherwise publish listing particulars
 - firms and market participants who provide advice on listing particulars
 - firms and persons who invest in securities where listing particulars are published in the UK

Summary of proposals

- 9.3** In Chapter 8 of CP15/28 we consulted on small changes to our PR in line with the draft RTS on the PD arising from the OD2 (published by ESMA on 25 June 2015). That earlier consultation has closed and we will make changes to the PR in due course.
- 9.4** Meanwhile, we have recognised that three listing rules dealing with listing particulars cross-refer to rules in PR which we proposed to amend in CP15/28. As a result, we are now consulting on the impact that the changes proposed to our PR will have on the three listing rules. We do not propose making changes to the current LR requirements (other than the administrative change explained in paragraph 9.9).

Impact on LR requirements for listing particulars

- 9.5** The OD2 made changes to the PD. It required ESMA to submit, following public consultation, draft RTS to the European Commission by 1 July 2015. ESMA's draft RTS cover: (1) approval of the prospectus; (2) publication of the prospectus; and (3) advertisements.

¹⁸ Final Report, *Draft RTS on prospectus related issues under the Omnibus II Directive* [ESMA/2015/1014; 25 June 2015]

¹⁹ CP15/28 *Quarterly Consultation No. 10* (September 2015)

- 9.6** In paragraphs 8.62 to 8.73 of CP15/28 we explained our proposed changes to our PR in anticipation of the Commission adopting the draft RTS.
- 9.7** However, three listing rules cross refer to affected PR provisions (PR 3.1 or PR 3.2). We are now consulting on the impact our PR changes might have on these LR. The three LR rules are:
- LR 4.3.1R (which deals with the approval of listing particulars and cross refers to PR 3.1 which addresses the approval of prospectuses)
 - LR 4.3.5R (which deals with the filing and publication of listing particulars and cross refers to PR 3.2 which addresses filing and publication of prospectuses)
 - LR 4.4.2R (which deals with supplementary listing particulars and also cross-refers to PR 3.2)
- 9.8** We propose that the three LRs dealing with listing particulars should continue to cross-refer to the PRs (and as such apply the relevant prospectus requirements to listing particulars). We do not propose to amend the three LRs. For reference, Appendix 9A contains an extract from the instrument on which we consulted in CP15/28 setting out the changes we proposed to PR and Appendix 9B reproduces the current prospectus forms that were also set out in CP15/28.
- 9.9** For completeness, we note that we do intend to delete from LR 4.3.5R and from LR 4.4.2R the words ‘... and the PD Regulation’. This is because the reference to the PD Regulation will become obsolete once the Commission adopt the RTS (due to the deletion of the relevant articles from the PD Regulation). However, this is not a change on which we need to consult as it is an administrative and consequential amendment arising from the change in EU legislation.
- 9.10** We have reduced the consultation period from the normal two months to one month, so that we are best positioned to amend the PR in early 2016, should this be required.

Q9.1: Do you agree with our proposal to continue to apply the requirements for the approval, filing and publication process for prospectuses to listing particulars and supplementary listing particulars?

- 9.11** On 30 November 2015 the Commission’s adopted draft RTS was published. As the changes between ESMA’s draft RTS and the Commission’s adopted RTS are minor, this will not materially affect the proposed PR amendments we consulted on in CP15/28.

Cost benefit analysis

- 9.12** Section 138I of the Financial Services and Markets Act 2000 (FSMA) requires us to perform a cost benefit analysis of our proposed requirements and to publish the results, unless we consider the proposal will not give rise to any cost or to an increase in costs of minimal significance.
- 9.13** The rule changes on which we are consulting seek to ensure that the requirements for listing particulars in LR continue to emulate the comparable requirements for prospectuses in PR.
- 9.14** We do not think that the PR changes will add significant costs when they and the RTS come into force. Although the changes will mean that listing particulars will have to be submitted electronically and in a searchable electronic format, we do not believe this to be arduous. We also note that the proposed new provisions in the PR will not require the production

of annotations in draft documents and only require the submission of a single, initial cross-reference list.

Compatibility statement

- 9.15** Under section 138I of FSMA, we are required to include an explanation of why we believe that making the proposed rules is compatible with our strategic objective, advances one or more of our operational objectives, and how we have considered the regulatory principles in section 3B of FSMA. We are also required, by section 138K(2) of FSMA, to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
- 9.16** The proposals set out in this chapter are compatible with the FCA's strategic objective of ensuring that the relevant markets function well, as they assist in ensuring that the LR remain effective. The proposals will advance our operational objectives of enhancing market integrity and securing an appropriate degree of protection for investors by ensuring that the LR requirements for the approval and publication of listing particulars and for supplementary listing particulars remain comparable to the regime for prospectuses.
- 9.17** We have considered all of the regulatory principles set out in section 3B FSMA. In particular, we believe that the proposals will:
- have minimal impact on our resources
 - not significantly increase the administrative burden on issuers of listing particulars
- 9.18** In preparing the proposals we have also considered the FCA's duty to promote effective competition in the interests of consumers under section 1B(4) of FSMA.
- 9.19** We believe that the impact of our proposed rules on mutual societies is not significantly different from the impact on other authorised persons. The relevant rules apply equally to applicants for the approval of listing particulars, regardless of whether they are a mutual society or not.

Equality and diversity

- 9.20** We have considered the equality and diversity issues that may arise from the proposals in this chapter. We do not consider that these proposals raise any concerns. Moreover, we do not consider that the proposals adversely impact any of the groups with protected characteristics, i.e., age, disability, sex, pregnancy and maternity, race, religion and belief, marriage/civil partnership, sexual orientation and gender reassignment.
- 9.21** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules set out in CP15/28. In the interim, we welcome any feedback to this consultation.

10.

Clarifications of CRDIV Pillar 2 and financial conglomerates

Introduction

- 10.1** This consultation is intended to amend the relevant sections in the Prudential sourcebook for Investment Firms (IFPRU) in relation to the Supervisory Review and Evaluation Process (SREP) for IFPRU firms. This will promote clarity following the implementation of the European Banking Authority's (EBA) SREP Guidelines (GLs).
- 10.2** Those sections affected are IFPRU 2.2 and IFPRU 2.3, respectively, on the Internal Capital Adequacy Assessment Process (ICAAP) and SREP: internal capital adequacy standards.
- 10.3** Both IFPRU and the GLs arise from the implementation of CRD IV²⁰, comprising the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR).
- 10.4** We are also consulting on changes to the provisions for financial conglomerates in Chapter 3 (Cross Sector Groups) of the General Prudential sourcebook (GENPRU 3). These changes are a consequence of:
- the Prudential Regulation Authority (PRA) remaking the Handbook material it inherited from the Financial Services Authority (FSA) in the form of a Rulebook²¹
 - the PRA's transposition of Solvency II²² which also comes into force on 1 January 2016 (this will change the population of insurance and reinsurance undertakings which may be members of a financial conglomerate)
- Why are we revising the existing rules and guidance?**
- 10.5** The FCA gave an undertaking to the EBA that it would comply with the GLs with effect from 1 January 2016, the date on which they are implemented. The final version of the GLs was published on 19 December 2014 and is addressed to competent authorities. The FCA confirmed to the EBA in February 2015 its intention to comply with the GLs.
- 10.6** The FCA has not identified any inconsistencies between its Handbook and the GLs. We are taking this opportunity, however, to clarify existing guidance for the SREP and to make a material amendment to a single rule. The proposed rule change will extend the period within which significant IFPRU firms²³ must submit the results of their stress and scenario testing²⁴

²⁰ 2013/36/EU the CRDIV and 575/2013 the Capital Requirements Regulation.

²¹ The PRA has published its consultation paper on the proposed replacement of rules set out in GENPRU 3 with a new Rulebook Part 'Financial Conglomerates' and a new chapter 'third country groups' in the Groups Part.

²² 'recast Insurance and Reinsurance Directive' (2009/138/EC)

²³ Significant IFPRU firms are those IFPRU firms that exceed one or more of the thresholds detailed in IFPRU 1.2.3R.

²⁴ This is a requirement under IFPRU 2.2.37R, separate from that to undertake the ICAAP.

from the current period of three months to six months. This rule will give those firms the opportunity to align better the separate requirements on them to undertake stress testing and the ICAAP. It will enhance efficiency and the quality of their stress tests.

- 10.7** We are proposing changes to the Handbook's provisions for financial conglomerates set out in GENPRU 3. From 1 January 2016, this chapter of the Handbook will no longer be shared with the PRA. The FCA is proposing changes to GENPRU 3 to remove any provisions that are solely relevant to firms authorised by the PRA. Additionally, consequential changes to other parts of GENPRU, the Senior Management Arrangements, Systems and Controls sourcebook (SYSC) and the Glossary are proposed.
- 10.8** For IFPRU, we are proposing the minimum number of changes to the Handbook that will assist compliance with the GLs. This is in line with the way in which we have, from the outset, implemented CRD IV (and other European Directives such as the RRD), being mindful of the investment firm review²⁵ that is currently underway.
- 10.9** Similarly, the changes to GENPRU 3 and elsewhere in the Handbook will make it easier for the relevant firms to understand their obligations in relation to financial conglomerates.

Summary of proposals

Proposed changes to IFPRU

- 10.10** The SREP, part of the Pillar 2 framework introduced by Basel II²⁶ that also underpins CRD IV, is a core part of the obligations placed on the FCA by CRD IV, and requires the FCA to determine the adequacy of an IFPRU firm's ICAAP. The GLs provide further clarity to the FCA on the requirements under CRD IV in this area and will illustrate to IFPRU firms what the SREP will entail. It will be helpful for firms to understand what the GLs require of the FCA, as this will better inform them when preparing suitable policies, procedures, systems and controls for their ICAAPs.
- 10.11** The FCA intends to continue setting Individual Capital Guidance (ICG) when advising firms of the amount and quality of additional capital we require firms to hold.
- 10.12** The FCA may also set a Total SREP Capital Requirement (TSCR). However, the FCA intends to keep this as a supervisory measure, using it only where we believe necessary. In the event that the FCA chooses to set a TSCR, using its powers under FSMA Art. 55, it should be noted that this will set a higher minimum capital requirement than Pillar 1.
- 10.13** In summary, the changes to the guidance provisions in IFPRU that we are proposing are as follows:
- To note the fact that the FCA has confirmed to the EBA its intention to comply with the GLs, and provide a link to those.
 - To make clear that the ICAAP is an ongoing process that has its own documented policies, procedures, systems and controls; it is not solely a document submitted to the FCA. The

²⁵ This is being undertaken by the EBA and ESMA, in order to consider the appropriateness of the CRD IV regime for investment firms, as required by Article 508 of the CRR.

²⁶ 'Basel II' that introduced three 'Pillars': Pillar 1 (the minimum capital requirements) and Pillar 2 – ICAAP, SREP and ICG. Pillar 3 complements Pillars 1 and 2 by invoking market discipline through public disclosure of additional information by the firm in order to allow market participants to assess capital adequacy.

firm should document, at least annually, its capital planning projections and the results of its scenario and stress testing. In addition, this document should evidence the review of the adequacy of the firm's ICAAP (process), as well as recommend necessary changes, evidence their implementation, and confirm in what way existing policies, procedure, systems and controls remain fit for purpose.

- To relocate the provision on the level at which ICAAP applies on a solo, sub-consolidated and consolidated basis.
- To ensure that an ICAAP at a consolidated level must have processes and procedures which ensure it identifies, considers, documents and manages the risks arising in each entity within the consolidation group.
- To clarify that pension risk, i.e. the change in size of any defined benefit scheme deficit (reflecting factors such as changes in interest rates, life expectancy, lower investment return assumption) must be considered within the ICAAP capital planning and stress testing.
- To clarify that capital planning should consider the impact of all forms of profit distribution, not simply dividend payment.
- To emphasise that the FCA will consider the extent to which a firm should be holding a capital planning buffer, taking account of the same risks which any applicable CRD IV combined buffer²⁷ is intended to meet.
- To clarify that the FCA, when setting ICG, will express this in terms of Total Risk Exposure Amount (TREA) and additional capital ratios.
- To reiterate that firms subject to IFPRU will remain subject to the liquidity provisions of BIPRU 12 (i.e. the CRD IV's Liquidity Coverage Requirement does not apply to them).

10.14 We propose to make only one material change to a rule in IFPRU, the general stress testing rule.²⁸ The material change is to propose an extension of the period within which a significant IFPRU firm must submit the results of its stress and scenario testing to the FCA from three to six months of its annual reporting date.

10.15 This change to this rule is intended to assist significant IFPRU firms to undertake this stress testing at the same time as they are likely to be reviewing and documenting the adequacy of their ICAAP (which must take place at least annually). Because the ICAAP already contains a stress-testing element, it is anticipated allowing greater alignment of the ICAAP and the stress testing will benefit both through being a more efficient use of the firm's resources and avoiding any potential duplication of effort. Furthermore, hastily compiled reports could impair the quality of the report.

10.16 It is for these reasons that we propose extending the submission deadline.

10.17 We also intend to correct a typographical error in an existing rule.

Q10.1: Do you agree with these proposed changes to IFPRU?

²⁷ Comprising the capital conservation buffer, the countercyclical buffer and, if appropriate, the systemic buffers.

²⁸ IFPRU 2.2.37R

Proposed changes to GENPRU 3, SYSC and Glossary

- 10.18** Technical amendments to GENPRU 3 are now necessary as a result of the separation of the FCA Handbook and the PRA's new Rulebook that relate to financial conglomerates and, additionally, the implementation of Solvency II by the PRA from 1 January 2016. Consequential changes to SYSC and the Glossary will also be required.
- 10.19** A financial conglomerate is a group that:
- contains one or more insurance and/or reinsurance undertakings subject to Solvency II in addition to a credit institution or an investment firm
 - meets the conditions outlined in GENPRU 3.1.5 R relating to the domicile, absolute and relative sizes of those undertakings and credit institutions or investment firms
- 10.20** The population of insurance and reinsurance undertakings falling within the scope of GENPRU 3 will also change because of the transposition of Solvency II by the PRA. The proposed changes will reflect that, narrowing the population to those undertakings which are eligible to be members of a financial conglomerate within the scope of Solvency II and that are authorised by the PRA.
- 10.21** Introducing these amendments will:
- eliminate any overlap with the PRA's Rulebook in the identification of a financial conglomerate that arises from the current FCA rules in GENPRU 3
 - narrow the population of insurance/reinsurance undertakings to those authorised under Solvency II as a consequence of the PRA's implementation of that directive and FiCoD as amended by Solvency II

Q10.2: Do you agree with the proposed changes to GENPRU, SYSC and the Glossary?

Conclusion

- 10.22** The proposed changes to the Handbook, arising from two sources, will better align the provisions in those sourcebooks with the policy intentions of, in IFPRU, complying with the GLs and in terms of financial conglomerates creating a standalone version of GENPRU 3.

Is this of interest to consumers?

- 10.23** These proposals are primarily prudential in nature. We expect them to improve IFPRU firms' and other firms', which are or might be members of a financial conglomerate, understanding of their requirements. This should make it less likely that they will fail and thereby improve the stability of the financial sector for consumers and other market participants.

Timeline

- 10.24** The intended date for the proposed changes to IFPRU 2.2 and IFPRU 2.3 to take effect is April 2016. As they are guidance provisions and a single rule change they do not need to be made concurrently with the implementation of the GLs, as these apply to the FCA and not to firms. However, the FCA believes it will be helpful to firms if we provide supporting background information at this stage.
- 10.25** The planned implementation date for the proposed revisions to GENPRU 3 is April 2016.

Cost benefit analysis

- 10.26** The proposed amendments to existing IFPRU guidance from the implementation of the GLs and the clarification of existing policy arising from CRD IV will help IFPRU firms to better understand the areas that the FCA will examine through the SREP. The single proposed rule change – increasing the period within which the results of stress and scenario analysis must be submitted to the FCA from three to six months – will reduce the cost to firms. It will provide an opportunity for them to better align the separate stress testing and ICAAP requirements and thereby allow the stress testing required by the general stress testing rule to coincide with the firm’s ICAAP review (which must be undertaken at least annually).
- 10.27** Additionally, supervisors will benefit from having a clearer set of provisions, both in terms of their interactions with the GLs they operate and in assessing the compliance of IFPRU firms with the underlying provisions themselves.
- 10.28** We believe that our proposals will result in cost savings for IFPRU firms, not additional costs, and they will have no material adverse impact.
- 10.29** The proposed changes to GENPRU 3 will not have an adverse impact on the costs incurred by firms, as they will enable the relevant firms to understand better the provisions therein following the separation of the Handbook and the PRA Rulebook.

Equality and diversity

- 10.30** We have considered the equality and diversity issues that may arise from the proposals in this chapter. We do not consider that these proposals raise any concerns. Moreover, we do not consider that the proposals adversely impact any of the groups with protected characteristics, i.e., age, disability, gender, pregnancy and maternity, race, religion and belief, marriage/civil partnership, sexual orientation and gender reassignment.
- 10.31** We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the interim, we welcome any feedback to this consultation.

Appendix 1

List of questions

- Q2.1:** Do you have any concerns about our consequential amendment proposals for the rules and guidance on controllers?
- Q3.1:** Do you agree with the proposed changes to the forms and rules as outlined above?
- Q3.2:** Do you agree with the cost benefit analysis above?
- Q4.1:** Do you have any comments on our proposed approach to amend EG7 in light of section 89NA FSMA?
- Q5.1:** Do you agree with our consequential changes to the Handbook as set out in this chapter?
- Q5.2:** Do you agree that these proposed changes cover all the consequential changes necessary to ensure the organised functioning of the FCA Handbook? If not, please provide us with information on the further changes you deem necessary and why.
- Q6.1:** Do you have any comments on our proposals to require compliance reports for banks to be provided to us via the GABRIEL system?
- Q6.2:** Do you have any comments on our proposal to amend the guidance notes relating to question C3.2 of MLAR?
- Q6.3:** Do you have any comments on REP-CRIM (the new Financial Crime Report)?
- Q6.4:** Do you have any comments on the guidance notes for REP-CRIM?
- Q6.5:** Do you have any comments on the proposed application of this reporting requirement to credit unions and friendly societies where they undertake activities in scope of the proposed rules?
- Q6.6:** Do you have any comments on the proposed revenue thresholds for relevant firms?

- Q6.7:** The data we gather in the proposed Financial Crime Return could be used to compile aggregated and anonymised statistics to provide industry-wide views on fraud risks or high-risk jurisdictions, for example. This could inform a firm's own approach to the management of financial crime risks. Do you have any comments on this?
- Q6.8:** Do you have any questions or comments about our CBA?
- Q7.1:** Do you know of any reason why these qualifications should not be added to and/or amended on our appropriate qualifications?
- Q8.1:** Do you have any comments on the proposed amendments?
- Q9.1:** Do you agree with our proposal to continue to apply the requirements for the approval, filing and publication process for prospectuses to listing particulars and supplementary listing particulars?
- Q10.1:** Do you agree with these proposed changes to IFPRU?
- Q10.2:** Do you agree with the proposed changes to GENPRU, SYSC and the Glossary?

Appendix 2

Changes relating to controllers

CONTROLLERS AMENDMENT INSTRUMENT 2016**Powers exercised**

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (2) section 139A (Power of the FCA to give guidance); and
 - (3) section 137T (General supplementary powers).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

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

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
Supervision manual (SUP)	Annex B

Citation

- E. This instrument may be cited as the Controllers Amendment Instrument 2016.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary

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

controlled undertaking (1) except in SUP, any subsidiary undertaking within the meaning of the Act other than one falling within section 1162(4)(b) of the Companies Act 2006 or section 420(2)(b) of the Act.

(2) in SUP, an undertaking within the meaning of section 422(6) of the Act.

controller

...

(4) *shares and voting power* that a *person* holds in a *firm* ("B") or in a *parent undertaking* of B ("P") are disregarded for the purposes of determining *control* in the following circumstances:

(d) *shares held by a credit institution or investment firm* in its *trading book* are disregarded, provided that:

(i) the *shares* represent no more than 5% of the total *voting power* in B or P; and

(ii) ~~the credit institution or investment firm ensures that the~~ *voting power* is not used to intervene in the management of B or P;

...

(f) where a *management company* and its *parent undertaking* both hold *shares* or *voting power*, each may disregard holdings of the other, provided that each exercises its *voting power* independently of the other;

(g) but (f) does not apply if the *management company*:

(i) manages holdings for its *parent undertaking* or ~~an~~ *undertaking in respect of which the a controlled undertaking of its parent undertaking is a controller*;

(ii) has no discretion to exercise the *voting power* attached to such holdings; and

(iii) may only exercise the *voting power* in relation to such holdings under direct or indirect instruction from:

(A) its *parent undertaking*; or

(B) ~~an undertaking in respect of which a controlled undertaking of the parent undertaking is a controller;~~

(h) ...

(iii) may only exercise the *voting power* under instructions given in writing, or has appropriate mechanisms in place for ensuring that individual portfolio management services are conducted independently of any other services;

(i) shares acquired for stabilisation purposes in accordance with the Buy-back and Stabilisation Regulation are disregarded, provided that the voting power attached to those shares is:

(i) not exercised; or

(ii) otherwise used to intervene in the management of B or P.

deemed voting power

in SUP 11 (Controllers and close links) and SUP 16 (Reporting requirements) (in accordance with section 422 of the Act), includes in relation to a person ("H"):

- (a) voting power held by a third party with whom H has concluded an agreement, which obliges H and the third party to adopt, by concerted exercise of the voting power they hold, a lasting common policy towards the management of the undertaking in question;
- (b) voting power held by a third party under an agreement concluded with H providing for the temporary transfer for consideration of the voting power in question;
- (c) voting power attaching to shares which are lodged as collateral with H, provided that H controls the voting power and declares an intention to exercise it;
- (d) voting power attaching to shares in which H has a life interest;
- (e) voting power which is held, or may be exercised within the meaning of subparagraphs (i) to (iv), by a subsidiary undertaking of H;
- (f) voting power attaching to shares deposited with H which H has discretion to exercise in the absence of specific instructions from the shareholders;
- (g) voting power held in the name of a third party on behalf of H; and
- (h) voting power which H may exercise as a proxy where H has discretion about the exercise of the voting power in the absence of

specific instructions from the shareholders.

Annex B

Amendments to SUP

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

SUP 11 **Aggregation of holdings for the purpose of prudential assessment of**
Annex 6G **controllers**

Q1: What is this guidance about?

A: This guidance considers when one *person's* holding of ~~shares~~ shares or ~~voting power~~ voting power must be aggregated with that of another *person* for the purpose of determining whether those ~~persons~~ persons have decided to acquire or increase ~~control~~ control over a ~~UK authorised person~~ UK authorised person, as contemplated by section 181 or 182 of the *Act*, such that notice must be given to the *appropriate regulator* in accordance with section 178 (Obligation to notify the Authority: acquisitions of control) of the *Act* before making the acquisition or deciding to increase their ~~control~~ control.

Q2: When are ~~shares~~ shares or ~~voting power~~ voting power to be aggregated?

A: There are two situations which would require the holdings of two or more *persons* to be aggregated for the purpose of determining whether they are acquiring or increasing ~~control~~ control within the meaning of section 181 or 182 of the *Act*. The first is where ~~shares~~ shares or ~~voting power~~ voting power are held or to be held by ~~persons~~ persons 'acting in concert' - this is referred to in sections 178(2) and 422(3) of the *Act*. The second is where a *person* (H) is attributed with ~~voting power~~ voting power in a *firm* through the application of any of the circumstances described in section 422(5)(a) of the *Act* ('~~deemed voting power~~ deemed voting power') in addition to any other ~~voting power~~ voting power that he holds (or is deemed to hold) in that *firm*. These two situations may apply concurrently. For example, H could be acting in concert pursuant to section 178(2) of the *Act* and have ~~deemed voting power~~ deemed voting power under section 422(5)(a)(i) of the *Act* where H has concluded an agreement that obliges him and a third party shareholder in the *firm* to adopt, by concerted exercise of the ~~voting power~~ voting power they hold, a lasting common policy towards the management of that *firm*.

Acting in Concert

Q3: What does 'acting in concert' mean for these purposes?

A: There is no definition of this phrase in the *Act*. The Glossary to the Guidelines for the prudential assessment of acquisitions and increases in holdings in the financial sector required by Directive 2007/44/EC (the 'Acquisitions Directive') published jointly by CEBS, CEIOPS and CESR (the 'Level 3 Guidelines') states that, for the purposes of the Acquisitions Directive, 'persons are "acting in concert" when each of them decides to

exercise his rights linked to the ~~shares~~ shares he acquires in accordance with an explicit or implicit agreement made ~~between them.~~' The relevant ~~persons~~ persons must therefore (1) hold ~~shares~~ shares and/or ~~voting power~~ voting power in the *firm* or its *parent undertaking*, and (2) reach a decision to exercise the rights linked to those ~~shares~~ shares in accordance with an agreement (in writing or otherwise) between them.

While the rights 'linked to' ~~shares~~ shares for these purposes are most likely to be voting rights, ~~persons~~ persons may be 'acting in concert' where they decide to exercise other ~~share-related~~ rights related to shares, either in addition to or instead of ~~rights attached to voting power~~ voting rights, in accordance with an agreement made between them. As indicated in the Level 3 Guidelines, ~~persons~~ persons will begin acting in concert when they take the decision to exercise their rights in accordance with an agreement between them. This decision may be taken before or after the time the relevant ~~persons~~ persons decide to purchase ~~shares~~ shares in the *firm*. The agreement need not require them always to exercise the rights attached to their respective ~~shares~~ shares in the same way – see, for example, the response to Question 11 in respect of passive shareholdings.

Q4: Does section 178(2) of the ~~Act~~ Act have the effect that two or more ~~persons~~ persons who already hold ~~shares~~ shares or ~~voting power~~ voting power in a ~~firm~~ firm or its ~~parent undertaking~~ parent undertaking and who subsequently decide to exercise ~~their voting or other~~ the rights related to shares or voting power in accordance with an agreement between them, are required to give prior notice under section 178(1) of the ~~Act~~ Act, if their aggregated holdings fall within any of the cases set out in section 181(2) of the ~~Act~~ Act or increase by any of the steps set out in section 182(2) of the ~~Act~~ Act?

A: Yes. Section 178(1) of the ~~Act~~ Act applies when a ~~person~~ person 'decides to acquire or increase control over a UK authorised person'...'. For the purposes of Part XII of the ~~Act~~ Act, a ~~person's~~ person's acquisition of ~~control~~ control of a ~~firm~~ firm is determined by virtue of his holdings of ~~shares~~ shares or ~~voting power~~ voting power in that ~~firm~~ firm or in a ~~parent undertaking~~ parent undertaking of that ~~firm~~ firm. In determining whether ~~control~~ control has been acquired, section 178(2) of the ~~Act~~ Act requires the holdings of ~~shares~~ shares or ~~voting power~~ voting power of ~~persons~~ persons who are acting in concert to be aggregated. As noted in the response to Question 3, ~~persons~~ persons begin acting in concert when they decide to exercise ~~their voting or other~~ the rights attached to their shares or voting power in accordance with an agreement between them. Once this decision has been taken, ~~shares~~ shares or ~~voting rights~~ voting power must be aggregated to determine whether ~~control~~ control has been or will be acquired. The same analysis applies to increases in ~~control~~ control and reductions in ~~control~~ control, as set out in sections 182 and 183 of the ~~Act~~ Act, respectively. Accordingly, the requirement to aggregate holdings of ~~shares~~ shares and/or ~~voting power~~ voting power under section 178(2) of the ~~Act~~ Act may apply to existing holdings, as well as to new purchases, of ~~shares~~ shares and/or ~~voting power~~ voting power.

Q5: What types of arrangement amount to acting in concert in acquiring or holding shares shares or voting power voting power for the purposes of these Sections of the Act Act?

A: Although the term 'acting in concert' has a potentially wide meaning, not all common actions taken by shareholders in relation to shares shares or voting power voting power will require the aggregation of holdings of shares shares or voting power voting power for the purposes of section 178 of the Act. In particular, there are many circumstances in which persons, who between them hold 10% or more of the shares shares or voting power voting power in a firm or its parent undertaking, may engage in a concerted exercise of voting power voting power, without this amounting to 'acting in concert' in a manner requiring aggregation of their holdings under section 178(2) of the Act. An agreement by one shareholder to vote with other shareholders on a specific issue, for example, rather than on an ongoing or sustained basis, would not generally be regarded by the appropriate regulator as acting in concert so as to require a section 178 notice to be given by that group of shareholders, even where the group collectively holds 10% or more of the voting power voting power in the firm. However, see further on this point in the response to Question 9.

Deemed voting power

Q6 : What is meant by '~~deemed voting power~~' deemed voting power?

A: '~~Deemed voting power~~' Deemed voting power is the term used in this guidance to describe those cases set out in section 422(5)(a) of the Act in which one person's holding of voting power voting power is attributed to another. There may be circumstances in which ~~deemed voting power~~ deemed voting power must be aggregated with other (actual or deemed) voting power voting power for the purposes of determining whether section 181(2)(b) of the Act applies, but the cases set out in section 422(5)(a) may result in the attribution of voting power voting power to a person (H) without aggregation where H holds no other ~~actual or deemed voting power~~ voting power in the relevant firm firm and is not acting in concert with any other person person (for example, where H exercises the voting power voting power attaching to shares shares deposited with him pursuant to a discretion granted to him in the absence of (1) specific instructions from the actual shareholders, and (2) any agreement with the shareholders as to how he should exercise that voting power voting power or any other rights attached to those shares shares - see section 422(5)(a)(vi) of the Act).

The provisions of section 422(5)(a) of the Act were transposed into the Act in order to implement Directive 2004/109/EC (the '~~Transparency Directive~~' Transparency Directive). These provisions have direct application to Part XII of the Act, and in particular to the meaning of '~~voting power~~' voting power for the purposes of that Part, by virtue of section 191G (Interpretation) of the Act.

In introducing the cases in which the voting power voting power of a third party may be attributed to H, the ~~Transparency Directive~~ Transparency

Directive refers to the ability 'to acquire, to dispose of, or to exercise voting rights in any of the [relevant] cases or a combination of them.' No new purchase of ~~shares~~ shares is therefore required in order for these attribution provisions to apply.

Q7: Where X holds 10% of the ~~voting power~~ voting power in a firm firm and X is ~~the subsidiary~~ a controlled undertaking of H, which itself has no holding at all directly in the firm firm, is H a controller?

A: Yes. This follows from section 422(5)(a)(v) of the *Act*, which provides that ~~voting power~~ voting power includes, in relation to a person (H), ~~voting power~~ voting power held by a ~~subsidiary~~ controlled undertaking of H. The ~~voting power~~ voting power held by X is attributed to H, making H a *controller*.

For the purposes of section 178 of the *Act*, both H and its ~~subsidiary~~ X, would be required to notify and obtain the *appropriate regulator's* approval prior to acquiring or increasing ~~control~~ control.

Q7A: Where X holds 10% of the voting power in a firm and X is a controlled undertaking of H, which in turn is a controlled undertaking of A, is A a controller? In this example, A itself has no holding at all directly in the firm.

A: Yes. The voting power held by X is attributed to H, in turn attributed to A, meaning that X, H and A would all be *controllers*.

Practical application of aggregation of holdings

Q8: Does there need to be a new purchase of ~~shares~~ shares or ~~voting power~~ voting power in order for the notification requirement to arise?

A: No. As stated in the response to Question 4, the aggregation of ~~shares~~ shares and/or ~~voting power~~ voting power is relevant to existing holdings of ~~shares~~ shares and/or ~~voting power~~ voting power where no new purchase is to take place, as well as to new purchases.

Q9: Do the aggregation provisions apply to shareholders agreeing how they will vote on a particular issue, for example, for reasons of good corporate governance?

A: We would not generally regard shareholders as acting in concert for the purposes of section 178(2) of the *Act* or as having ~~deemed voting power~~ deemed voting power requiring aggregation pursuant to section 422(5)(a)(i) of the *Act* simply because they have agreed to vote together on a particular issue, for example:

- rejection of a proposal for the remuneration of directors;
- appointment/removal of a particular director; or
- approval/rejection of an acquisition or disposal proposed by the *firm's*

board of directors.

However, there may be circumstances in which voting together on a specific issue would amount to acting in concert for these purposes. Where, for example, shareholders who have no previous agreement in relation to the exercise of ~~their voting rights~~ the rights attached to their *shares* or *voting power* agree to act together for the purpose of voting through the resolution(s) required to enable them to obtain control of the board of a *firm*, that is likely to constitute acting in concert for these purposes, although it may not fall within section 422(5)(a)(i) of the *Act*, if those shareholders have no 'lasting common policy' towards the *firm's* management.

Those circumstances are likely to be exceptional and, while it is not possible in this guidance to give a definitive list of how they might arise, the *appropriate regulator* remains willing to provide *firms* with individual guidance on the point in cases of uncertainty.

Q10: What about agreements that specific issues will be put to a vote of shareholders?

A: An agreement that does no more than require particular management actions to be put to a vote of shareholders, such as major acquisitions, disposals or new issues of ~~shares~~ *shares*, would not of itself trigger the requirement to notify. This is because there is no agreement as to how the shareholders will exercise their rights on, or whether the shareholders will adopt a common policy towards, those proposals. An agreement which gives certain shareholders veto rights over key decisions by the *firm* may, however, bring those shareholders within the ambit of section 178(1) of the *Act* regardless of whether they are acting in concert, by virtue of their being able to exercise significant influence over the management of the *firm* - see section 181(2)(c) of the *Act*.

Q11: What about agreements as to how to exercise ~~voting power~~ voting power on future issues generally?

A: This would involve acting in concert, and thus require the aggregation of holdings by the parties to the agreement, for the purposes of section 178 of the *Act*. It may also fall within the ambit of section 422(5)(a)(i) of the *Act*, but this will depend on whether the parties to the agreement have adopted a lasting common policy that relates to the management of the relevant undertaking.

Acting in concert not only covers agreements to exercise ~~voting power~~ *voting power*, but may also arise as a result of 'passive shareholder agreements'. In these, a shareholder (the 'passive shareholder') agrees explicitly or implicitly with another shareholder or group of shareholders (the 'active shareholder') that it will not exercise its ~~voting power~~ *voting power*. For example, where the passive shareholder holds 2% of the ~~voting power~~ *voting power* and the active shareholder holds 9% of the ~~voting power~~ *voting power*, each would be regarded as having ~~control~~ *control* (11% of the ~~voting power~~ *voting power*) because their holdings are required to be aggregated under the acting in concert provisions. However, ~~persons~~ *persons* that acquire ~~shares~~ *shares* as

part of an investment or hedging programme and adhere consistently to a stated policy of not voting those ~~shares~~ shares would not, by reason of that policy alone, be regarded as having entered into an agreement with other shareholders and so would not be regarded as acting in concert with them.

Q12: Are multiple purchasers of ~~shares~~ shares, who are each party to a share purchase agreement and whose combined shareholding will fall within section 181(2) of the ~~Act~~ Act, required to give notice pursuant to section 178(1) of the ~~Act~~ Act, on the basis that the existence of the agreement means they are acting in concert?

A: If it is clear that the only 'agreement' between one or more ~~persons~~ persons consists in their being parties to the same share purchase agreement, the terms of which pertain strictly to the purchase of ~~shares~~ shares and do not govern or otherwise seek to regulate the purchasers' relationship with each other following completion of the share purchase, those purchasers would not be regarded by the *appropriate regulator* as acting in concert for the purpose of requiring notification under section 178 of the *Act*. If, however, the share purchase agreement contains provisions governing or otherwise regulating the exercise of the rights linked to the ~~shares~~ shares to be acquired by the purchasers (or the purchasers have entered into or propose to enter into a shareholders' or other agreement with similar effect), the proposed acquirers may be regarded by the *appropriate regulator* to be acting in concert for the purpose of requiring notification under section 178 of the *Act*, depending on the terms of the relevant agreement(s). Further guidance on the effect of some of the typical provisions included in shareholders' agreements is contained in the response to Question 14. Prospective shareholders who are uncertain as to the effect of any of the provisions of their agreement(s) in these circumstances may wish to seek (either formally or informally) individual guidance at an early stage from the *appropriate regulator*.

Where there is evidence to suggest that the parties do in fact intend to cooperate in relation to the exercise of voting or other rights relating to the ~~shares~~ shares they are acquiring, notwithstanding that no provisions to that effect appear in the share purchase or other written agreement, this may warrant the conclusion that there is an implicit agreement between them by virtue of which they are acting in concert.

Q13: What about agreements that are conditional on any necessary approval by the ~~appropriate regulator~~ appropriate regulator?

A: Notice must be given under section 178(1) of the *Act* before ~~control~~ control is acquired. The point in time at which this occurs may depend on a number of circumstances. In the context of a share purchase agreement that provides for *appropriate regulator* approval of the purchaser to be obtained before the acquisition is completed, the purchaser will not usually be required to give a section 178 notice prior to entering into the agreement. However, there may be circumstances in which ~~control~~ control is actually acquired at the time the agreement is entered into, for example, where the parties have agreed that the purchaser will be entitled (whether by virtue of a power of attorney contained in the agreement or otherwise) to exercise the voting rights attached to the

~~shares~~ shares being acquired in the period between signing and completion. In that case, the purchaser will need to consider whether to give notice under section 178(1) prior to entering into the agreement.

Q14: What about pre-emption rights, 'drag along' rights and 'tag along' rights?

A: Typical examples of these arrangements are unlikely to trigger the requirement to notify under section 178(1) of the Act in themselves.

Bare pre-emption rights will simply indicate each shareholder's (the 'offeror') agreement to give fellow shareholders an option to purchase his ~~shares~~ shares, if he wishes to sell. The acquisition of ~~shares~~ shares under these arrangements cannot take place until the offeror decides to sell his ~~shares~~ shares and other shareholders decide to buy them.

Shareholders will not usually be regarded as acting in concert in holding or acquiring ~~shares~~ shares simply by agreeing to give each other future pre-emption rights. In the event that some shareholders enter into an agreement to buy the offeror's ~~shares~~ shares, those shareholders are only likely to be regarded as acting in concert by virtue of that agreement in the circumstances described in the response to Question 12 above.

The existence of 'drag along' and 'tag along' rights in a shareholders' agreement designed to ensure equivalent treatment of shareholders of the same class in the event an offer is made, or to be made, by a non-shareholder to purchase the ~~shares~~ shares of any single shareholder in a private company would not, in and of themselves, result in the shareholders who have the benefit of those rights being considered to be acting in concert in their holding or acquiring of ~~shares~~ shares.

Q15: How does this guidance relate to the definition of 'acting in concert' in the Takeover Code (the 'Code')?

A: Although similar terminology may be used, the definition of 'acting in concert' in the Code derives from the Takeovers Directive and has particular relevance in determining whether the relationship between ~~persons~~ persons with interests in ~~shares~~ shares carrying voting rights is such as to require those rights to be aggregated for the purpose of assessing whether, under Rule 9.1, the threshold for the making of a mandatory offer to all other shareholders in a company to which the Code applies has been reached. The notes on the definition in the Code and on Rule 9.1 make clear that the Takeover Panel's views in relation to acting in concert '...relate only to the Code and should not be taken as guidance on any other statutory or regulatory provisions'.

This guidance is given for a quite different purpose. It is relevant to considering whether the holdings of ~~persons~~ persons who have reached an agreement in relation to the ~~shares~~ shares or ~~voting rights~~ voting power they do or will hold must be aggregated for the purpose of determining whether they are subject to the requirements for prudential assessment specified in sections 185 et seq of the Act. This guidance has no relevance to how 'acting

in concert' is to be interpreted in the context of the Code.

Appendix 3

RDR forms instrument

**AMENDMENTS TO THE TRAINING AND COMPETENCE SOURCEBOOK (TC),
SUPERVISION MANUAL (SUP) AND DISPUTE RESOLUTION: COMPLAINTS
SOURCEBOOK (DISP) INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct 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)
 - (a) section 137A (The FCA’s general rule-making power);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance); and
 - (2) paragraph 15 (Record-keeping and reporting requirements relating to relevant complaints) of the Financial Services and Markets Act 2000 (Transitional Provisions) (Ombudsman Scheme and Complaints Scheme) Order 2001 (SI 2001/2326); and
 - (3) the other powers 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 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as follows:
- (1) Annex G and H on 31 December 2016;
 - (2) the remainder of this instrument on 7 March 2016.

Amendments to the Handbook

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

(1)	(2)
Supervision (SUP)	Annex A
Training and Competence (TC)	Annex B, C, D
Dispute Resolutions: Complaints (DISP)	Annex E, F
Supervision (SUP)	Annex G
Training and Competence (TC)	Annex H

Citation

- E. This instrument may be cited as the Amendments to the Training and Competence sourcebook (TC), Supervision (SUP) and Dispute Resolution: Complaints sourcebook (DISP) Instrument 2016.

By order of the Board
[*date*]

Annex A

SUP 10A Annex 9 is deleted and is replaced with the text below to be moved to SUP 15 Annex 8. The deleted text is not shown and the new text is not shown underlined.

SUP 15 Annex 8R Form G: The Retail Investment Adviser Complaints Alerts Form

The Retail Investment Adviser Complaints Alerts Form G approved by the FCA for notifications under SUP 15.12.1R may be found at the FCA's website www.fca.org.uk/Pages/Doing/Regulated/Notify/index.shtml

Form G: Retail Investment Adviser – Complaints Alerts Form

(all fields are mandatory except where indicated)

This form relates to *SUP 15.12.1R*


Firm details			
Firm name		Firm Reference Number (FRN)	
Person making notification		Retail Investment Adviser	
Name		Name	
Position in firm		Individual Reference Number (IRN)* (where applicable)	
Contact email address		or, if no IRN issued:	
		National Insurance (NI) Number	
Individual Reference Number (IRN)		Date of birth	
or, if no IRN issued		or, if no IRN issued and NI unavailable:	
National Insurance (NI) Number		Date of birth	
Date of birth		Current passport number	
or, if no IRN issued and NI unavailable:		Nationality	
Date of birth			
Current passport number			
Nationality			
Contact telephone number			
Date of submission			

*Individual details can be found on the Financial Services Register under the individual tab. If you are unable to identify the retail investment adviser's IRN please contact the FCA Customer Contact Centre on 0845 606 1234 for assistance.

Trigger		Subject of complaint									
		Advising, selling and arranging		Terms and disputed sums / charges		General admin / customer service		Arrears related		Other	
		Date(s) upheld		Date(s) upheld		Date(s) upheld		Date(s) upheld		Date(s) upheld	
(1)	Complaint upheld where the redress paid exceeds £50,000										
(2)	three complaints upheld in any twelve month period (other than claims that have already been notified to the FCA using this form)	Number (1, 2 or 3)	Date(s) upheld	Number (1, 2 or 3)	Date(s) upheld	Number (1, 2 or 3)	Date(s) upheld	Number (1, 2 or 3)	Date(s) upheld	Number (1, 2 or 3)	Date(s) upheld

Annex B
Amendments to the Training and Competence Sourcebook (TC)

The form (the Retail Investment Adviser Competence Notification Form) referred to in TC 2.1.33G is deleted and is replaced with the following new form. The deleted text is not shown and the new text is not shown underlined.

Retail Investment Adviser –				
Competence Notification Submission Form (all fields are mandatory) This form must be sent back to: RIAnotifications@fca.org.uk				
Firm details				
Firm details	Firm Reference Number (FRN)			
Person making notification				
Name	Individual Reference Number (IRN) (where applicable)			
Position in firm	or, if Retail Investment Adviser has no IRN: National Insurance (NI) Number			
Contact telephone number	Date of birth			
Contact email address	or, if Retail Investment Adviser has no NI number: Date of birth			
	Passport number			
	Nationality			
Retail Investment Adviser				
Name	Individual Reference Number (IRN) (where applicable)			
Position in firm	or, if Retail Investment Adviser has no IRN: National Insurance (NI) Number			
Contact telephone number	Date of birth			
Contact email address	or, if Retail Investment Adviser has no NI number: Date of birth			
	Passport number			
	Nationality			
Nature of notification		Number of events	Date(s) occurred	Date(s) closed
(1)	a retail investment adviser, who has been assessed as competent for the purposes of TC 2.1.1R, is no longer considered competent for the purposes of TC 2.1.1R;			
(2)	a retail investment adviser has failed to attain an appropriate qualification within the time limit prescribed by TC 2.2A.1R(1);			
(3)	a retail investment adviser has failed to comply with a Statement of Principle in carrying out his controlled function; and			
(4)	a retail investment adviser has performed an activity in TC Appendix 1 before having demonstrated the necessary competence for the purposes of TC 2.1.1R and without appropriate supervision.			

Please provide full information relating to the breach(es) highlighted above
Please provide information about any steps that you have taken or intend to take to rectify the position or prevent any future potential occurrence:

Annex C

Amendments to the Training and Competence Sourcebook (TC)

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

2.2B Reporting requirements

...

Content of the report

2.2B.4 R The report must contain professional standards data as follows:

(1) ...

(2A) the names ~~and Individual Reference Numbers~~ of the *firm's employees* who are *retail investment advisers*, including trainees; and

(2B) The following information in respect of the *employee* in (2A):

(a) the *employee's* Individual Reference Number (IRN); or

(b) in the case of an *employee* of a *relevant authorised person* who is performing an *FCA-specified significant harm function* and who has not been issued with an IRN:

(i) the *employee's* National Insurance (NI) number and date of birth; or

(ii) if no NI number is available, the *employee's* date of birth, current passport number; and nationality.

Annex D

TC App 8.1 Professional Standards Data Submission Form

This form (the Professional Standards Data Submission Form) is deleted and is replaced with the following new form. The deleted text is not shown and the new text is not shown underlined.

TC App 8.1.1 R

Retail Investment Adviser - Professional Standards Data Submission Form			
(all fields are mandatory)			
Firm details			
Firm name		Firm Reference Number (FRN)	
Person submitting form			
Name		Individual Reference Number (IRN) (where applicable)	
Position in firm		or, if person submitting the form is not issued with an IRN	
Contact email address		National Insurance (NI) Number	
Contact telephone number		Date of birth	
Date of submission		or, if <i>Retail Investment Adviser</i> has no NI number:	
		Date of birth	
		Current Passport number	
		Nationality	

Retail Investment Advisers										
Name	Individual Reference Number (IRN)	Or, if not issued with an IRN:		Or, if not issued with an IRN and NI unavailable:			Qualification Status (part of fully qualified)	Accredited Body	Date adviser began activity of a retail investment adviser	Firm assessed retail investment adviser as competent (YES/NO)
		National Insurance (NI) Number	Date of birth	Date of birth	Current Passport number	Nationality				

Annex E

Amendments to the Dispute Resolutions: Complaints Sourcebook (DISP)

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

1.10 Complaints reporting rules

...

- 1.10.2A R (3) For the purpose of *DISP* 1 Annex 1CR *retail investment adviser* information must be reported by ~~Individual Reference Number (IRN)~~;
- (a) the *employee's* Individual Reference Number (IRN); or
 - (b) in the case of an *employee of a relevant authorised person* who is performing an *FCA-specified significant harm function* and who has not been issued with an IRN:
 - (i) the *employee's* National Insurance (NI) number and date of birth; or
 - (ii) if no NI number is available, the *employee's* date of birth, current passport number; and nationality.

Annex F

The form (DISP 1 Annex 1C Illustration of the online reporting requirements) referred to in DISP 1.10.2AR is deleted and is replaced with the the following new form. The deleted text is not shown and the new text is not shown underlined.

DISP 1 Annex 1C Illustration of the online reporting requirements, referred to in DISP 1.10.2AR (Complaints by Retail Investment Advisers)

Complaints by Retail Investment Advisers

NI Return Declaration - DISP 1 Annex 1CR

- 1 Does the data in this return cover complaints relating to activities carried out by one or more employees when acting as a retail investment adviser (RIA)? If 'Yes', then please list unique identification information for all RIAs included on this form. A
- 2 We wish to declare a nil return
- 3 **Total complaints, complaints closed, complaints upheld and total redress paid during the reporting period**

A	B	G	H	I	J	C	D	E	F
IRN	Name of RIA	Date of birth	NI Number	Passport Number	Nationality	Total number of complaints received	Total number of complaints closed	Total number of complaints Upheld	Total redress paid

Annex G

SUP 16 Annex 18A - Retail Mediation Activities Return ('RMAR')

This Annex comes into force 31 December 2016

SUP 16 Annex 18A Section G (Training and Competence) is deleted and is replaced with the following new text. The deleted text is not shown and the new text is not shown underlined.

Annex G (cont.)

SUP 16 Annex 18BG

Section G Training & Competence

General Information

	A	B	C	E	D
	Advising on mortgages	Advising on non-investment insurance	Advising on retail investment products	Advising on second (and subsequent) charge mortgages	Total
17 Did the firm do any of the following regulated activities during the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1 Total number of employees at the firm as at the end of the reporting period	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Of which:					
2 Number of employees that give advice in each area	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
26 Number of individual advisers employed by the firm	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3 Number of employees that give advice (FTE)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4 Number of employees that supervise others to give advice in each area	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
27 Number of individual employees with supervisory responsibilities	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5 Number of advisers assessed as competent by the firm in each area	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
30 Number of advisers assessed as competent in one or more areas	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
18 Number of fully qualified advisers	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
19 Number of advisers holding a valid Statement of Professional Standing (SPS)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6 Number of advisers that hold an appropriate qualification in each area	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
29 Number of individual advisers holding at least one appropriate qualification	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
25 Number of employees that left the firm during the reporting period	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7 Number of advisers that left the firm during the reporting period	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
28 Number of individual advisers that left the firm during the reporting period	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Non-investment insurance

	A	B	C
	Fair analysis of the market	Restricted - Multi-Tie	Restricted - Single-Tie
20 Which types of non-investment insurance advice were provided by the firm in the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Mortgages (and second and subsequent charge mortgages)

	A	B	C	D
	Independent (Whole of Market plus option of fee only)	Whole of Market (without fee-only option)	Restricted - Multi-tie	Restricted - Single-tie
21 Which types of mortgage advice were provided by the firm in the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 What types of second (and subsequent) charge mortgage advice were provided by the firm in the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Retail Investment Advice

	A	B	C	D	E	F	G	H	I	J	K	L
	Independent	Restricted - Multi-tie	Restricted - Single-tie	Restricted - Limited Product Type								
23 Which types of retail investment advice were provided by the firm in the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Clawed back commission

13 Clawed back commission by:

14 Number Value

Professional Standards Data

24 Please provide the following information for each of the firm's retail investment advisers employed by the firm at the end of the reporting period:

Adviser ID							Adviser Qualification				
Last Name	First Name	IRN	NI Number	Date of Birth	Passport Number	Nationality	Part Qualified	Fully Qualified	Accredited Body	Activity Start Date	SPS Start Date
							Y/N	Y/N			

Section G: Training & Competence ('T&C')

Note: Home purchase and reversion activity should be included under the existing mortgage headings 'advising on mortgages' heading in this section of the RMAR.

...

Section G: guide for completion of individual fields

General information	
17	Did the firm do any of the following regulated activities during the reporting period?
	Indicate whether the firm undertook any of the stated regulated activities by

		selecting “Y” or “N” for each of the columns.
<u>1</u>	Total number of all staff <u>employees at the firm as at the end of the reporting period</u>	<p>This should be the total number of <i>staff employees</i> that worked for the <i>firm</i> as at the end of the reporting period.</p> <p>Therefore, <i>employees</i> that may have advised during the period but were not employed as at the end date should not be included.</p>
Of which:		
<u>2</u>	Number of <i>staff employees</i> that give advice <u>in each area</u>	<p>‘Advice’ is given where the sale of a product is based on a recommendation given to the <i>customer</i> on the merits of a particular product.</p> <p>If <i>staff employees</i> advise in relation to more than one business type (i.e. <i>home finance transaction</i> advising, advising on <i>non-investment insurance contracts</i> or <i>retail investment products</i>), they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> <p>Note: in relation to advising on <i>non-investment insurance contracts</i>, this total should not include employees that do not advise <i>retail customers</i>.</p>
<u>26</u>	<u>Number of individuals employed by the firm</u>	<u>The total should be the actual number of individual advisers employed by the firm as at the end of the reporting period, regardless of whether they advise in one or more areas.</u>

<u>3</u>	Number of <i>staff employees</i> that give advice (Full-time equivalent <u>FTE</u>)	<p>This should be the same data as above, but expressed in ‘full time equivalent’ terms; ;</p> <p>e.g. <u>E.g.</u> if the firm has 20 part time staff that work 50% of normal hours, the figure would be 10.</p>
<u>4</u>	Number of <i>staff employees</i> that supervise others to give advice <u>in each area</u>	<p>Note the requirements in the Training & Competence Sourcebook (<i>TC 2.1.2R, TC 2.1.3G, TC 2.1.4G and TC 2.1.5R</i>) for <i>employees</i> to be appropriately supervised, and also the competencies that are required for those who supervise others.</p> <p>If any of these <i>staff employees</i> carries out supervisory activities in relation to more than one business type, they should be counted in each applicable field.</p> <p>The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> <p><u>Each area should be considered to refer to the four business types in the form.</u></p>
<u>27</u>	Number of individual <i>employees</i> with supervisory <u>responsibilities</u>	<p><u>The total should be the actual number of individual supervisors at the firm as at the end of the reporting period, regardless of whether they supervise in one or more areas.</u></p>
<u>5</u>	Number of advisers that have been assessed as competent <u>by the firm in each area</u>	<p>This is a subset of the total of ‘number of <i>staff employees</i> that give advice in each area’ above.</p> <p>See <i>TC Appendix 1.1R</i> for the detailed training &</p>

		<p>competence requirements relating to individual activities.</p> <p>If <i>staff employees</i> are competent in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
30	<u>Number of advisers assessed as competent in one or more areas</u>	<u>The total should be the actual number of individuals assessed by the firm as competent in one or more of the four advice categories specified in columns A-D as at the end of the reporting period.</u>
18	<u>Number of fully qualified advisers</u>	<u>The total number of advisers holding appropriate qualifications to carry on activities 2, 3, 4, 6, 12 and 13 in TC Appendix 1.1.1 R (other than in relation to a Holloway sickness policy where the Holloway policy special application conditions are met).</u>
19	<u>Number of advisers holding a valid Statement of Professional Standing (SPS)</u>	<u>The total number of <i>retail investment advisers</i> holding a valid SPS from an <i>accredited body</i></u>
6	<u>Number of advisers that have passed appropriate examinations hold an appropriate qualification in each area</u>	<p>This is a subset of the total in 'number of <i>staff employees</i> that give advice' above.</p> <p>In the case of certain activities, TC 2 imposes requirements on <i>firms</i> in relation to their <i>employees</i> and passing examinations.</p> <p>The relevant activities to which TC applies and require <i>employees</i> to obtain appropriate qualifications can</p>

		<p>be found in <i>TC</i> Appendix 1. Then appropriate qualifications for these activities can be found in <i>TC</i> Appendix 4E.</p> <p>If <i>staff advisers</i> have <u>appropriate</u> qualifications in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
<u>29</u>	<u>Number of individual advisers holding at least one appropriate qualification</u>	<u>The total should be the actual number of individuals holding at least one appropriate qualification for advising on mortgages, acting as a <i>retail investment adviser</i>, or advising on second (and subsequent) charge mortgages as at the end of the reporting period.</u>
<u>25</u>	<u>Number of employees that left the firm during the reporting period</u>	<u>The total should be the actual number of <i>employees</i> whose last day fell within the reporting period.</u>
<u>7</u>	<u>Number of advisers that have left since the last reporting date that left the firm during the reporting period</u>	<p>This is the total number of advisory <i>employees</i> that have left the <i>firm</i> during the current reporting period.</p> <p>If any of these <i>staff advisers</i> used to carry out advisory activities in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>

28	<u>Number of individual <i>advisers</i> that left the firm during the reporting period.</u>	<u>The total should be the actual number of individual advisers whose leaving date fell within the reporting period.</u>
<u>Non-investment insurance</u>		
20	<u>What types of advice were provided? Which types of non-investment insurance advice were provided by the firm in the reporting period?</u>	<p>For each type of advice, the <i>firm</i> should indicate whether or not staff have provided <u>advice has been provided on that basis / business type.</u></p> <p><u>Fair Analysis of the Market</u></p> <p><u>If an <i>insurance intermediary</i> informs a <i>customer</i> that it gives advice on the basis of a fair analysis of the market, it must give that advice on the basis of an analysis of a sufficiently large number of <i>contracts of insurance</i> available on the market to enable it to make a recommendation, in accordance with professional criteria, regarding which <i>contract of insurance</i> would be adequate to meet the <i>customer's</i> needs. (See <i>ICOBS 5.3.3R, ICOBS 4.1.6R and ICOBS 4.1.8G</i>).</u></p> <p><u>Restricted – Multi-tie</u></p> <p><u>A <i>firm</i> provides advice on products selected from a limited number of provider firms.</u></p> <p><u>Restricted – Single-tie</u></p> <p><u>A <i>firm</i> provides advice on products selected from one provider firm only.</u></p> <p><u>In relation to their <i>home finance mediation activities</i>, <i>firms</i> are not required by</u></p>

		<p><i>MCOB 4.4A to use a label to describe the service they provide to customers. In filling out this section they should simply answer ‘no’ for each category relating to their home finance mediation activities.</i></p>
<p><u>Mortgages (and second and subsequent charge mortgages)</u></p>		
<p><u>21 and 22</u></p>	<p><u>Which types of mortgage advice were provided by the firm in the reporting period?</u></p> <p><u>What types of second (and subsequent) charge mortgage advice were provided by the firm in the reporting period?</u></p>	<p><u>For each type of advice, the firm should indicate whether or not advice has been provided on that basis / business type.</u></p> <p><u>In relation to their home finance mediation activities, firms are not required by MCOB 4.4A to use a label to describe the service they provide to customers. In filling out this section they should simply answer “no” for each category relating to their home finance mediation activities.</u></p> <p><u>Independent (whole of market plus option of fee-only)</u></p> <p><u>To hold itself out as acting independently, a firm carrying on home finance mediation activity, must consider products from across the whole of the market, and offer its clients the opportunity to pay by fee.</u></p> <p><u>Whole of market (without fee-only option)</u></p> <p><u>A firm carrying on home finance mediation activity provides whole of market recommendations when it has considered a large number of products that are generally available from the market as a</u></p>

		<p><u>whole.</u></p> <p><u>Restricted – Multi-tie</u></p> <p><u>A firm provides advice on products selected from a limited number of provider firms.</u></p> <p><u>Restricted – Single-tie</u></p> <p><u>A firm provides advice on products selected from one provider firm only.</u></p>
<u>Retail Investment Advice</u>		
<u>23</u>	<u>Which types of retail investment advice were provided by the firm in the reporting period?</u>	<p><u>Independent</u></p> <p><u>For a retail investment firm to provide independent advice its personal recommendations must be based on a comprehensive and fair analysis of the relevant market, and be unbiased and unrestricted (COBS 6.2A.3R).</u></p> <p><u>Restricted – Multi-tie</u></p> <p><u>A firm provides advice on products selected from a limited number of provider firms.</u></p> <p><u>Restricted – Single-tie</u></p> <p><u>A firm provides advice on products selected from one provider firm only.</u></p> <p><u>Restricted – Limited Product Types</u></p> <p><u>A firm provides advice on limited types of products.</u></p>
	<u>Independent</u>	<u>For a retail investment firm to provide independent advice its personal recommendations must be based on a comprehensive and fair</u>

		analysis of the relevant market, and be unbiased and unrestricted (<i>COBS 6.2A.3R</i>).
	Independent (whole of market plus option of fee only)	To hold itself out as acting independently, a <i>firm</i> carrying on <i>home finance mediation activity</i> , must consider products from across the whole of the market, and offer its clients the opportunity to pay by fee.
	Whole of market (without fee only option)	A <i>firm</i> carrying on <i>home finance mediation activity</i> provides whole of market recommendations when it has considered a large number of products that are generally available from the market as a whole.
	On the basis of a fair analysis of the market	If an <i>insurance intermediary</i> informs a <i>customer</i> that it gives advice on the basis of a fair analysis of the market, it must give that advice on the basis of an analysis of a sufficiently large number of <i>contracts of insurance</i> available on the market to enable it to make a recommendation, in accordance with professional criteria, regarding which <i>contract of insurance</i> would be adequate to meet the <i>customer's</i> needs. (See <i>ICOBS 5.3.3R</i> , see also <i>ICOBS 4.1.6R</i> and <i>ICOBS 4.1.8G</i>).
	Restricted / Multi-tie – the products of a limited number of providers	A <i>firm</i> provides advice on products selected from a limited number of provider firms. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . <i>Multi-tie</i> applies to <i>insurance mediation activity</i> and <i>home finance mediation</i>

		<i>activity.</i>
	Restricted /Single tie the products of one provider	A firm provides advice on products selected from one provider firm only. Restricted advice applies to advice on retail investment products. Single tie applies to insurance mediation activity and home finance mediation activity.
	Restricted limited types of products	A firm provides advice on limited types of products.

Sub heading: Clawed back commission (retail investment firms only)

Commission is typically paid to advisers in two main ways:

- non-indemnity commission – this is where payments from providers/lenders to advisers are non-refundable should the policy lapse, cancel or be surrendered.
- indemnity commission – this is colloquially known as 'up-front' commission and describes the situation where a provider would pay an adviser an amount of money based on a percentage of the first year's premiums for a regular premium contract. This sum is paid immediately on commencement, on the assumption that the policy will stay in force for a number of months/years ('the earnings period'). Should the customer stop paying premiums within the 'earnings period' (generally between 24 and 48 months), then the provider would ask the adviser to repay the 'unearned' commission. This is known as '**clawback**'.

Clawed back commission (retail investment firms only)		
13	<u>Number</u> Clawed back commission by number:	Number of policies where cancellations have led to commissions being clawed back during the reporting period.
14	<u>Value</u> Clawed back commission by value:	Total value of clawed back commission during the period.
<u>Professional Standards Data</u>		
24	<u>Please provide the following information for each of the firm's retail investment advisers employed by the firm as at the end of the reporting period:</u>	<u>Adviser ID</u> <u>Surname</u> <u>Forename</u>

	<p><u>Individual Reference Number (IRN)</u></p> <p>Please enter the adviser's IRN if issued.</p> <p><u>If an IRN is held, no further ID details are required and the firm should move on to complete the 'adviser qualification' questions below.</u></p> <p><u>NI Number, Date of Birth, Passport Number, Nationality</u></p> <p><u>If an <i>adviser</i> does not have an IRN, the <i>firm</i> should enter both a National Insurance (NI) number and Date of Birth for unique identification or, if not available, Date of Birth, current Passport Number and Nationality. This information should only be provided in the appropriate combinations; completing only NI number and Nationality, for instance, would not be acceptable.</u></p> <p><u>Adviser Qualification</u></p> <p><u>Part Qualified, Fully Qualified</u></p> <p><u>For each <i>retail investment adviser</i>, the <i>firm</i> should indicate whether the <i>adviser</i> is part or fully qualified by selecting "Y" or "N" from the dropdown options.</u></p> <p><u>Accredited Body</u></p> <p><u>For each <i>retail investment adviser</i>, the <i>firm</i> should indicate the <i>accredited body</i> from which the <i>adviser</i> has obtained a Statement of Professional Standing (SPS). If no SPS is held, "No SPS" should be selected from the dropdown.</u></p> <p><u>Activity Start Date</u></p> <p><u>For each <i>retail investment adviser</i>, the <i>firm</i> should provide the date at which the <i>adviser</i> became part or fully qualified, as applicable.</u></p> <p><u>SPS Start Date</u></p> <p><u>For each fully qualified <i>retail investment</i></u></p>
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		<u><i>adviser</i>, please provide the date of issue for the <i>adviser</i>'s current SPS. If no SPS is held, this field is not required.</u>
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Annex H – Training and Competence (TC)

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

This Annex comes into force 31 December 2016

TC 2.2B – Reporting Requirements

This section is deleted in its entirety.

TC App 8.1 – Professional Standards Data Submission Form

This section is deleted in its entirety.

Sch 2 Notification requirements

Sch 2.1 G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
TC 2.2B.3R	Notifications – professional standards data	<p>(1) The <i>firm's</i> name and Firm Reference Number;</p> <p>(2) the names and Individual Reference Numbers of the <i>firm's</i> employees who are <i>retail investment advisers</i>, including trainees;</p> <p>(3) whether a <i>retail investment adviser</i> has attained an appropriate qualification;</p> <p>(4) if a <i>retail investment adviser</i> has not attained an appropriate qualification, the date on which the <i>employee</i> began to carry on the activity of a <i>retail investment adviser</i>; and</p> <p>(5) the name of the <i>accredited</i></p>	The end of each quarter.	Within 20 <i>business days</i> of the end of the quarter, unless TC 2.2B.3R(3) applies.

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
		body used for the purposes of TC 2.1.27R.		

Appendix 4

TDAD instrument

**THE ENFORCEMENT GUIDE (THE TRANSPARENCY REGULATIONS 2015)
INSTRUMENT 2016**

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 139A (Power of the FCA to give guidance);
 - (b) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook; and
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

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

Material outside the Handbook

- D. The Enforcement Guide (EG) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Enforcement Guide (The Transparency Regulations 2015) Instrument 2016

By order of the Board
[*date*]

Annex

Amendments to the Enforcement Guide (EG)

In this Annex, all text is new and is not underlined. Insert the following new provision after EG 7.3.

- 7.3(A) Where a *person* who is a shareholder has contravened one or more relevant transparency provisions (as defined in section 89NA(11) of the *Act*) in respect of shares in a company admitted to trading on a regulated market and the *FCA* considers the breach to be serious, the *FCA* may apply to the Court for an order suspending that person's voting rights as set out in section 89NA of the *Act*.

...

Insert the following new provisions after EG 7.19.

Suspension of voting rights

- 7.20 Where a person who is a shareholder has contravened one or more relevant transparency provisions (as defined in section 89NA(11) of the *Act*) in respect of shares in a company admitted to trading on a regulated market and the *FCA* considers the breach to be serious, the *FCA* may apply to the Court for an order suspending that person's voting rights as set out in section 89NA of the *Act*.
- 7.21 Decisions about whether to apply to the Court for a voting rights suspension order under the *Act* will be made by the *RDC* Chairman or, if the Chairman is not available, by an *RDC* Deputy Chairman.
- 7.22 In deciding whether to apply for a voting rights suspension order, the *FCA* will consider all the relevant circumstances of the case and, in particular, will have regard to factors listed in 89NA(4) of the *Act*.

Appendix 5

Solvency II – NDFs instrument

PRA RULEBOOK CONSEQUENTIALS (INSURANCE) INSTRUMENT 2016

Powers exercised

- A. The Financial Conduct 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 59 (Approval for particular arrangements);
 - (2) section 60 (Applications for approval);
 - (3) section 61 (Determination of applications);
 - (4) section 69 (Statement of policy);
 - (5) section 137A (The FCA’s general rules);
 - (6) section 137T (General supplementary powers); and
 - (7) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 7 March 2016.

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
General Provisions (GEN)	Annex C
General Prudential sourcebook (GENPRU)	Annex D
Prudential Sourcebook for Insurers (INSPRU)	Annex E
Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))	Annex F
Interim Prudential sourcebook for Insurers (IPRU(INS))	Annex G
Conduct of Business sourcebook (COBS)	Annex H
Supervision manual (SUP)	Annex I

Citation

- E. This instrument may be cited as the PRA Rulebook Consequentials (Insurance) Instrument 2015.

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.

<i>actuarial function</i>	<u>(in the FCA Handbook) PRA controlled function</u> described more fully in <u>SUP 4.3.13R, PRA Rulebook: Non Solvency II firms: Actuarial Requirements 5, and, for a Solvency II firm, PRA Rulebook: Solvency II firms: Conditions Governing Business 6.1.</u> [deleted]
<i>actuarial investigation</i>	(1) (other than in <i>COBS</i>) an investigation to which <i>IPRU-(INS)</i> rule 9.4 <u>as at 31 December 2015</u> applies. ...
<i>admissible asset</i>	(2) (a) (in relation to an insurer which is not a pure reinsurer) an asset that, subject to paragraphs (2) and (3) of GENPRU 2 Annex 7, falls into one or more categories in paragraph (1) of GENPRU 2 Annex 7; or (b) (in relation to a pure reinsurer) an asset the holding of which is consistent with compliance by the firm with <i>INSPRU 3.1.61A R</i> . <u>has the same meaning as ‘admissible asset’ in the insurance sectors of the PRA Rulebook: Glossary.</u>
<i>appropriate actuary</i>	an actuary appointed under SUP 4.4.1R <u>PRA Rulebook: Non-Solvency II Firms – Actuarial Requirements (Appointment of an appropriate actuary).</u>
<i>capital instrument</i>	(in <i>GENPRU</i> ; <u>and BIPRU</u> and INSPRU 6 and ...
<i>capital resources</i>	(1) in relation to a <i>BIPRU</i> firm or an insurer , the firm's capital resources as calculated in accordance with the <i>capital resources table</i> ; or ...
<i>capital resources requirement</i>	... (2) an insurer must hold as set out in GENPRU 2.1.17R to GENPRU 2.1.23R; or <u>[deleted]</u> ...
<i>capital resources table</i>	(1) (in the case of an insurer) GENPRU 2 Annex 1; and <u>[deleted]</u> ...
<i>ECR</i>	enhanced capital requirement. <u>[deleted]</u>

<i>enhanced capital requirement</i>	<p>(1) (in relation to a firm carrying on general insurance business) the amount calculated in accordance with <i>INSPRU</i> 1.1.72CR.</p> <p>(2) (in relation to a firm carrying on long-term insurance business) an amount of capital resources that a firm must hold as set out in <i>GENPRU</i> 2.1.38R. [deleted]</p>
<i>financial institution</i>	(1) (in accordance with paragraph 5(c) of Schedule 3 to the Act (EEA Passport Rights: EEA firm) and article 3 (22) of the <i>CRD</i> (Definitions)), but not for the purposes of <i>GENPRU</i> , <i>BIPRU</i> , <u>and <i>IFPRU</i> and <i>INSPRU</i></u>), ...
<i>individual capital assessment</i>	(in <i>INSPRU</i> and <i>COBS</i> 20.2) an assessment by a firm of the adequacy of its capital resources undertaken as part of an assessment of the adequacy of the firm's overall financial resources carried out in accordance with <i>GENPRU</i> 1.2.
<i>notification rule</i>	(1) (in relation to a firm) a rule requiring a firm to give the appropriate regulator <u>FCA</u> notice of, or information regarding, an event, but excluding:
	...
<i>overall financial adequacy rule</i>	(1) (in <i>GENPRU</i> , <u>and <i>BIPRU</i> and <i>INSPRU</i></u>) <i>GENPRU</i> 1.2.26A G (Requirement for certain firms to have adequate financial resources).
<i>table of PRA controlled functions</i>	the table of controlled functions in <i>SUP</i> 10B.4.3 R.
<i>technical provision</i>	(for a firm which is not a <i>Solvency II</i> firm) a technical provision established ÷
	(a) for general insurance business, in accordance with <i>INSPRU</i> 1.1.12 R; and
	(b) for long term insurance business, in accordance with <i>INSPRU</i> 1.1.16 R in accordance with the <u>Insurance Company - Technical Provisions part of the <i>PRA</i> Rulebook.</u>
<i>tier one capital</i>	...
	(2) (in <i>BIPRU</i> , <u>and <i>GENPRU</i> and <i>INSPRU</i></u>) an item of capital that is specified in stages A(Core tier one capital), B (Perpetual non-cumulative preference shares) or C (Innovative tier one capital) of the <i>capital resources table</i> .
<i>with-profits actuary function</i>	(in the <i>PRA Handbook</i>) <i>PRA</i> controlled function CF12A in the table of <i>PRA</i> controlled functions, described more fully in <i>SUP</i> 4.3.16AR and <i>SUP</i> 10B.8.2R.
	(in the <i>FCA Handbook</i>) <i>PRA</i> controlled function CF12A in the table

~~of PRA controlled functions, described more fully in SUP 4.3.16AR and SUP 10B.8.2 R and the Senior Insurance Management Function parts of the PRA Rulebook or, for a Solvency II firm, the function described in rule 8 of PRA Rulebook: Solvency II firms: Insurance Senior Insurance Management Functions.~~

Annex B

Amendments to the Systems and Controls sourcebook (SYSC)

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

1.1A Application

...

1.1A.2 G The provisions in SYSC should be read in conjunction with GEN 2.2.23R to GEN 2.2.25G. In particular:

- (1) ~~Provisions made by both the FCA and PRA may contain obligations for or references to FCA-*authorised persons*. GEN 2.2.23R limits the application of those provisions so that the PRA will only apply them in respect of PRA-*authorised persons* and not to such FCA-*authorised persons* as are included within the provision. [deleted]~~
- (2) Provisions made by both the FCA, and by the PRA in the PRA Rulebook, may be applied by both regulators to *PRA-authorised persons*. Such provisions are applied by each regulator to the extent of its powers and regulatory responsibilities. ~~This general principle also applies where the PRA have made *rules* in the PRA Rulebook for *Solvency II firms* which overlap with those in SYSC.~~
- (3) ...

1.2 Purpose

1.2.1 G ...

- (1) ... matters likely to be of interest to the ~~appropriate regulator~~ FCA because they impinge on the ~~appropriate regulator's~~ FCA's functions ...

...

SYSC 1 Annex 1 Detailed application of SYSC

Part 1	Application of SYSC 2 and SYSC 3 to an insurer ...	
...		
1.4 {FCA}	R	SYSC 3.2.6A to SYSC 3.2.6J do not apply:

		...	
		(2)	...
			(g) reversion activity; or
		(3)	<u>to a pure reinsurer.</u>
...			
<u>1.8A</u>	<u>R</u>		(a) <u>SYSC 3, except SYSC 3.2.6AR to SYSC 3.2.6JG, and</u> (b) <u>for a UK domestic firm, SYSC 2;</u> <u>also apply in a prudential context with respect to activities wherever they are carried on.</u>

...

3.2 Areas covered by systems and controls

...

3.2.10 G ...

- (3) ... controlling risk exposure. The risk assessment function is not an FCA controlled function itself, but for certain firms is part of the systems and controls function (CF28).

...

...

3.2.14 G ...

- (4) The requirements on *firms* with respect to *approved persons* are in Part V of the *Act* (Performance of regulated activities) and SUP 10 10A and the Senior Insurance Management Functions parts of the PRA Rulebook.

...

3.2.16 G ...

- (2) ... The internal audit function is not an FCA controlled function itself, but for certain firms is part of the systems and controls function (CF28).

...

12 Group risk systems and controls requirements

12.1 Application

...

12.1.9 G ... ~~Unless the firm is a Solvency II firm, risk~~ Risk management processes must include the stress testing and scenario analysis required by ~~GENPRU 1.2.42R and GENPRU 1.2.49R(1)(b)~~ the PRA Rulebook.

12.1.18 G ... this section will form part of the ~~appropriate regulator's~~ FCA's risk management process.

...

12.1.21 G ... is to make sure that the ~~appropriate regulator~~ FCA can take supervisory action ...

12.1.22 G ... the ~~appropriate regulator~~ FCA would not expect systems and controls to be duplicated.

...

13 Operational risk: systems and controls for insurers

...

13.4 Requirements to notify the appropriate regulator

13.4.1 G Under *Principle 11* and *SUP 15.3.1R*, a *firm* must notify the ~~appropriate regulator~~ FCA immediately of any operational risk matter of which the ~~appropriate regulator~~ FCA would reasonably expect notice. ...

13.4.2 G Regarding operational risk, matters of which the ~~appropriate regulator~~ FCA would expect notice under *Principle 11* include: ...

...

13.6 People

...

13.6.4 G ... A *firm* should also consider the *rules and guidance* for *approved persons* in other parts of the *Handbook* (including *APER*, *COCON* and *SUP*) and the *rules and guidance* on *senior manager* responsibilities in *SYSC 2.1* (Apportionment of Responsibilities).

...

13.7 Processes and systems

...

- 13.7.9 G ...
- (3) the extent to which local regulatory and other requirements may restrict its ability to meet regulatory obligations in the *United Kingdom* (for example, access to information by the ~~appropriate regulator~~ FCA and local restrictions on internal or external audit); and
- ...

13.8 External events and other changes

...

- 13.8.4 G ... However, the ~~appropriate regulator~~ FCA recognises that, in an emergency, a *firm* may be unable to comply with a particular *rule* and the conditions for relief are outlined in *GEN* 1.3 (Emergency).
- ...

- 13.8.7 G ...
- ...
- (c) ... (including the ~~appropriate regulator~~ FCA and the press);
- ...

13.9 Outsourcing

- 13.9.2 G ... a *firm* should notify the ~~appropriate regulator~~ FCA when it intends to enter into a *material outsourcing* arrangement.
- ...

- 13.9.5 G (1) ...
- (2) ... and to the ~~appropriate regulator~~ FCA (see *SUP* 2.3.5R (Access to premises) and *SUP* 2.3.7R (Suppliers under material outsourcing arrangements));
- ...

21.1 Risk control: guidance on governance arrangements

Additional guidance on governance arrangements

- 21.1.1 G ...
- (3) The ~~appropriate regulator~~ FCA considers ...

...

21.1.2 G ...

(2) ...

(b) ...or the ~~PRA's systems and controls~~ the relevant PRA controlled function.

(3) The ~~appropriate regulator~~ FCA expects ...

...

21.1.3 G

(2) The ~~appropriate regulator~~ FCA recognises that... the ~~appropriate regulator~~ FCA expects...

...

21.1.5 G (1) The ~~appropriate regulator~~ FCA considers that...

Annex C

Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text.

2.2 Interpreting the Handbook

...

- 2.2.23 R (1) This *rule* applies to *Handbook* provisions made by both the *FCA* and the *PRA* and to *Handbook* provisions made by the *FCA* where the *PRA* have made commensurate provisions in the *PRA* Rulebook. It may affect their application by the *FCA* to *PRA-authorised persons* and *PRA approved persons*, and may affect their application by the *PRA* to any *authorised person* or *approved person*.

Annex D

Amendments to the General Prudential sourcebook (GENPRU)

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

1.1 Application

...

1.1.2 G Broadly speaking however, *GENPRU* applies (except as provided in *GENPRU* 1.1.2-AG) to:

(1) ~~an insurer that is not a Solvency II firm; [deleted]~~

...

(4) a *BIPRU firm*; and

(5) groups containing such *firms*.

...

1.1.2A G ... ~~In particular many, rules in *GENPRU* are made by both the *PRA* (in relation to *PRA authorised persons*) and by the *FCA* (in relation to *BIPRU firms* that are *FCA authorised persons*).~~

...

1.2 Adequacy of financial resources

Application

1.2.1 R This section applies to:

~~(1) a *BIPRU firm*; and~~

~~(2) an insurer, unless it is:~~

~~(a) a non-directive friendly society; or~~

~~(b) a Swiss general insurer; or~~

~~(c) an EEA deposit insurer; or~~

~~(d) an incoming EEA firm; or~~

~~(e) an incoming Treaty firm; or~~

~~(f) a Solvency II firm.~~

- 1.2.1A R ~~This section also applies to an insurer, unless it is:~~
- ~~(1) a non-directive friendly society; or~~
 - ~~(2) a Swiss general insurer; or~~
 - ~~(3) an EEA deposit insurer; or~~
 - ~~(4) an incoming EEA firm; or~~
 - ~~(5) an incoming Treaty firm; or~~
 - ~~(6) a Solvency II firm. [deleted]~~
- ...
- 1.2.15 G ... The ~~appropriate regulator~~ FCA will review that assessment as part of its own assessment of the adequacy of a firm's capital under its *supervisory review and evaluation process (SREP)*. ...
- 1.2.16 G ... In the case of a *BIPRU firm*, the ~~appropriate regulator~~ FCA ... Therefore, when forming its view on a *BIPRU firm's capital planning buffer*, the ~~appropriate regulator~~ FCA will take into account the assessment made in relation to the *firm's ICG*.
- ...
- 1.2.19 G (1) ~~BIPRU 2.2 (Internal capital adequacy standards) and INSPRU 7.4 (Individual capital assessment)~~ sets out detailed *guidance* ... the more reliance the ~~appropriate regulator~~ FCA will be able to place ...
- (2) ~~BIPRU 2.2 and INSPRU 7.4~~ also ~~have~~ has information on how the ~~appropriate regulator~~ FCA will review and respond to the assessments referred to in *GENPRU 1.2.15G* and, ~~in the case of BIPRU firms, in GENPRU 1.2.16G~~. In particular they deal with the giving of *individual capital guidance* to a firm, which is *guidance* about the amount and quality of capital resources that the ~~appropriate regulator~~ FCA thinks a firm should hold at all times...
- ...
- 1.2.21 G (1) ~~SYSC 11 sets out material on systems and controls that apply specifically to liquidity risk as that concept relates to an insurer.~~
- (2) ~~[deleted]~~
- (2A) ~~[deleted]~~
- (3) ~~[deleted]~~
- (4) ~~SYSC 11.1.21E is an evidential provision relating to the general stress and scenario testing rule concerning stress testing and~~

~~scenario analyses. SYSC 11.1.24E is an evidential provision relating to the overall Pillar 2 rule about contingency funding plans. Both of these evidential provisions apply only to an insurer to which that section of SYSC applies.~~

(5) ~~[deleted]~~

...

1.2.29 G ... ~~SYSC 11.1.24E is an evidential provision relating to the overall financial adequacy rule concerning contingency funding plans.~~

...

1.2.40 G ... The appropriateness of the internal process, and the degree of involvement of senior management in the process, will be taken into account by the ~~appropriate regulator~~ FCA when reviewing a firm's assessment as part of the ~~appropriate regulator's~~ FCA's own assessment of the adequacy of a firm's financial resources. ...

...

1.2.42B G ... A BIPRU firm without an IRB permission, ~~or an insurer that has a material credit and counterparty credit risk exposures,~~ should conduct analyses ...

...

1.2.43 G ... ~~SYSC 11.1.21E is an evidential provision relating to the general stress and scenario testing rule concerning scenario analysis in relation to liquidity risk.~~

...

1.2.55 G The purpose of GENPRU 1.2.51R – GENPRU 1.2.53R is to enable the ~~appropriate regulator~~ FCA to assess the extent ... under BIPRU 8 (Group risk – consolidation) ~~or INSPRU 6.1 (Group risk: Insurance groups).~~ The reason the ~~appropriate regulator~~ FCA wishes to make this assessment is ...

...

1.2.62 G Where a firm assesses the adequacy of its CRR in its particular circumstances in accordance with BIPRU 2.2 (Internal capital adequacy standards) ~~and INSPRU 7.1 (Individual capital assessment)~~ ...

...

1.2.73A G (1) ...

(c) ... However, the ~~appropriate regulator~~ FCA ...

...

...

- (5) ... within the *firm's ICAAP* ~~or ICA~~ submission document.
- (6) The ~~appropriate regulator~~ FCA will review the *firm's* records referred to in (5) as part of its *SREP*. The purpose of examining these is to enable the ~~appropriate regulator~~ FCA to judge whether a *firm* will be able to continue to meet its *CRR* ...
- (7) ... the ~~appropriate regulator~~ FCA may require the *firm* to set out additional countervailing measures ...

1.2.73B G The ~~appropriate regulator~~ FCA may formulate macroeconomic and financial market scenarios which a *firm* may use as an additional input to its *ICAAP* ~~or ICA~~ submission. In addition the ~~appropriate regulator~~ FCA may also ask a *firm* to apply specific scenarios directly in its *ICAAP* ~~or ICA~~ submission.

1.2.73C G ~~For an insurer:~~

- (1) ~~the treatment of new business when making capital projections is likely to be different from its ICA. In projecting its financial position, an insurer should take account of new business based on the firm's business plan, but flexed to take account of potential changes in trading conditions and strategy. When assessing its current capital adequacy under its ICA, an insurer should take account of the effects of closure to new business (see GENPRU 1.2.27G, GENPRU 1.2.73AG (3) and (4) and INSPRU 7.1.16G to INSPRU 7.1.19G). Also, an insurer may use methods that are more approximate than used for its ICA (for example, in projecting the with profits insurance capital component for realistic basis life firms and the capital resources needed to meet the overall financial adequacy rule); and~~
- (2) ~~where management discretion is exercised as a normal part of an insurer's business (for example, in changing bonus rates or surrender values in accordance with the PPFM for with profits business), under GENPRU 1.2.73AG (3)(c) the insurer does not need to estimate the effect of an adverse event on its financial position without adjusting for such changes. However, the effect on the financial position of varying such actions should be estimated and understood. [deleted]~~

...

1.2.77 G Additional *guidance* on stress tests and scenario analyses for the assessment of *capital resources* is available in *BIPRU 2.2* (Internal capital adequacy standards) and *INSPRU 7.1* (Individual capital assessment).

1.2.78 G ~~Additional *guidance* in relation to stress tests and scenario analysis for *liquidity risk* as that concept relates to an *insurer* is available in *SYSC 11*~~

~~(Liquidity risk systems and controls)~~. [deleted]

1.2.78A ...

...

1.3 Valuation

Application

- 1.3.1 R (1) This section of the Handbook applies to an *insurer*, unless it is:
- (a) ~~a non-directive friendly society;~~
 - (b) ~~an incoming EEA firm; or~~
 - (c) ~~an incoming Treaty firm; or~~
 - (d) ~~a Solvency II firm.~~ [deleted]
- ...
- 1.3.2 G This section sets out, for the purposes of *GENPRU*, and BIPRU ~~and INSPRU~~, rules and guidance as to how a firm should recognise and value assets, liabilities, *exposures*, equity and income statement items.
- 1.3.4 R Subject to *GENPRU* 1.3.9R to *GENPRU* 1.3.10R and *GENPRU* 1.3.36R, except where a rule in *GENPRU*, *BIPRU* or *INSPRU* provides for a different method of recognition or valuation, whenever a rule in *GENPRU*, or BIPRU ~~or INSPRU~~ refers to an asset ...
- (1) ~~the insurance accounts rules, or the Friendly Societies (Accounts and Related Provisions) Regulations 1994;~~ [deleted]
- ...
- 1.3.5 G Except where a rule in *GENPRU*, or BIPRU ~~or INSPRU~~ makes a different provision, *GENPRU* 1.3.4R applies whenever a rule in *GENPRU*, or BIPRU ~~or INSPRU~~ refers to the value or amount of an asset, liability, *exposure*, equity or income statement item, including: ...
- 1.3.6 G In particular, unless an exception applies, *GENPRU* 1.3.4R should be applied for the purposes of *GENPRU*, or BIPRU ~~or INSPRU~~ to determine how to account for: ...
- 1.3.9 R For the purposes of *GENPRU*, or BIPRU ~~or INSPRU~~, except where a rule in *GENPRU*, or BIPRU ~~or INSPRU~~ provides for a different method of recognition or valuation: ...
- 1.3.10 R An election made under *GENPRU* 1.3.9R(2) must be applied consistently for the purposes of *GENPRU*, or BIPRU ~~or INSPRU~~ in respect of any one financial year.

...

- 1.3.13 R (1) Except to the extent that *GENPRU*, ~~or *BIPRU* or *INSPRU*~~ provide for another method of valuation, *GENPRU* 1.3.14R to *GENPRU* 1.3.34R (Marking to market, Marking to model, Independent price verification, ~~or Valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves~~) apply: ...

...

...

...

- 1.3.16 R ...
- (2) ...
- (b) ...the *firm* must consider making adjustments ~~or, in the case of an insurer or a UK ISPV, making adjustments or establishing reserves~~.

...

General requirements: Valuation adjustments ~~or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves~~

- 1.3.29 R ... (Marking to market, Marking to model, Independent price verification, Valuation adjustments ~~or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves~~). However if *GENPRU*, ~~or *BIPRU* or *INSPRU*~~ provide for another treatment of such gains or losses, that other treatment must be applied.

- 1.3.30 R A *firm* must establish and maintain procedures for considering valuation adjustments ~~or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves~~. These procedures must be compliant with the requirements set out in *GENPRU* 1.3.33R.

...

- 1.3.32 R A *firm* must consider the need for making adjustments ~~or, in the case of an insurer or a UK ISPV, establishing reserves~~ for less liquid positions and, on an ongoing basis, review their continued appropriateness in accordance with the requirements set out in *GENPRU* 1.3.33R. Less liquid positions could arise from both market events and institution-related situations e.g. concentration positions and/or stale positions.

- 1.3.33 R ...
- (2) A *firm* must consider the following adjustments ~~or, in the case of an insurer or a UK ISPV, adjustments or reserves~~: unearned credit spreads, close-out costs, operational risks, early termination,

investing and funding costs, future administrative costs and, where appropriate, model risk.

- (3) ...
- (b) A *firm* must consider several factors when determining whether a valuation adjustment ~~or, in the case of an insurer or a UK ISPV, valuation adjustment or reserve~~ is necessary for less liquid positions. ...

...

1.3.34 R If the result of making adjustments ~~or, in the case of an insurer or a UK ISPV, making adjustments or establishing reserves~~ under *GENPRU* 1.3.29R to *GENPRU* 1.3.33R...

1.3.35 G Reconciliation differences under *GENPRU* 1.3.34R should not be reflected in the valuations under *GENPRU* 1.3 but should be disclosed to the ~~appropriate regulator~~ *FCA* in prudential returns. *Firms* which are subject to the reporting requirement under *SUP* 16.16 should disclose those reconciliation differences in the Prudent Valuation Return which they are required to submit to the ~~appropriate regulator~~ *FCA* under *SUP* 16.16.4R.

...

2.1 Calculation of capital resources requirements

...

- 2.1.1 R This section applies to:
- (1) a *BIPRU firm*; and
- (2) an *insurer*, unless it is:
- (a) a *non-directive friendly society*; or
- (b) a *Swiss general insurer*; or
- (c) an *EEA deposit insurer*; or
- (d) an *incoming EEA firm*; or
- (e) an *incoming Treaty firm*; or
- (f) a *Solvency II firm*.

...

2.1.3 R (1) ...

(2) ~~Where an insurer carries on both long-term insurance business and general insurance business, except where a particular provision~~

~~provides otherwise, this section applies separately to each type of business. [deleted]~~

...

2.1.6 G ... The adequacy of a *firm's capital resources* needs to be assessed both by that *firm* and the *appropriate regulator*. Through its *rules*, the ~~*appropriate regulator*~~ FCA sets minimum *capital resources requirements* for *firms*. It also reviews a *firm's* own assessment of its capital needs, and the processes and systems by which that assessment is made, in order to see if the minimum *capital resources requirements* are appropriate (see *GENPRU* 1.2 (Adequacy of financial resources); and *BIPRU* 2.2 (Internal capital adequacy standards) ~~and~~ *INSPRU* 7.1 (Individual capital assessment)).

2.1.7 G ... are set out in *GENPRU* 1.3 (Valuation) ~~and, for an *insurer*, *INSPRU* and, for a *BIPRU firm*, ...~~

...

2.1.9 R A *firm* must at all times monitor whether it is complying with *GENPRU* 2.1.13R ~~(the main capital adequacy rule for *insurer*) or the main *BIPRU firm Pillar 1 rules*~~ and be able to demonstrate that it knows at all times whether it is complying with those *rules*.

2.1.10 G For the purposes of *GENPRU* 2.1.9R, a *firm* should have systems in place to enable it to be certain whether it has adequate *capital resources* to comply with ~~*GENPRU* 2.1.13R and the main *BIPRU firm Pillar 1 rules*~~ ~~(as applicable)~~ at all times. This does not necessarily mean that a *firm* needs to measure the precise amount of its *capital resources* and its *CRR* on a daily basis. A *firm* should, however, be able to demonstrate the adequacy of its *capital resources* at any particular time if asked to do so by the ~~*appropriate regulator*~~ FCA.

2.1.11 R A *firm* must notify the ~~*appropriate regulator*~~ FCA immediately of any breach, or expected breach, of ~~*GENPRU* 2.1.13R (in the case of an *insurer*) or the main *BIPRU firm Pillar 1 rules* (in the case of a *BIPRU firm*).~~

2.1.12 G The ~~*appropriate regulator*~~ FCA may impose a higher capital requirement than the minimum requirement set out in this section as part of the *firm's Part 4A permission* (see *GENPRU* 1.2 (Adequacy of financial resources); and *BIPRU* 2.2 (Internal capital adequacy standards) ~~and~~ *INSPRU* 7.1 (Individual capital assessment)).

...

2.2 Capital resources

In each of the following provisions in *GENPRU* 2.2 (Capital Resources), replace “*appropriate regulator*” wherever appearing with “*FCA*”, namely:

2.2.8G (three instances)
 2.2.61BR
 2.2.61CR (two instances)
 2.2.61DR (two instances)
 2.2.61ER
 2.2.61FR
 2.2.61GR (two instances)
 2.2.67AG
 2.2.68G
 2.2.69DG
 2.2.69F (8 instances)
 2.2.70R
 2.2.70AG
 2.2.71R
 2.2.73G
 2.2.74R
 2.2.74AG (two instances)
 2.2.79AR
 2.2.79GR
 2.2.79HG (two instances)
 2.2.79IR (two instances)
 2.2.83BR
 2.2.96G
 2.2.115A (two instances)
 2.2.115CG (four instances)
 2.2.117CG
 2.2.135R
 2.2.136G (two instances)
 2.2.164G (two instances)
 2.2.171R (two instances)
 2.2.174R
 2.2.179G
 2.2.187G
 2.2.197G
 2.2.220R
 2.2.243R.

The new and deleted text are not shown.

- 2.2.1 R This section applies to:
- ~~(1)~~ a *BIPRU firm*; ~~and~~
 - ~~(2)~~ ~~an insurer, unless it is:~~
 - ~~(a) a non-directive friendly society; or~~
 - ~~(b) a Swiss general insurer; or~~

- (c) ~~an EEA deposit insurer; or~~
- (d) ~~an incoming EEA firm; or~~
- (e) ~~an incoming Treaty firm; or~~
- (f) ~~a Solvency II firm .~~

...

Table: Arrangement of GENPRU 2.2

2.2.6 G ...

Topic	Location of text
...	...
Additional requirements for insurer carrying on with profits insurance business	GENPRU 2.2.270R to GENPRU 2.2.272G; GENPRU 2.2.274G

...

2.2.10 G ... *Tier one capital* is divided into:

- (1) ~~in the case of an insurer, core tier one capital, perpetual non-cumulative preference shares and innovative tier one capital; and~~
- (2) ~~in the case of a BIPRU firm, core tier one capital and hybrid capital.~~

...

...

2.2.14 G Deductions should be made at the relevant stage of the calculation of *capital resources* to reflect capital that may not be available to the *firm* or assets of uncertain value (for example, holdings of intangible assets) ~~and assets that are inadmissible for an insurer.~~

...

2.2.31 G ... Within the 50% limit on non-core *tier one capital*:

- (1) ~~GENPRU 2.2.30R places a further sub-limit on the amount of innovative tier one capital that an insurer may include in its tier one capital resources; and [deleted]~~
- (2) ~~GENPRU ...~~

...

- 2.2.61H G ... ~~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* 6.1.43FR. [deleted]~~
- ...
- 2.2.63 R The categories referred to in *GENPRU* 2.2.62R(1) are:
- ...
- (5) ~~(in the case of an *insurer*) a perpetual non-cumulative preference share; [deleted]~~
- ...
- (7) ~~(in the case of an *insurer*) an innovative tier one instrument; and [deleted]~~
- (8) ~~(in the case of a *BIPRU firm*) hybrid capital.~~
- ...
- 2.2.64 R The conditions that an item of capital of a *firm* must comply with under *GENPRU* 2.2.62R(2) are as follows:
- ...
- (4) ...
- (b) ... an item of capital that is:
- (i) ~~in the case of a *BIPRU firm*, core tier one capital; and~~
- (ii) ~~in the case of an *insurer*, included in a higher stage of capital or the same stage of capital as that first item of capital;~~
- ...
- (6) it is able to absorb losses to allow the *firm* to continue trading and:
- (a) ~~in the case of an *insurer*, in particular it complies with *GENPRU* 2.2.80R to *GENPRU* 2.2.81R (Loss absorption) and, in the case of an innovative tier one instrument, *GENPRU* 2.2.116R to *GENPRU* 2.2.118R (Other tier one capital: loss absorption); and~~
- (b) ~~In the case of a *BIPRU firm*, it does not, ...~~
- (i) ...
- (a)

~~(ii)~~ ...

(b)

~~(iii)~~ ...

(c)

...

(9) it ranks for repayment upon winding up, administration or any other similar process:

(a) ~~in the case of an *insurer*, no higher than a *share* of a company incorporated under the Companies Act 2006 (whether or not it is such a *share*); or~~

(b) ~~in the case of a *BIPRU firm*, lower than any items of capital that are:~~

~~(i)~~ ...

(a)

~~(ii)~~ ...

(b)

(10) the description of its characteristics used in its marketing is consistent with the characteristics required to satisfy (1) to (9) ~~and, where it applies, *GENPRU 2.2.271R* (Other requirements: insurers carrying on with profits business (Insurer only)).~~

...

2.2.70 R A *firm* may not include a *capital instrument* in its *tier one capital resources*, unless its contractual terms are such that:

...

(2) ...

(a) ...; and

(b) ...; and

(c) unless at the time of exercise of that right it complies with ~~*GENPRU 2.1.13R* (the main capital adequacy rule for *insurers*) or the main *BIPRU firm Pillar 1* rules and will continue to do so after redemption;~~

...

...

2.2.71 R A *firm* may include a term in a *tier one instrument* allowing the *firm* to

redeem it before the date in *GENPRU 2.2.70R(2)(a)* if the following conditions are satisfied:

...

- (2) ...to exercise that right is:
- (a) ~~(in the case of an *insurer*) a change in law or regulation in any relevant jurisdiction or in the interpretation of such law or regulation by any court or authority entitled to do so; and~~
 - (b) ~~(in the case of a *BIPRU firm*) ...~~
- (3) (a) ~~(in the case of an *insurer*) it would be reasonable for the *firm* to conclude that it is unlikely that that circumstance will occur, judged at the time of issue or, if later, at the time that the term is first included in the terms of the *tier one instrument*; and~~
- (b) ~~(in the case of a *BIPRU firm*)~~
- (4) ...

...

- 2.2.82 G ~~There are additional loss absorption requirements for (in the case of an *insurer*) *innovative tier one capital* and (in the case of a *BIPRU firm*) *hybrid capital* in *GENPRU 2.2.116R* to *GENPRU 2.2.118R* (Other tier one capital: loss absorption) and (in the case of a *BIPRU firm*) for *core tier one capital* in *GENPRU 2.2.83AR(9)* to (10) (General conditions for eligibility of capital instruments as core tier one capital (*BIPRU firm only*)).~~

...

- 2.2.84 G ~~In the case of an *insurer*, *GENPRU 2.2.83R(2)* and *GENPRU 2.2.83R(3)* have the effect that the *firm* should be under no obligation to make any payment in respect of a *tier one instrument* if it is to form part of its *permanent share capital* unless and until the *firm* is wound up. A *tier one instrument* that forms part of *permanent share capital* should not therefore count as a liability before the *firm* is wound up. The fact that relevant company law permits the *firm* to make earlier repayment does not mean that the *tier one instruments* are not eligible. However, the *firm* should not be required by any contractual or other obligation arising out of the terms of that capital to repay *permanent share capital*. Similarly a *tier one instrument* may still qualify if company law allows dividends to be paid on this capital, provided the *firm* is not contractually or otherwise obliged to pay them. There should therefore be no fixed costs. [deleted]~~

...

- 2.2.117 G ~~... As *tier one capital resources* for an *insurer* should be undated, this will~~

~~generally only be relevant on a solvent winding up of the firm. ...~~

...

2.2.118 R (1) ~~An insurer may not include an innovative tier one instrument, unless it is a preference share, in its tier one capital resources unless it has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the criteria in GENPRU 2.2.64R(6) (loss absorption) and GENPRU 2.2.80R to GENPRU 2.2.81R (Loss absorption) are met. [deleted]~~

(2) ...

...

2.2.138 R

(2) ...

(a) ... issue by more than :

(i) ~~in the case of a BIPRU firm, 150%; and~~

(ii) ~~in the case of an insurer, 200%; or~~

(b) ...

...

...

2.2.143 G (1) The significance of the limitations on conversion in GENPRU 2.2.138R(2) can be seen in the example in this paragraph, ~~which uses the conversion ratio applicable to an insurer.~~

(2) ~~An insurer~~ A firm issues innovative notes with a par value of £100 each. ...

(3) ...

(a) ... ~~200%~~ 150% ...

(b) ... £100* ~~2~~ 1.5/ £4 = ~~50~~ 37.5

(4) ...

(5) If the market price of the ordinary shares fell by half to 200 pence, the maximum permitted number of shares (~~50~~ 37.5) would have to be issued in order to give an investor in the innovative note ordinary shares with a market value equal to £100.

2.2.144 G (1) In addition to the maximum conversion ratios of ~~200% for an insurer and 150% for a BIPRU firm,~~ GENPRU 2.2.138R(2)(b) does not

permit a *firm* to issue *shares* that would have a market value that exceeds the issue price of the instrument being redeemed.

...

2.2.159 G A *capital instrument* must not form part of the *tier two capital resources* of a *firm* unless it meets the following conditions:

...

(10) the description of its characteristics used in its marketing is consistent with the characteristics required to satisfy (1) to (9) ~~and, where it applies, GENPRU 2.2.271R (Other requirements: insurers carrying on with profits business (Insurer only))~~;

...

...

2.2.174 G In relation to a *tier two instrument*, a *firm* must notify the ~~appropriate regulator~~:

(1) ~~in the case of an insurer, six Months; and~~

(2) ~~in the case of a BIPRU firm, one Month;~~

FCA one month before it becomes committed ...

...

~~(3)~~ ...

(1)

~~(4)~~ ...

(2)

...

2.2.245 R Table: Application of tier two capital rules to tier three debt

<i>Tier two capital rule</i>	Adjustment
GENPRU 2.2.159R The reference in GENPRU 2.2.159R(10) (Description of <i>tier two capital</i> in marketing documents) to GENPRU <u>2.2.265R</u> 2.2.271R (Other requirements: insurers carrying on with profits business (Insurer only)) does not apply
...	

...

Other requirements: insurers carrying on with-profits business (Insurer only)

- 2.2.270 R ~~GENPRU 2.2.270R to GENPRU 2.2.275G only apply to an insurer falling within GENPRU 2.218. [deleted]~~
- 2.2.270 G ~~GENPRU 2.2.271R to GENPRU 2.2.272G and GENPRU 2.2.274G are made~~
A ~~by both the PRA and FCA for the purpose of applying these provisions to insurers pursuant to the statutory objectives. [deleted]~~
- 2.2.271 R ~~An insurer carrying on with-profits insurance business must, in addition to the other requirements in respect of capital resources elsewhere in GENPRU 2.2, meet the following conditions before a capital instrument can be included in that insurer's capital resources:~~
- ~~(1) the insurer must manage the with-profits fund so that discretionary benefits under a with-profits insurance contract are calculated and paid disregarding, insofar as is necessary for its customers to be treated fairly, any liability the firm may have to make payments under the capital instrument;~~
 - ~~(2) the intention to manage the with-profits fund on the basis set out in (1) must be disclosed in the firm's Principles and Practices of Financial Management; and~~
 - ~~(3) no amounts, whether interest, principal, or other amounts, must be payable by the firm under the capital instrument if the firm's assets would then be insufficient to enable it to declare and pay under a with-profits insurance contract discretionary benefits that are consistent with the firm's obligations under the FCA's Principle 6 (Customers' interests). [deleted]~~
- 2.2.272 G ~~The purpose of GENPRU 2.2.271R is to achieve practical subordination of capital instruments if they are to qualify as capital resources to the liabilities an insurer has to with-profits policyholders, including liabilities which arise from the regulatory duty (as regulated by the FCA) to treat customers fairly in setting discretionary benefits. (FCA's Principle 6 (Customers' interests) requires a firm to pay due regard to the interests of its customers and treat them fairly.) It is not sufficient for a capital instrument to be subordinated to such liabilities only on winding up of the firm because such liabilities to policyholders may have been reduced by the inappropriate use of management discretion to enable funds to be applied in repaying subordinated capital instruments before winding up proceedings commence. [deleted]~~
- 2.2.274 G ~~GENPRU 2.2.64R(10) and GENPRU 2.2.159R(10) contain provisions concerning the marketing of a capital instrument. In relation to a firm to which GENPRU 2.2.271R applies, in order to comply with GENPRU 2.2.64R(10) and GENPRU 2.2.159R(10), it should draw to the attention of subscribers the risk that payments may be deferred or cancelled in order to~~

~~operate the *with-profits fund* so as to give priority to the payment of discretionary benefits to *with-profits policyholders*. [deleted]~~

Annex E

Amendments to the Prudential sourcebook for Insurers (INSPRU)

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

1 Capital resources requirements and technical provisions for insurance business

1.1 Application

...

1.1.3 R For a *non-EEA insurer* with a *branch* in the *United Kingdom* whose *insurance business* in the *United Kingdom* is not restricted to *reinsurance* (other than an *EEA-deposit insurer*, a *Swiss general insurer* or a *UK-deposit insurer*): INSPRU 1.1.27R applies separately in respect of its world-wide activities and its activities carried on from a *branch* in the *United Kingdom*.

(1) ~~the part of this section headed "Capital requirements for insurers" (INSPRU 1.1.43G to INSPRU 1.1.92B-G) applies to its world-wide activities;~~

(2) ~~The parts of this section headed:~~

(a) ~~"Establishing technical provisions" (INSPRU 1.1.12R to INSPRU 1.1.19G);~~

(b) ~~"Reinsurance and analogous non-reinsurance financing agreements: risk transfer principle" (INSPRU 1.1.19AR to INSPRU 1.1.19FG);~~

(c) ~~"Assets of a value sufficient to cover technical provisions and other liabilities" (INSPRU 1.1.20R to INSPRU 1.1.29G);~~

(d) ~~"Matching of assets and liabilities" (INSPRU 1.1.34R to INSPRU 1.1.40G); and~~

(e) ~~"Premiums for new business" (INSPRU 1.1.41R to INSPRU 1.1.42G);~~

~~apply in respect of the activities of the *firm* carried on from a *branch* in the *United Kingdom*; and~~

(3) ~~the part of this section headed "Localisation" (INSPRU 1.1.30R to INSPRU 1.1.33R) does not apply (see INSPRU 1.5 (Internal contagion risk)).~~

1.1.4 R For an *EEA-deposit insurer* or a *Swiss general insurer*: INSPRU 1.1.27R

applies in respect of the activities carried on from a *branch* in the *United Kingdom*.

- (1) the parts of this section headed:
- (a) ~~“Establishing technical provisions” (*INSPRU* 1.1.12R to *INSPRU* 1.1.19G);~~
 - (b) ~~“Reinsurance and analogous non-reinsurance financing agreements: risk transfer principle” (*INSPRU* 1.1.19AR to *INSPRU* 1.1.19FG);~~
 - (c) ~~“Assets of a value sufficient to cover technical provisions and other liabilities” (*INSPRU* 1.1.20R to *INSPRU* 1.1.29G);~~
 - (d) ~~“Matching of assets and liabilities” (*INSPRU* 1.1.34R to *INSPRU* 1.1.40G); and~~
 - (e) ~~“Premiums for new business” (*INSPRU* 1.1.41R to *INSPRU* 1.1.42G);~~

~~apply in respect of the activities of the *firm* carried on from a *branch* in the *United Kingdom*; and~~

- (2) the part of this section headed ~~“Capital requirements for insurers” (*INSPRU* 1.1.43G to *INSPRU* 1.1.92BG)~~ applies to its world-wide activities;

1.1.5 R For an *UK deposit insurer*: *INSPRU* 1.1.27R applies separately in respect of its world-wide activities and its activities carried on from a *branch* in the *EEA*.

- (1) the part of this section headed ~~“Capital requirements for insurers” (*INSPRU* 1.1.43G to *INSPRU* 1.1.92BG)~~ applies to its world-wide activities;
- (2) The parts of this section headed:
- (a) ~~“Establishing technical provisions” (*INSPRU* 1.1.12R to *INSPRU* 1.1.19G);~~
 - (b) ~~“Reinsurance and analogous non-reinsurance financing agreements: risk transfer principle” (*INSPRU* 1.1.19AR to *INSPRU* 1.1.19FG);~~
 - (c) ~~“Assets of a value sufficient to cover technical provisions and other liabilities” (*INSPRU* 1.1.20R to *INSPRU* 1.1.29G);~~
 - (d) ~~“Matching of assets and liabilities” (*INSPRU* 1.1.34R to *INSPRU* 1.1.40G); and~~
 - (e) ~~“Premiums for new business” (*INSPRU* 1.1.41R to *INSPRU*~~

1.1.42G);

apply in respect of the activities of the *firm* carried on from a *branch* in the *United Kingdom*; and

(3) the part of this section headed "Localisation" (~~INSPRU 1.1.30R to INSPRU 1.1.33R~~) does not apply (see *INSPRU 1.5 (Internal contagion risk)*).

1.1.6 G ...

[INSPRU 1.1.7 to 1.1.26 not used]

Assets of a value sufficient to cover technical provisions and other liabilities

1.1.27 R ...

1.1.29 G ~~INSPRU 1.1.27R and INSPRU 1.1.28R support the funding of policyholder benefits by requiring firms to maintain admissible assets in with profits funds to cover the technical provisions and other long-term insurance liabilities relating to all the business in that fund. [deleted]~~

The brought forward amount

Insurance related capital requirement

1.1.73 [intentionally blank]

1.2 Mathematical reserves

...

1.2.6A G ~~A number of rules in this section are made by the FCA and the PRA. Some of the rules made by the FCA and PRA contain references to, or are reliant on, rules that are only made by the PRA. Firms should consider GEN 2.2.13AR (cross-references in the Handbook) and GEN 2.2.23R to GEN 2.2.25G (cutover: application of provisions made by both the FCA and the PRA) when applying these rules. In the context of mathematical reserves, the FCA rules ensure a firm takes into account its regulatory duty to treat customers fairly. Where an FCA rule refers to a PRA rule, GEN 2.2.13AR and GEN 2.2.23R will apply so that the PRA rule is also made by the FCA to the extent necessary to make the FCA rule function but only to the extent of the FCA's powers and regulatory responsibilities.~~

[1.2.7 to 1.2.9 are not used]

Methods and assumptions

1.2.10 R In the actuarial valuation under ~~INSPRU 1.2.7 R~~, PRA Rulebook: Non Solvency II firms: Insurance Company – Mathematical Reserves, 2.1, a firm must use methods and prudent assumptions which:

...

- (3) are consistent with the method of valuing assets (~~GENPRU 1.3~~) (see PRA Rulebook: Non-Solvency II firms: Insurance Company – Overall Resources and Valuation, 3);
- (4) Include appropriate margins for adverse deviation of relevant factors (~~see INSPRU 1.2.12 G~~);

...

...

1.2.21 G ~~SYSC 14.1.53R requires firms to maintain accounting and other records for a minimum of three years, or longer as appropriate. For the purposes of INSPRU 1.2.20R, records should be maintained for a period of longer than three years will be appropriate for a firm's long-term insurance business. In determining an appropriate period, a firm should have regard to:~~

- (1) ~~the detailed rules and guidance on record keeping in SYSC 14.1.51 G – SYSC 14.1.64 G; [deleted]~~

...

[1.2.22 to 1.2.27 not used]

1.2.28 R In a prospective valuation, a firm must:

- (1) include in the cash flows to be valued the following:
 - (a) future premiums (~~see INSPRU 1.2.35G to INSPRU 1.2.47G~~);
 - (b) expenses, including commissions (~~see INSPRU 1.2.50R to INSPRU 1.2.58G~~);
 - (c) benefits payable (see INSPRU 1.2.29R); and
 - (d) subject to (2), amounts to be received or paid in respect of the long-term insurance contracts under contracts of reinsurance or analogous non-reinsurance financing agreements (~~see INSPRU 1.2.77AR to INSPRU 1.2.89G~~); but

- (2) ...

1.2.28A G ... ~~The conditions that will need to be met, in addition to the statutory tests under section 138A(4) of the Act, before the PRA will consider granting such a waiver are set out in INSPRU 1.6.13G to INSPRU 1.6.18G.~~

...

1.2.30 G ... Cash flows may be omitted from the valuation calculations provided the reserves obtained as a result of leaving those cash flows out of the calculation are not less than would have resulted had all cash flows been included (~~see *INSPRU 1.2.22R(2)(b)2*~~). Provision for future expenses in respect of *with-profits insurance contracts* (excluding *accumulating with-profits policies*) may be made implicitly, using the *net premium* method of valuation (~~see *INSPRU 1.2.43R* below~~). For the purposes of *INSPRU 1.2.28R(1)(b)3*, any charges included in expenses should be determined in accordance with the *firm's* regulatory duty to treat its *customers* fairly.

1.2.31 G *INSPRU 1.2.29R(4)* requires ~~*regulatory basis only life firms*~~ *firms* to make allowance for any future *annual bonus* that a *firm* would expect to grant, assuming future experience is in line with the assumptions used in the calculation of the *mathematical reserves*. ~~*final bonuses*~~ *Final bonuses* do not have to be taken into consideration in these calculations except in relation to *accumulating with-profits policies* (~~see *INSPRU 1.2.9R*~~). The calculations required for *accumulating with-profits policies* are set out in *INSPRU 1.2.71R(1)*.

[1.2.32 to 1.2.58 not used].

...

1.2.60 G The rates of mortality or morbidity should contain prudent margins for adverse deviation (~~see *INSPRU 1.2.13R* to *INSPRU 1.2.19G*~~). In setting those rates, a *firm* should take account of:

...

...

...

1.2.66 G ~~In accordance with *INSPRU 1.2.7R* and *INSPRU 1.2.13R*, take-up~~ Take-up rates for guaranteed annuity options should be assessed on a prudent basis with assumptions that include margins for adverse deviation (~~see *INSPRU 1.2.13R* to *INSPRU 1.2.19G*~~) that take account of current experience and the potential for future change. ...

...

1.2.70 R (1) Where a *policyholder* may opt to be paid a cash amount, or a series of cash payments, the *mathematical reserves* for the *contract of insurance* ~~established under *INSPRU 1.2.7R*~~ must be sufficient to ensure that the payment or payments could be made solely from:

...

...

...

Persistency assumptions

~~1.2.73~~ [intentionally blank]

~~1.2.74~~ [intentionally blank]

~~1.2.75~~ [intentionally blank]

[1.2.73 to 1.2.85 not used]

Reinsurance

1.2.86 R ~~For the purposes of *INSPRU 1.2.79R(2)* and *INSPRU 1.2.85R*, future surplus Future surplus may only be offset ...~~

[*INSPRU 1.3* and *1.4* are not used.]

1.5 Internal-contagion risk

Application

~~1.5.1 R *INSPRU 1.5* applies to an insurer.~~

~~1.5.2A R *INSPRU 1.5* applies to an insurer except *INSPRU 1.5* does not apply, to the extent stated, to any insurer in (1) to (3):~~

1.5.1

...

~~1.5.3 G The scope of application of *INSPRU 1.5* is not restricted to firms that are subject to the relevant *EU* directives.~~

[*INSPRU 1.5.2* to *1.5.3* not used]

...

1.5.8 G This section sets out requirements for a *firm* relating to 'internal-contagion risk'. This is the risk that losses or liabilities from one activity might deplete or divert financial resources held to meet liabilities from another activity. It arises where the two activities are carried on within the same *firm*. It may also arise from the combination of activities within the same *group*, but this aspect of internal-contagion risk falls outside the scope of this section. ~~Requirements relevant to *group* contagion risk are set out in *INSPRU 6*.~~

...

1.5.18 R A *firm* carrying on long-term insurance business must identify the assets relating to its long-term insurance business which it is required to hold by virtue of the requirements in the Non Solvency II firms: Insurance Company – Technical Provisions and Non-Solvency II firms: Insurance Company – Mathematical Reserves parts of the *PRA* Rulebook.

- (1) ~~in the case of a *pure reinsurer*:~~
- (a) ~~*INSPRU 1.1.20R* or *INSPRU 1.1.21R*; and~~
 - (b) ~~*INSPRU 3.1.61AR*; and~~
- (2) ~~in any other case:~~
- (a) ~~*INSPRU 1.1.20R* or *INSPRU 1.1.21R*; and~~
 - (b) ~~*INSPRU 3.1.57R* and *INSPRU 3.1.58R*.~~

1.5.19 G ~~(1) *INSPRU 1.1.16R* requires a *firm* to establish adequate *technical provisions* for its *long-term insurance contracts*. *INSPRU 1.1.20R* requires a *firm* which is not a *composite firm* to hold *admissible assets* of a value at least equal to the amount of the *technical provisions* and its other *long-term insurance liabilities*. *INSPRU 1.1.21R* ensures that a *composite firm* identifies separate *admissible assets* with a value at least equal to the *technical provisions* for *long-term insurance business* and its other *long-term insurance liabilities* as well as holding other *admissible assets* of a value at least equal to the amount of its *technical provisions* for *general insurance business* and its other *general insurance liabilities*.~~

~~(2) In the case of a *firm* carrying on *long-term insurance business* which is not a *pure reinsurer*, there are excluded from the scope of *INSPRU 1.1.20R* and *INSPRU 1.1.21R* *property-linked liabilities* and *index-linked liabilities* and the assets held to cover them under *INSPRU 3.1.57R* and *INSPRU 3.1.58R*. The latter two *rules* do not apply to a *pure reinsurer* (see *INSPRU 3.1.58AR*). However, a *pure reinsurer* is required by *INSPRU 3.1.61AR* to invest all its assets in accordance with the requirements of that *rule*.~~

~~(3) The overall impact of these provisions in *INSPRU 1.1* and *INSPRU 3.1*, the requirements in the *PRA Rulebook* to hold *admissible assets* of a value at least equal to the amount of *technical provisions*, when read together with *INSPRU 1.5.18R*, is that any *firm* writing *long-term insurance business* must identify separately assets of a value at least equal to the amount of its *long-term insurance business technical provisions*, including those in respect of any *property-linked liabilities* or *index-linked liabilities*, and its other *long-term insurance liabilities*.~~

...

1.5.26 G ... When considering merging the funds, the *firm* should consider the impact on its *PPFM* (see *COBS 20.3*) and on its obligations to notify the *appropriate regulator FCA* (see *SUP 15.3*). ...

...

1.5.28 G ... However, even where the investigation is still in-date, the *firm* should not make the transfer unless there is sufficient surplus at the time of the transfer to allow it to be made without breach of *INSPRU 1.1.20R* or *INSPRU*

~~1.1.21R~~ of the requirements in *PRA Handbook*. Rulebook: Non Solvency II firms: Insurance Company – Technical Provisions.

1.5.29 G ~~INSPRU 1.1.27R and INSPRU 1.1.28R provide~~ provides further constraints on the transfer of assets out of a *with-profits fund*. ...

...

1.5.37 G ... where the selection of the actual assets is left to the *firm*.

...

3.1 Market risk in insurance

3.1.1 R ...

...

Purpose

3.1.7 G *INSPRU 3.1* addresses the impact of *market risk* on *insurance business* in the ways set out below:

- (1) Any *firm* that carries on *long-term insurance business* is required which is a ~~regulatory basis only life firm~~ must comply with the *resilience capital requirement*. This requires the *firm* to hold capital to cover *market risk*. ~~The resilience capital requirement is dealt with in INSPRU 3.1.9G to INSPRU 3.1.26R.~~ INSPRU 3.1.26R makes particular provision for assets invested outside the *UK*.
- (2) For a *firm* that carries on *long term insurance business*, the assets that it must hold must be of a value sufficient to cover the *firm's technical provisions* and other *long term insurance liabilities*. ~~INSPRU 1.2~~ contains *rules* and *guidance* as to the methods and assumptions to be used in calculating the *mathematical reserves*. One of these assumptions is the assumed rate of interest to be used in calculating the present value of future payments by or to a *firm*. ~~INSPRU 3.1.28R to INSPRU 3.1.48G~~ set out the methodology to be used in relation to *long term insurance liabilities*.
- (3) ~~Firms~~ carrying on either *long term insurance business* or *general insurance business* are also subject to currency risk. That is, the risk that fluctuations in exchange rates may impact adversely on a *firm*. ~~INSPRU 3.1.49G to INSPRU 3.1.56G~~ set out the requirements a *firm* must meet so as to cover this risk.
- (4) For a *firm* carrying on *general insurance business*, the *Enhanced Capital Requirement* already captures some elements of *market risk*. In addition, the requirements as to the assumed rate of interest used in calculating the present value of *general insurance liabilities* are contained in the *insurance accounts rules*, and these requirements

are outlined in ~~INSPRU 3.1.27G~~.

- (5) *Firms carrying on long-term insurance business that have property-linked liabilities or index-linked liabilities must cover these liabilities*
- (2) *by holding appropriate assets. INSPRU 3.1.57R and INSPRU 3.1.58R set out these cover requirements.*
- (6) *INSPRU 3.1.61AR(1)7 applies to pure reinsurers "prudent person"*
- (3) *investment principles in relation to the investment of their assets.*

Resilience capital requirement (only applicable to the long-term insurance business of regulatory basis only life firms)

3.1.14 [intentionally blank]

...

Market risk scenario for assets invested outside the United Kingdom

3.1.26 R Where the assets of a *firm* invested in a significant territory ~~of a kind referred to in INSPRU 3.1.23R(1), INSPRU 3.1.23R(2) or INSPRU 3.1.23R (3)(a)~~ for the purposes of *PRA Rulebook: Non-Solvency II firms: Capital Resources Requirements, 20.10*, represent less than 0.5% of the *firm's long-term insurance assets* (excluding assets held to cover *index-linked liabilities* or *property-linked liabilities*), measured by *market value*, the *firm* may assume for those assets the *market risk* scenario for assets of that kind invested in the *United Kingdom* set out in *PRA Rulebook: Non-Solvency II firms: Capital Resources Requirements, 20.10* ~~INSPRU 3.1.16R~~ instead of the other *market risk* scenarios set out in that provision ~~INSPRU 3.1.23R~~.

...

3.1.60 G ... Orders made by the Department for Work and Pensions under section 148 of the Social Security Administration Act 1992, and which are limited to 5% per annum, may also be matched by a fixed interest investment matching cash flows increasing at 5% per annum compound (~~see also INSPRU 3.1.61AG~~).

3.1.61 G ... ~~Rules and guidance~~ relating to credit risk are set out in ~~INSPRU 2.1~~.

3.1.61-A G Where liabilities are linked to orders made under section 148 of the Social Security Administration Act 1992, ~~firms are required by COBS 21.3.5R to notify the PRA before effecting any such business and to explain how the risks associated with this business will be safely managed. This requirement does not apply in respect of liabilities for which a limited revaluation premium has been paid to the Department for Work and Pensions so that the liability for revaluation, while still linked to section 148 orders, is limited to 5%. The~~ the risks associated with the business may be mitigated by holding assets to cover an alternative index which is reasonably expected to at least cover the section 148 order (e.g. RPI plus a margin) over the duration of the link. The *firm's* exposure to an order under section 148 exceeding this index

should be appropriately limited by putting a cap on the liabilities linked to the order so that risks are within acceptable limits.

3.2 Derivatives in insurance

Application

3.2.1 R ...

3.2.2 G The scope of application of *INSPRU 3.2* is not restricted to *firms* that are subject to the relevant *EU4* directives. [deleted]

...

3.2.3A G References in this section to *GENPRU* are to *GENPRU* in the *PRA Handbook*.

Purpose

3.2.4 G ~~*GENPRU 2.2.17R* requires a *firm* to calculate its *capital resources* for the purpose of *GENPRU* in accordance with the *capital resources table*, subject to the limits in *GENPRU 2.2.32R* to *GENPRU 2.2.41R*. The *capital resources table* and *GENPRU 2.2.251R* require a *firm* to deduct from total *capital resources* the value of any asset included in an insurance fund which is not an *admissible asset* as listed in *GENPRU 2 Annex 7*. *GENPRU 2 Annex 7 PRA Rulebook: Non-Solvency II firms: Insurance Company – Capital Resources 13* provides that a *derivative*, *quasi-derivative* or *stock lending transaction* will only be an *admissible asset* if it is approved. This section sets out the criteria for determining when a *derivative*, *quasi-derivative* or *stock lending transaction* is approved for this purpose. *INSPRU 3.2.5R* to *INSPRU 3.2.35R* set out the criteria for *derivatives* and *quasi-derivatives*. *INSPRU 3.2.36R* to *INSPRU 3.2.41R* set out the criteria for *stock lending transactions*.~~

Derivatives and quasi-derivatives

3.2.5 R For the purpose of ~~*GENPRU 2 Annex 7*~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Capital Resources 13* (*Admissible assets in insurance*), ...

...

3.2.5A G (1) ~~*GENPRU 2 Annex 7 R(3)*~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Capital Resources 13.3* requires *firms* ... notwithstanding that it is also capable of falling within one or more other categories in ~~*GENPRU 2 Annex 7R(1)*~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Capital Resources 13.1* ...

...

...

- 3.2.11 G ~~Firms are reminded that *INSPRU* 2.1 (Credit risk in insurance) sets out the different types of loss mitigation techniques. [deleted]~~

Investment risk

- 3.2.12 R For the purposes of *INSPRU* 3.2.8R, investment risk is the risk that the assets held by a *firm*:
- (1) (where they are *admissible assets* held by the *firm* to cover its *technical provisions*) might not be:
- (a) of a value at least equal to the amount of those *technical provisions* as required by ~~*INSPRU* 1.1.20R~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Technical Provisions, 4*; or
- (b) of appropriate safety, yield and marketability as required by ~~*INSPRU* 1.1.34R(1)(a)~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Technical Provisions, 6.2(1)*; or
- (c) of an appropriate currency match as required by ~~*INSPRU* 3.1.53R~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Risk Management, 3.2*;
- ...
- (3) (where they are held to cover *property-linked liabilities*) might not be appropriately selected in accordance with contractual and constructive liabilities, ~~*INSPRU* 1.5.36R~~ and appropriate cover for those liabilities, as required by ~~*INSPRU* 3.1.57R~~ *PRA Rulebook: Non-Solvency II firms: Insurance Company – Risk Management, in particular the definition of ‘investment risk’*.

...

- 3.2.17 R An obligation to pay a monetary amount (whether or not falling in *INSPRU* 3.2.16R) is covered if:

...

- (3) a provision at least equal to the value of the assets in (1) is implicitly or explicitly set up. A provision is implicitly set up to the extent that the obligation to pay the monetary amount is recognised under ~~*GENPRU* 1.3~~ *PRA Rulebook: Non Solvency II firms: Insurance Company – Overall Resources and Valuation, in particular chapters 3-7*, either by offset against an asset or as a separate liability. A provision is explicitly set up if it is in addition to an implicit provision.

...

3.2.34 R ... taking into account any valuation adjustments or reserves established by the *firm* under ~~GENPRU 1.3.29R~~ to ~~GENPRU 1.3.34R~~ PRA Rulebook: Non-Solvency II firms: Insurance Company – Overall Resources and Valuation, in particular chapter 7.

3.2.35 R For the purpose of *INSPRU* 3.2.5R(3)(b)... :

(1) ... in compliance with ~~GENPRU 1.3.4R~~ PRA Rulebook: Non-Solvency II firms: Insurance Company – Overall Resources and Valuation, 3.1 ...

...

3.2.35A G The purpose of *INSPRU* 3.2.34R and *INSPRU* 3.2.35R is to ensure the appropriate application of ~~GENPRU 1.3~~ PRA Rulebook: Non-Solvency II firms: Insurance Company – Overall Resources and Valuation, to derivatives and quasi-derivatives effected or issued off-market with an *approved counterparty*.

Stock lending

3.2.36 R (1) For the purposes of ~~GENPRU 2 Annex 7~~ PRA Rulebook: Non-Solvency II firms: Insurance Company – Capital Resources 13 (Admissible assets in insurance), a *stock lending* transaction (including a *repo* transaction) is approved if:

...

(b)

...

(iv) ~~The Office of Thrift Supervision;~~ and

...

...

3.2.36A R ...

...

(b)

...

(iv) ~~The Office of Thrift Supervision;~~ and

...

...

...
3.2.38A R ...

...

(b)

...

(iv) ~~The Office of Thrift Supervision.~~

3.2.39 G For the purposes of assessing adequate quality in *INSPRU* 3.2.38R(3), reference should be made to the criteria for credit risk loss mitigation set out in *INSPRU* 2.1.16R. The valuation rules in ~~*GENPRU* 1.3 *PRA* Rulebook: Non-Solvency II firms: Insurance Company – Overall Resources and Valuation~~ apply for the purpose of determining the value of both *collateral* received, and the *securities* transferred, by the *firm*. In addition, where *collateral* takes the form of assets transferred, under the *rules* in the ~~*GENPRU* *PRA* Rulebook: Non-Solvency II firms: Insurance Company – Capital Resources 13~~ any such asset that is not an *admissible asset* (see ~~*GENPRU* 2 Annex 7~~) does not have a value.

...

3.2.42 G References in *INSPRU* 3.2.40R(2) and *INSPRU* 3.2.41R to the close of business on the day of the transfer or the day of expiry are to close of business on that day in all time regions.

...

7.1 Application

7.1.3A G ~~A *firm* should refer to *GEN* 2.2.23R to *GEN* 2.2.25G (cutover: application of provisions made by both the *FCA* and the *PRA*) when applying the *rules* and *guidance* in *INSPRU* 7. In particular:~~

- (1) ~~*INSPRU* 7.1.16G to 7.1.18G and *INSPRU* 7.1.20G are made by the *FCA* for the purpose of applying this *guidance* to *insurers* pursuant to the *statutory objectives*; and~~
- (2) ~~Certain *The rules* and *guidance* in *INSPRU* 7.1 are also made by the *FCA* solely for the purpose of their application to *dormant account fund operators*. These provisions are *INSPRU* 7.1.4G to 7.1.21G, *INSPRU* 7.1.25G to 7.1.27G, *INSPRU* 7.1.29G to 7.1.73G and 7.1.91G? 7.1.99 G.~~

7.1.3B G References in this chapter to *GENPRU*, *INSPRU*, and connected terms, are to the provisions in force as at 31 December 2015. References in this chapter to the *appropriate regulator* are to the *FCA*.

...

Annex F

Interim Prudential sourcebook for Friendly Societies: IPRU (FSOC)

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

GUIDANCE: ...

...

2 So far as a *friendly society* is concerned, the Principles for Businesses are particularly relevant to its internal systems and controls. Principle 3, for example, requires a firm to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. ~~Principle 4 requires a firm to maintain adequate financial resources.~~

3 In addition to the general obligations placed on a *friendly society*, certain staff of all authorised persons which are *approved persons* are subject to a number of high level obligations, see *COCON* and in certain cases *APER*. ~~referred to as Statements of Principle. The FCA has issued a Code of Practice to help determine whether an approved person's conduct has complied with a Statement of Principle. The Statements and the Code are set out in the High Level Standards part of the Handbook (*APER*).~~

4 ~~One of the features of a *contract of insurance* is the long period of risk the contract may cover. The prudential rules for *friendly societies* seek to protect the *policyholder* against the risk that a *friendly society* will fail to meet a valid claim as it falls due.~~

...

8 ~~The rules in Chapter 4 set out the *required margins of solvency* for a *friendly society* having regard to the type of its business.~~

9 ~~The extent to which an asset may be taken into account for prudential purposes, and the method of valuing it, is determined in accordance with the rules in the Appendices. It is a fundamental The Interim Prudential Sourcebook for Friendly Societies Page 3 of 6 Version: 1 August 2015 part of the approach to prudential regulation for *friendly societies* that the rules limit the assets which are 'admissible' for solvency purposes and specify the methods of valuation. Similarly, the amount of a liability is determined in accordance with the rules in the Appendices.~~

11 ~~As part of the continuing supervision of a *friendly society*, the rules in Chapter 5 require the *friendly society* to prepare certain accounts and statements in accordance with the rules and deposit them with the *PRA*.~~

[4, 5 and 8-11 are not used]

...

15. FCA *Guidance* is set out in the Annexes and *friendly societies* may also wish to refer to the guidance in *IPRU(INS)*, ~~*GENPRU*~~ and *INSPRU*.

CONTENTS

...

Chapter 4	...
	1. Margins of solvency
	2 ...
	3. [deleted]
	4. [deleted]
	5. ...
	6. Linked long-term contracts
	7. Liquidity
Chapter 5	Prudential reporting
Chapter 6	[deleted]

...

List of Appendices

Appendix 1	Long-term insurance business: margin of solvency
Appendix 2	General insurance business solvency margin
Appendix 3	[deleted]
Appendix 4	Asset valuation rules
	Annex A: [deleted]
	Annex B: Assets to be taken into account only to a specified event.
Appendix 5	Liability valuation rules
Appendix 6	Balance sheet
Appendix 7	General insurance business: revenue account, other revenue account and additional information
Appendix 8	Long-term insurance business: revenue account and additional information
Appendix 9	Abstract of actuarial investigation
Appendix 10	Prudential reporting forms

List of Annexes

...

Annex 4	Guidance on margins of solvency and the guarantee fund
Annex 5	Guidance on exemption from triennial valuation
	Attachment — Proforma Application

...

1.1A

...

Restriction of business to insurance

3.1

...

(6)

(b) ... *appropriate regulator* FCA ...

...

4.11

~~Except for rule 4.24, which applies to all friendly societies, the remaining~~
The rules in this chapter do not apply to *registered friendly societies*.

4.12

(2) ...

(b) ... reference value is based [footnote:] ~~6 See paragraph 2 of Guidance Note 4.4 IPRU (INS).~~**Chapter 8: Transitional Provisions**

...

Table 1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: Dates in force	Handbook provision: coming into force
3	<i>IPRU (FSOC) Rule 5.1A</i>	R	(1) This paragraph and Table 2 below apply to a <i>directive friendly society</i> . (2) <i>IPRU (FSOC) rule 5.1A</i> is modified so that a <i>directive friendly society</i> must comply with <i>IPRU (INS) rule 9.6(1)</i> varied as set	From 31 December 2004 to 30 December 2007	31 December 2004

			out in Table 2.		
4	<i>IPRU</i> (FSOC) rules 4.21, 4.22, 7.1 (Definitions), Appendix 3 paragraphs 9 and 12	R	For the period given in column (5), for the purposes of the <i>rules</i> specified in column (2), a <i>directive friendly society</i> must apply the definition of <i>permitted derivative contract</i> as it takes effect in relation to a <i>non-directive incorporated friendly society</i> .	31 December 2004 to 30 December 2005	31 December 2004
5	<i>IPRU</i> (FSOC) rules 4.21, 4.22, 7.1 (Definitions), Appendix 3 paragraphs 9 and 12	R	(1) This paragraph applies to a contract concluded on or before 30 December 2005 which satisfies the definition of <i>permitted derivative contract</i> as it takes effect in relation to a <i>non-directive incorporated friendly society</i> . (2) In relation to a	31 December 2004 until the relevant <i>rule</i> is revoked	31 December 2004

contract to which this paragraph applies, for the purposes of the *rules* specified in column (2), a *directive friendly society* may continue to apply the definition of *permitted derivative contract* as it takes effect in relation to a *non-directive incorporated friendly society*.

Table 2

This Table belongs to *IPRU (FSOC)* Chapter 8, Table 1, paragraph 3

Deposit period following the *financial year end*

<i>Financial year ending on or after</i>	<i>Where the deposit is made electronically</i>	Otherwise
31 December 2004	6 months	6 months
31 December 2005	6 months	6 months
31 December 2006	4 months	3 months and 15 days
31 December 2007	3 months	2 months and 15 days

Annex G

Interim Prudential sourcebook Insurers: IPRU (INS)

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

~~Interim Prudential Sourcebook~~Insurers (IPRU (INS))

IPRU (INS) comprises four chapters: Chapter 1 Application rule, Chapter 3 Long-term insurance business, Chapter 8 Non-UK insurers and Chapter 11 Definitions.

~~Volume One~~~~Rules~~~~THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS INSTRUMENT
2001~~~~INTRODUCTION~~

~~1— The FSA makes the rules and guidance in this instrument on 21 June 2001.~~

~~2— [deleted]~~

~~3— This instrument will come into force at the beginning of the day on which section 19 of the Act (the general prohibition) comes into force.~~

~~4— This instrument is to be interpreted in accordance with, and applies subject to, the general provisions contained in the General Provisions Instrument 2001.~~

~~5— This instrument may be cited as the Interim Prudential Sourcebook for Insurers Instrument 2001.~~

~~6— This instrument, excluding the provisions in this Introduction, may be cited as the Interim Prudential Sourcebook for Insurers.~~

~~By Order of the Board~~

~~21 June 2001~~

~~INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS~~~~GUIDANCE~~~~—THE PURPOSE OF THE PRUDENTIAL RULES FOR INSURERS AND AN OVERALL DESCRIPTION~~~~—————[deleted text]~~~~INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS~~~~CONTENTS~~**Volume One: Rules**

Guidance	[deleted]
Chapter 1	Application rule
Chapter 2	[deleted]
Chapter 3	Long-term insurance business
	Part I Identification and application of assets
	Part II [deleted]
Chapter 4	[deleted]
Chapter 5	[deleted]
Chapter 6	[deleted]
Chapter 7	[deleted]
Chapter 8	Non-UK insurers
	Part I [deleted]
	Part I [deleted]
	Part III [deleted]
Chapter 9	Financial Reporting
	Part I Accounts and statements
	Part I Accounts and statements for a marine mutual
	Part III Statistical rules
	Part IV Material connected-party transactions

	Part V [deleted]
	Part VII [deleted]
Chapter 9	Financial Reporting
	Part I Accounts and statements
	Part I Accounts and statements for a marine mutual
	Part III Statistical rules
	Part IV Material connected-party transactions
	Part V Group Capital Adequacy
	Part VI Enhanced Capital Requirement
	Part VII Lloyds of London
Chapter 10	[deleted]
Chapter 11	Definitions
	Part I Definitions
	Part I General Provisions
	Part III Classes of long-term insurance business
	Part IV Classes and groups of classes of general insurance business
	Part V Description of PRA general insurance business reporting categories
Chapter 12	Transitional arrangements

The whole of the next sections Volume 2 and Volume 3 are deleted in their entirety. The deletions are not shown:

Volume 2: Appendices to the Rules

Volume 3: Guidance

1. Chapter 1: Application Rule

CONTENTS

Application

1.1 Insurers

1.2 [deleted]

...

~~3. Chapter 3: Long Term Insurance Business~~

~~CONTENTS~~

~~Part I—identification and Application of Assets and Liabilities~~

~~3.3 Allocations to policy holders~~

~~3.5 Arrangements to avoid unfairness between separate insurance funds~~

~~8. Chapter 8: Non-UK Insurers~~

~~CONTENTS~~

~~Part III—Rules applicable to branches~~

~~8.3~~

9. Chapter 9: Financial Reporting

Annex H

Amendments to the Conduct of Business sourcebook (COBS)

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

20.1A The with-profits fund

...

20.1A.13 R A ~~Solvency II firm~~ firm, other than a ~~non-directive friendly society~~, which is subject to contractual terms providing for payments under a capital instrument included in that ~~insurer's own funds~~ own funds, must:

...

20.1A.14 G (1) A ~~Solvency II firm~~ firm, other than a ~~non-directive friendly society~~, is expected to manage its *with-profits fund* so that amounts (whether interest, principal, or other outgoings) payable by the *firm* under a capital instrument included in that ~~insurer's own funds~~ own funds (as determined in accordance with the PRA Rulebook: Solvency II Firms: Own Funds or Non-Solvency II firms: Insurance Company – Capital Resources) do not impact ...

...

21.2 Rules for firms engaged in linked long-term insurance business

...

21.2.8 R ... or of the PRA Rulebook: Solvency II Firms: Investments or the PRA Rulebook: Non-Solvency II firm sector -to the extent applicable to *linked long-term contracts of insurance*.

21.2.9 G ... the ~~appropriate regulator~~ FCA will have regard to the extent to which the relevant circumstances are exceptional and temporary ...

21.3 Further rules for firms engaged in linked long-term insurance business

...

21.3.2 G ...

...

(2) In the ~~appropriate regulator's~~ FCA's view the Consumer Prices Index, as well as the Retail 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).

...

21.3.11 R (1) ...

...

(iv)

(A) ~~the Office of the Comptroller of the Currency~~
[deleted];

(B) the Federal Deposit Insurance Corporation;

...

21.3.14 G ~~Firms~~ Solvency II firms are also required to comply with the PRA Rulebook: Solvency II Firms...

Annex I

Amendments to the Supervision Manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, save where indicated otherwise.

SUP 2.3 (Information gathering by the ~~appropriate regulator~~ FCA on its own initiative)

In each of the following provisions in SUP 2.3 (Information gathering by the appropriate regulator on its own initiative), replace “appropriate regulator” wherever appearing with “*FCA*”:

- 2.3.1G (ten instances);
- 2.3.2G (three instances);
- 2.3.3G (eight instances);
- 2.3.4G, 2.3.5R (three instances);
- 2.3.6G, 2.3.7R;
- 2.3.8G;
- 2.3.9G (five instances);
- 2.3.10G (two instances);
- 2.3.11G (three instances).

...

- 4.1.2 G This chapter applies to *long-term insurers* (including *friendly societies*) and other *friendly societies* and to the *Society of Lloyd's* and *managing agents* at Lloyd's. This chapter does not apply to *actuaries* advising the auditors of *long-term insurers* ~~under *IPRU(INS) 9.35(1A)* or *IPRU(FSOC) 5.11(2A)*~~, as they are not appointed to act on behalf of the *firm*.

...

4.2 Purpose

- 4.2.1 G Section 340 of the *Act* gives the *PRA* power to make *rules* requiring an *authorised person*, or an *authorised person* falling into a specified class, to appoint an *actuary*. ~~Section 340 further empowers the *PRA5* to make *rules* governing the manner, timing and notification of such an appointment and, where an appointment is not made, for the *PRA5* to make an appointment on the *firm's* behalf. The *PRA* has exercised its power to make such *rules* in *PRA Rulebook: Solvency II firms: Actuaries*; and *PRA Rulebook: Non-Solvency II firms: Actuarial Requirements*. The rule-making powers of the *PRA* and *FCA* under section 340 of the *Act* also extend to an *actuary's* duties.~~

...

4.3 Appointment of actuaries

- 4.3.2 G The provisions relating to the duties of an *actuary* appointed to perform these functions¹ are set out in *SUP 4.3.13R* to *SUP 4.3.18G*. The functions performed by *actuaries* appointed by a *firm* under *SUP 4.3.1R* are specified as *controlled functions* (CF 12, the *actuarial function*, and CF 12A, the *with-profits actuary function*) in *SUP 10B (PRA-Approved persons)*. As a result, an application must be made to the *PRA* under section 60 of the *Act* (Applications for approval) for approval by the *PRA* with the consent of the *FCA* of the *person* proposing to take up such an appointment. Section 61(3) of the *Act* (Determination of applications) gives the *PRA* three months to grant its approval or give a *warning notice* that it proposes to refuse the application. A *firm* should not appoint an *actuary* until the *PRA* with the consent of the *FCA* has approved the *actuary*. In order to comply with *SUP 4.3.1R*, a *firm* should ensure it applies to the *PRA* as soon as practicable before the date when it needs the *actuary* to take office. The *PRA* will need time to consider the application before deciding whether to grant approval. See *SUP 10B (PRA-Approved persons)*: [deleted]

Actuaries' qualifications

- 4.3.8 G The appropriate regulator *FCA* is concerned to ensure that every *actuary* appointed by a *firm* under this section *PRA* rules made under section 340 of the *Act* or for the purposes of *PRA* Rulebook: Solvency II firms: Conditions Governing Business, 6, has the necessary skill and experience to provide the *firm* with appropriate actuarial advice from a conduct perspective. *SUP 4.3.9R* to *SUP 4.3.10G* set out the appropriate regulator's *FCA*'s rules and guidance aimed at achieving this.
- 4.3.9 R Before a *firm* applies for approval of the *person* it proposes to appoint as an *actuary* under ~~*SUP 4.3.1R*~~ *PRA* rules made under section 340 of the *Act*, or for the purposes of *PRA* Rulebook: Solvency II firms: Conditions Governing Business, 6, it must take reasonable steps to ensure that the *actuary*:
- ...
- ...
- 4.3.11 R A *firm* must not appoint under ~~*SUP 4.3.1R*~~ *PRA* rules made under section 340 of the *Act* or for the purposes of rule 6.1 of the *PRA* Rulebook: Solvency II firms: Conditions Governing Business, ~~or in accordance with the *PRA* Rulebook: Solvency II Firms: Actuaries~~ an *actuary* who is disqualified by the *FCA* under section 345 of the *Act* (Disciplinary measures: *FCA*) or the *PRA* under section 345A of the *Act* (Disciplinary measures: *PRA*) from acting as an *actuary* either for that *firm* or for a relevant class of *firm*.
- 4.3.12 G If it appears to the *FCA* ~~or *PRA*~~ that an *actuary* has failed to comply with a duty imposed on him under the *Act*, it ~~have~~ has the power to and may

disqualify him under section 345 or 345A respectively of the *Act*. A list of *actuaries* who are disqualified may be found on the *FCA* website (<http://www.fca.org.uk>).

Conflicts of interest

- 4.3.12A R A *firm* must take reasonable steps to ensure that an *actuary* who is to be, or has been, appointed under ~~*SUP* 4.3.1R~~ *PRA* rules made under section 340 of the *Act*, or for the purposes of *PRA* Rulebook: Solvency II firms: Conditions Governing Business, 6, or in accordance with the *PRA* Rulebook: Solvency II Firms: Actuaries.
- ...
- ...
- 4.3.13 R An *actuary* appointed to perform the *actuarial function* must, in respect of those classes of the *firm's long-term insurance business* which are covered by his appointment:
- ...
- (3) advise the *firm's governing body* on the methods and assumptions to be used for the ~~investigations~~ *actuarial investigations* and reports of the *appropriate actuary* required by ~~*IPRU(INS)* 9.4R or *IPRU(FSOC)* 5.1R~~ and the calculation of the ~~*with-profits insurance capital component*~~ under ~~*INSPRU* 1.34~~ as applicable the *PRA* Rulebook;
- ...
- 4.3.14 G ~~*IPRU(INS)* 9.4R and *IPRU(FSOC)* 5.1R~~ require The *PRA* Rulebook requires *firms* to which this section applies to cause an investigation to be made at least yearly by the *actuary* or *actuaries* appointed to perform the *actuarial function*, and to report on the result of that investigation. ...
- ...

4.4 Appropriate actuaries

- ...
- 4.4.5 G If it appears to the *FCA* or *PRA* that an *appropriate actuary* has failed to comply with a duty imposed on him under the *Act*, it may have the power to and may disqualify him under section 345 or 345A respectively of the *Act*. A list of *actuaries* who have been disqualified may be found on the *FCA* website (<http://www.fca.org.uk>).

Specific duties of the appropriate actuary

- 4.4.6 R An *appropriate actuary* must carry out the triennial investigation and prepare an abstract of the report as required by ~~*IPRU(FSOC)* 5.2(2)~~ and provide the ~~interim certificate or statement as required by *IPRU(FSOC)*~~

5.2(3) the PRA Rulebook.

4.5 Provisions applicable to all actuaries

Objectivity

4.5.1 R An *actuary* appointed under ~~this chapter or the PRA Rulebook: Solvency II firms sector~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6, must be objective in performing his duties.

...

4.5.3 R An *actuary* appointed under ~~this chapter or the PRA Rulebook: Solvency II firms~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6, must take reasonable steps to satisfy himself that he is free from bias, or from any conflict of interest from which bias may reasonably be inferred. He must take appropriate action where this is not the case.

...

4.5.7 G (1) *Actuaries* appointed under ~~this chapter or the PRA Rulebook: Solvency II firms~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6, are subject to regulations made by the Treasury under sections 342(5) and 343(5) of the Act (Information given by auditor or actuary to a regulator⁶). Section 343 and the regulations also apply to an actuary of an *authorised person* in his capacity as an actuary of a *person with close links with the authorised person*.

...

Termination of term of office

4.5.8 G SUP 4.5.9R to SUP 4.5.11G apply to a *person* who is or has been an *actuary* appointed under ~~this chapter or the PRA Rulebook: Solvency II firms~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6.

4.5.9 R An *actuary* appointed under ~~this chapter or the PRA Rulebook: Solvency II firms~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6 must notify the *appropriate regulator* without delay if he:

...

4.5.10 R An *actuary* who has ceased to be appointed under ~~this chapter~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6 ...

...

...

- 4.5.13 R When carrying out his duties, an *actuary* appointed under ~~this chapter or the PRA Rulebook: Solvency II firms~~ PRA rules made under section 340 of the Act, or for the purposes of PRA Rulebook: Solvency II firms: Conditions Governing Business, 6 must pay due regard to generally accepted actuarial practice.

...

10A.14 Changes to an FCA-approved person's details

...

- 10A.14.4 D ...

- (3) A *firm* must not use Form E if ...

...

- (c) ~~SUP 10B.12.18R (the PRA rule equivalent to (a))~~ or the corresponding *PRA* requirements to (a) for relevant authorised persons.

...

...

13 Exercise of passport rights by UK firms

...

13.2 Introduction

- 13.2.1 G This chapter gives *guidance* to *UK firms*. In most cases *UK firms* will be *authorised persons* under the *Act*. However, under the *CRD*, a subsidiary of a *firm* which is a *credit institution* ~~which~~ and meets the criteria set out in that Directive also has an *EEA right*. Such an unauthorised subsidiary is known as a *financial institution*. References in this chapter to a *UK firm* include a *financial institution*. The chapter does not provide guidance in relation to *Solvency II firms*. *Solvency II firms* should consult the relevant parts of the *PRA* Rulebook and the *PRA* website at: <http://www.bankofengland.co.uk/pr/Pages/authorisations/passporting/notifying.aspx> as the *PRA* is the *appropriate UK regulator* for *Solvency II firms*.

...

- 13.2.3 G In some circumstances, a *UK firm* that is carrying on business which is outside the scope of the *Single Market Directives* has a right under the *Treaty* to carry on that business. ~~For example, for an insurer carrying on both direct insurance and reinsurance business, the authorisation of~~

~~reinsurance business is not covered by the Solvency II Directive. The firm may, however, have rights under the Treaty in respect of its reinsurance business. Such UK firms may wish to consult with the appropriate UK regulator on their particular circumstances (see SUP 13.12.2G).~~

...

13.3 Establishing a branch in another EEA State

...

13.3.2 G ~~A UK firm other than a UK pure reinsurer cannot establish a branch in another EEA state for the first time under an EEA right unless ...~~

...

(3)

(b) ...

(i) ~~the Host State regulator has notified the UK firm (or, where the UK firm is passporting under the Solvency II Directive, the PRA) of the applicable provisions ...~~

...

...

13.3.5 G ...

(2) (a) ~~If the UK firm's EEA right derives from the Solvency II Directive, the PRA will give the Host State regulator a consent notice within three months unless it has reason to:~~

(i) ~~doubt the adequacy of the UK firm's resources or its administrative structure; or~~

(ii) ~~question the reputation, qualifications or experience of the directors or managers of the UK firm or its proposed authorised agent;~~

~~in relation to the business the UK firm intends to conduct through the proposed branch. The Host State regulator then has a further two months to notify the applicable provisions (if any) and prepare for the supervision, as appropriate, of the UK firm.~~

(b) ~~In assessing the matters in (2)(a), the PRA may, in particular, seek further information from the firm or require a report from a skilled person (see SUP 5 (skilled persons)).~~

(c) ~~If the PRA has required a "recovery plan" or a "finance scheme" of a UK firm of the kind mentioned in PRA~~

~~Rulebook: Solvency II firms: Undertakings in Difficulty, the PRA would not expect to give a consent notice for so long as it considers that policyholders are threatened within the meaning of those provisions.~~

- ~~(d) If the UK firms EEA right derives from the Insurance Mediation Directive ...~~

...

13.3.6 G ...

- (2) The consent notice will contain, among other matters, the requisite details ~~or, if the firm is passporting under the Solvency II Directive, the relevant EEA details~~ (see SUP 13 Annex 1) provided by the UK firm in its notice of intention (see SUP 13.5 (Notices of intention)).

...

...

13.4 Providing cross border services into another EEA State

...

13.4.2 G A UK firm ~~other than a UK pure reinsurer~~ or an AIFM exercising an EEA right ... unless it satisfies the conditions in paragraphs 20(1) of Part III of Schedule 3 to the Act and, if it derives its EEA right from the ~~Solvency II Directive, AIFMD, MiFID or the UCITS Directive~~, paragraph 20(4B) of Part III of Schedule 3 to the Act. ...

...

- (2) ~~if the UK firm is passporting under the Solvency II Directive, the firm has received written notice from the PRA as described in SUP 13.4.6G; or [deleted]~~

...

...

13.4.4 G ...

- (2) (a) ~~If the UK firm's EEA right derives from the Solvency II Directive, 15 paragraph 20(3A) of Part III of Schedule 3 to the Act requires the PRA, within one month of receiving the notice of intention, to:~~

~~(i) give notice in a specified form (known as a consent notice) to the Host State regulator; or~~

~~(ii) give written notice to the UK firm of its refusal to~~

~~give a *consent notice* and the reasons for that refusal.~~

- (b) ~~The issue or refusal of a *consent notice* under paragraph 20(3A) of Part III of Schedule 3 to the Act is the consequence of a regulatory decision, and this *consent notice* (unlike the *consent notice* for establishment of a *branch*) is not a *statutory notice* as set out in section 395 of the Act. A *UK firm* that receives notice that the *PRA* refuses to give a *consent notice* may refer the matter to the *Tribunal* under paragraph 20(4A) of Part III of Schedule 3 to the Act.~~
- (c) ~~If the *PRA* has required of a *UK firm* a “recovery plan” or “finance scheme” of the kind mentioned in *PRA Rulebook: Solvency II firms: Undertakings in Difficulty*, the *PRA* would not expect to¹⁵ give a *consent notice* for so long as it considers that *policyholders’* rights are threatened within the meaning of those provisions. [deleted]~~

...

...

13.5 Notices of intention

Specified contents: notification of intention to establish a branch

- 13.5.1 R ~~A *UK firm*, other than a *UK pure reinsurer*, or a *CRD credit institution* wishing to establish a *branch* in a particular *EEA State* for the first time under an *EEA right* other than under the *auction regulation* must submit a *notice of intention* in the form set out in *SUP 13 Annex 1R*.~~

...

- 13.5.2 R A *UK firm* wishing to provide *cross border services* ... must submit a notice in the form set out in:

...

- (1A) ~~*SUP 13 Annex 3R* if the *UK firm* is *passporting* under the *Solvency II Directive*; or~~

...

...

- 13.5.2A G ~~*SUP 13.5.2R* does not apply to *UK pure reinsurers* or a *UK firm* firms exercising an *EEA right* under the *auction regulation* as they have automatic passport rights on the basis of their *Home State authorisation* under the *Solvency II Directive* or the *auction regulation*. However, the information required by *SUP 13.5.2-AR* assists the ~~*FSA’s*~~ *FCA’s* supervision of a *UK firm’s* provision of a service in another *EEA state*~~

under the *auction regulation*.

...

13.6 Changes to branches

13.6.1 G Where a *UK firm* is exercising an *EEA right*, other than under the *Insurance Mediation Directive* (see *SUP 13.6.9AG*) ~~or as a *pure reinsurer*~~ or the *CRD*, and has established a *branch* in another *EEA State*, any changes to the details of the *branch* are governed by the *EEA Passport Rights Regulations*. ...

...

13.6.3 G *UK firms* should also note that changes to the details of changes may lead to changes to the *applicable* provisions to which the *UK firm* is subject. These changes should be communicated to the *UK firm* either by the *Host State regulator*, or, if the *firm* is *passporting under the Solvency II Directive*, via the *PRA*.

...

13.6.10 G (1) If the change arises from circumstances beyond the *UK firm's* control, the *UK firm*:

- (a) is required by regulation ... to give a notice...
- (b) ~~may, if it is *passporting under the Solvency II Directive*, make a change to its *relevant UK details*⁶ under regulation 15(1) if it has, as soon as practicable (whether before or after the change), given notice to the *PRA* stating the details of the change.~~

...

The process

13.6.11 G When the *appropriate UK regulator* receives a notice from a *UK firm* other than a *MiFID investment firm* (see *SUP 13.6.5G(1)* and *SUP 13.6.7G(1)*) a ~~*pure reinsurer*~~ (see ~~*SUP 13.6.9BR*~~), a *UK firm* exercising an *EEA right* under the *MCD* (see (*SUP 13.6.9DG*) or an *AIFM* (see *SUP 13.6.9CG*) it is required by regulations 11(4) and 13(4) to either refuse, or consent to the change within a period of one *month*⁶ from the day on which it received the notice.

...

13.7 Changes to cross border services

13.7.1 G Where a *UK firm*, ~~other than a *pure reinsurer*~~, is exercising an *EEA right* under the *UCITS Directive*, *MiFID*, ~~the *Solvency II Directive*~~, the *MCD* or *AIFMD* and is providing *cross border services* into another *EEA State*, ...

...

Firms passporting under the Insurance Directives Standard electronic forms

- 13.7.6A G For further details on giving the notices to the *appropriate UK regulator*, as described in *SUP 13.7.3 G(1)*, *SUP 13.7.3AG*, and *SUP 13.7.3BG*, ~~*SUP 13.7.5 G(1)* and *SUP 13.7.6G*~~,¹² *UK firms* may wish to use the standard electronic form available from the *FCA* and *PRA* authorisation teams (see *SUP 13.12* (Sources of further information)).
- 13.7.7A G ~~Where the *PRA* is the *appropriate UK regulator*, it will consult the *FCA* before deciding whether to give consent to a change (or proposed change) and where the *FCA* is the *appropriate UK regulator*, it will consult the *PRA* before deciding whether to give consent in relation to a *UK firm* whose immediate group includes a *PRA-authorised person*. [deleted]~~

...

13.8 Changes of details: provision of notices to the appropriate UK regulator

...

- 13.8.2 G ~~*UK firms*, other than *pure reinsurers*, passporting under the *CRD* or the *Solvency II Directive* may be required to submit the change to details notice in the language of the *Host State* as well as in English.~~

13.A Qualifying for the authorisation under the Act

13.A.1 Application and purpose

Application

- 13A.1.1 G (1) This chapter applies to an *EEA firm* that wishes to exercise an entitlement to establish a *branch* in, or provide *cross border services* into, the *United Kingdom* under a *Single Market Directive* or the *auction regulation*. (The *Act* refers to such an entitlement as an *EEA right* and its exercise is referred to in the *Handbook* as "passporting".) (See *SUP App 3* (Guidance on passporting issues) for further *guidance* on passporting.)

The chapter does not, apart from in *SUP 13A.6G* (rules which an incoming *EEA firm* will be subject to), and *SUP 13A Annex 1* and *Annex 2*, provide guidance in relation to an *EEA firm* that is a *Solvency II firm* or to Gibraltar firms treated as such *Solvency II firms*. *Solvency II firms* and those Gibraltar firms should consult the relevant parts of the *PRA Rulebook* and the *PRA website* at: <http://www.bankofengland.co.uk/pr/Pages/authorisations/passporting/notifying.aspx> as the *PRA* is the *appropriate UK regulator*.

- ...
- 13.A.1.2 G This chapter does not apply to:
- (1) ...
 - (2) ~~an EEA firm that carries on any insurance activity:~~
 - (a) ~~by the provision of services; and~~
 - (b) ~~pursuant to a community co-insurance operation in which the firm is participating otherwise than as leading insurer (see Article 11 of the Regulated Activities Order); or [deleted]~~
- ...
- 13A.1.3 G (1) Under the *Gibraltar Order* made under section 409 of the *Act*, a Gibraltar firm is treated as an *EEA firm* under Schedule 3 to the *Act* if it is:
- (a) ~~authorised in Gibraltar under the *Solvency II Directive*; or [deleted]~~
- ...
- ...
- (2) ~~Gibraltar insurance companies, credit institutions~~ *Credit institutions, insurance intermediaries, ...*

...

13.A.2 EEA firms and Treaty firms

- 13.A.2.1 G ... A *person* may be a *Treaty firm*, where, for example, it carries on business that includes *regulated activities*, the right to carry on which does not fall within the scope of the *Single Market Directive* or the *auction regulation* under which it is entitled to exercise an *EEA right*, ~~for example, reinsurance in the case of a direct insurer to which the *Solvency II Directive* applies.~~

...

13.A.4 EEA firms establishing a branch in the United Kingdom

...

- 13A.4.4 G (1) ... notify the *applicable provisions* (if any) to:
- (a) ... ;and
 - (b) ~~in the case of an EEA firm passporting under the *Solvency II Directive*, the Home State regulator;~~

...

...

13.A.5 EEA firms providing cross border services into the United Kingdom

...

13A.5.2 G An *EEA firm* (other than an ~~*EEA pure reinsurer*~~ or an *EEA firm* that received authorisation under article 18 of the *auction regulation*) should note that...

13A.5.3 G Before an *EEA firm* (other than an ~~*EEA pure reinsurer*~~ or an *EEA firm* that has received authorisation under article 18 of the *auction regulation*) exercises an *EEA right* ...

13A.5.4 G (1) Unless the *EEA firm* (other than an ~~*EEA pure reinsurer*~~ or an *EEA firm* that received authorisation under article 18 of the *auction regulation*) is passporting ...

...

...

13A.6 Which rules will an incoming EEA firm be subject to?

...

13A.6.3 G must comply with the *applicable provisions* in ~~*SUP 10*~~ *10A* and *10C* (Approved persons). An *EEA firm* or *Treaty firm* should also refer to ~~*SUP 10.1*~~ *10A.1* and *10C.1* (Application) which sets out the territorial provisions of the *approved persons* regime.

...

14 Incoming EEA firms changing details, and cancelling qualification for authorisation

14.1 Application and purpose

Application

14.1.1 G This chapter applies to an *incoming EEA firm* ~~other than an *EEA pure reinsurer*~~ which has established a *branch* in, or is providing *cross border services* into, the *United Kingdom* under one of the *Single Market Directives* or the *auction regulation* and, therefore, qualifies for *authorisation* under Schedule 3 to the *Act*. The chapter does not apply to an *EEA firm* that is a *Solvency II firm* or to *Gibraltar firms* treated as such *Solvency II firms*. *Solvency II firms* and those *Gibraltar firms* should consult the relevant parts of the *PRA Rulebook* and the *PRA website* at: <http://www.bankofengland.co.uk/pr/Pages/authorisations/passporting/notifying.aspx> s the *PRA* is the *appropriate UK regulator*.

...

14.1.3 G (1) ...

(a) ~~authorised in Gibraltar under the *Solvency II Directive*; or~~
[deleted]

...

...

(2) ~~Gibraltar insurance companies, credit institutions~~ *Credit institutions*,

...

...

14.2 Changes to branch details

...

Changes arising from circumstances beyond the control of an incoming EEA firm passporting under the CRD; or UCITS Directive ~~or Insurance Directive~~

...

14.3 Changes to cross border services14.3.1 G Where an *incoming EEA firm* passporting under the *MiFID, UCITS Directive, ~~Solvency II Directive~~, MCD* or *AIFMD* is exercising an *EEA right* and is providing *cross border services* into the *United Kingdom*, ...**SUP 15 Notifications to the FCA ~~or PRA~~**In each of the following provisions in SUP 15 Notifications to the FCA, replace “appropriate regulator” wherever appearing with “*FCA*”, namely:

15.2.1G (four instances)

15.2.2G (five instances)

15.2.3G

15.3.1R

15.3.2G

15.3.3G

15.3.5G

15.3.7G (two instances)

15.3.8G (two instances)

15.3.9G

15.3.10G (three instances)

15.3.11R

15.3.13G
15.3.15G (two instances)
15.3.17R
15.3.19G
15.3.20G
15.3.21R
15.3.22D (three instances)
15.3.23D (two instances)
15.3.24D, 15.3.25D
15.4.1R
15.4.2G (two instances)
15.4.3G (two instances)
15.4.3AG (two instances)
15.4.4G (two instances)
15.5.1R
15.5.4R
15.5.5R
15.5.6G
15.5.7R
15.5.8G
15.5.9R (two instances)
15.5.10G (two instances)
15.6.1R (two instances)
15.6.2G
15.6.3G
15.6.4R (two instances)
15.6.6R
15.6.7G (two instances)
15.7.2G (two instances)
15.7.3G (two instances)
15.7.4R (two instances)
15.7.7G (two instances)
15.7.8G (two instances)
15.7.9G (two instances)
15.7.10G (two instances)
15.7.14G (three instances)
15.7.16G
15.8.9R
15.9.1R
15.9.4R (two instances)
15.9.5R
SUP 15 Annex 1R
SUP 15 Ann 2 Form F
SUP 15 Ann 3.

The new and deleted text are not shown.

SUP 16 Reporting

In each of the following provisions in SUP 16 Notifications to the FCA, replace “appropriate regulator” wherever appearing with “*FCA*”, namely:

SUP 16.1.4G (two instances)
 16.1.7G, 16.2.1G (seven instances)
 16.3.8R, 16.3.9R, 16.3.10G (two instances)
 16.3.11R, 16.3.12G, 16.3.13R (two instances)
 16.3.14AG (three instances)
 16.3.15G (two instances)
 16.3.16G, 16.3.17R (two instances)
 16.3.18G (six instances)
 16.3.19G
 16.3.22G
 16.3.23G
 16.3.24G (two instances)
 16.4.4G
 16.4.5G
 16.4.12R
 16.6.4R
 16.10.2G
 16.10.4R (two instances)
 16.10.4A
 16.10.5G
 16.12.2 (five instances)
 16.12.3R (three instances)
 16.16.3G (three instances)
 16.16.4G.

16 Reporting requirements

...

16.2 Purpose

16.2.1 G ...

- (2) ... They supplement the provisions of *SUP 2* (Information gathering by the appropriate regulator¹ on its own initiative) and *SUP 15* (Notifications to the FCA ~~or PRA~~). ...

...

16.4 Annual controllers report

...

16.4.12 R An *insurer* need not submit a report under *SUP 16.4.5R* to the extent that the information has already been provided to the *appropriate regulator*

~~under IPRU(INS) 9.30R (Additional information on controllers) PRA~~
~~under requirements in the PRA Rulebook.~~

...

16.6 Prudent valuation reporting

Application

16.16.1 R This section applies to a ~~UK bank, a UK designated investment firm or a full-scope IFPRU investment firm~~ which meets the condition in SUP 16.16.2R.

...

16.16.4 R ...

(2) ~~A PRA authorised person to which this section applies must submit the report via electronic mail to prudentvaluationreturns@bankofengland.co.uk or via post or hand delivery to Regulatory Data Group, Statistics and Regulatory Data Division (HO5 A B), Bank of England, Threadneedle Street, London EC2R 8AH; or via fax to the Regulatory Data Group of the Bank of England (020 7601 3334) [deleted]~~

...

App 2.1.6 R ~~SUP App 2.7 and SUP App 2.11 do not apply to a Solvency II firm.~~[deleted]

...

SUP App 2.2 Interpretation is deleted in its entirety. The deleted text is not shown.

Amend the following as shown.

App 2.7 Capital resources below the level of individual capital guidance

App 2.7.1 G ~~Unless~~ For a *dormant fund account operator*, unless ... given to the *firm* by the ~~appropriate regulator~~ FCA ...

...

App 2.7.2 G Terms in SUP App 2.7.1G have the meaning in INSPRU 7 and GENPRU in force as at 31 December 2015. References to SUP App 2 provisions are to the provisions in force in the PRA Rulebook on 31 December 2015.

App 2.8 Ceasing to effect contracts of insurance

App 2.8.1 G ... submit a run-off plan to the ~~appropriate regulator~~ FCA including ...

App 2.8.4 G Under *Principle 11*, the ~~appropriate regulator~~ FCA normally expects to be notified by a *firm* when it decides to cease *effecting new contracts of insurance* in respect of one or more classes of contract of insurance (see *SUP 15.3.8G*). At the same time, the ~~appropriate regulator~~ FCA would normally expect the *firm* to discuss with it the need for the *firm* to apply to vary its *permission* (see *SUP 6.2.6G* and *SUP 6.2.7G*) and, if appropriate, to submit a *scheme of operations* in accordance with *SUP App 2.8.1R*.

App 2.10 Grant or variation of permission

App 2.10.1 G ... *Firms* which have submitted such a *scheme of operations* are not required to submit to the *PRA* a further *scheme of operations* under this appendix unless ~~*SUP App 2.4*, *SUP App 2.5* or *SUP App 2.8*~~ or the relevant parts of *PRA Rulebook: Non-Solvency II firms: Run Off Operations* or *PRA Rulebook: Solvency II firms: Run Off Operations* applies. ~~*SUP App 2.13* and *SUP 6 Annex 4*~~ does, however, apply to such a *firm*.

App 2.14A Fairness issues for with-profit firms in difficulty or in an irregular situation

...

App 2.14A.2 G Action which a *firm* takes either to restore its capital resources to the levels set by the intervention points in ~~this appendix~~ or in *PRA Rulebook: Solvency II Firms: Undertakings in Difficulty* or *PRA Rulebook: Non-Solvency II firms: Run Off Operations* ...

...

App 2.14A.4 G When a *firm* submits a plan for restoration under ~~this appendix~~ or *PRA Rulebook: Solvency II Firms: Undertakings in Difficulty* or *PRA Rulebook: Non-Solvency II firms: Run Off Operations* ...

App 2.15 Run-off plans for closed with-profits funds

...

App 2.15.8A G ...

- (1) a forecast summary revenue account for the *with-profits fund*, in accordance with ~~*SUP App 2.12.7R*~~ *PRA Rulebook: Non-Solvency II firms: Run Off Operations 6.1(3)(a)*;
- (2) ... in accordance with ~~*SUP App 2.12.8R*~~ *PRA Rulebook: Non-Solvency II firms: Run Off Operations 6.1(3)(b)* ; and
- (3) ... in accordance with ~~*SUP App 2.12.8R* and *SUP App 2.12.9R*~~ *PRA Rulebook: Non-Solvency II firms: Run Off Operations*

6.1(3)(b) and 6.1.3(c) to (e):

...

...

App 2.15.11 G The run-off plan of a *firm* to which ~~INSPRU 7~~ PRA Supervisory Statement: Non-Solvency II Insurance companies – Capital assessments applies should include:

...

Appendix 6

Changes to compliance, financial crime and MLA reporting

**SUPERVISION MANUAL (REPORTING No [xx])
INSTRUMENT 2015**

Powers exercised

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C.
 - (1) Part 1 of this instrument comes into force on 31 March 2016.
 - (2) Part 2 of this instrument comes into force on 31 October 2016.
 - (3) Part 3 of this instrument comes into force on 31 December 2016.

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 (Reporting No xx) Instrument 2015.

By order of the Board
[*date*]

**Annex
Amendments to the Supervision manual (SUP)**

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

Part 1: Comes into force on 31 March 2016

16 Reporting requirements

...

16 Annex 19BG Notes for completion of the Mortgage Lenders & Administrators Return ('MLAR')

...

Section C: Capital

...

C3.2 Capital requirement

This is the amount calculated in ~~section in~~ sections C4.6(e) or C5.5(c), whichever is applicable.

...

Part 2: Comes into force on 31 October 2016

16.6 Compliance reports

...

Banks

- 16.6.4 R ~~A bank must submit compliance reports to the appropriate regulator in accordance with SUP 16.6.5 R~~ A bank must submit compliance reports in the form specified in SUP 16 Annex 41R using the appropriate online systems available from the FCA's website.

...

After SUP 16 Annex 40R (data items related to recovery and information for resolution plans) insert the following new annex. The text is not underlined.

**16 Compliance Reporting Return
Annex
41R**

This annex consists of a form. The form is to be found at the following address:

List of Overseas Regulators and Organogram – SUP Chapter 16 Annex 41

REP010 List of Overseas Regulators and Organogram

List of overseas regulators

Group Reporting

- 1 Does the information reported cover more than one entity?
- 2 If yes, list the firm reference numbers (FRNs) of all additional firms included in this report.

A

FRN

Nil Return

- 3 Do you wish to declare a nil return?

--

Organogram

Group Reporting

- 4 Does the information reported cover more than one entity?
- 5 If yes, list the firm reference numbers (FRNs) of all additional firms included in this report.

A

FRN

Nil Return

- 6 Do you wish to declare a nil return?

--

Part 3: Comes into force on 31 December 2016**16.1 Application**

...

- 16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.14, SUP 16.15, SUP 16.6 and SUP 16.17)

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
...		
<u>SUP 16.22</u>	<u>A firm subject to the requirement in SUP 16.22.1R</u>	<u>Entire section</u>
...		

...

16.3 General provisions on reporting

...

Structure of the chapter

- 16.3.2 G This chapter has been split into the following sections, covering:

...

- (16) reporting under the *MCD Order for CBTL firms* (SUP 16.21);
 (17) Annual Financial Crime Report (SUP 16.22).

...

After SUP 16.21 (Reporting under the MCD Order for CBTL firms) insert the following new section. The text is not underlined.

16.22 Annual Financial Crime Report

Application

- 16.22.1 R This section applies to the following *firms*, unless the *firm* is excluded under SUP 16.22.2R:

- (1) a *firm* subject to the *Money Laundering Regulations*;

[**Note:** articles 3 and 4 of the *Money Laundering Regulations* set out their scope of application.]

- (2) a *managing agent* at Lloyd's; and
- (3) a *firm* with a *permission* to carry on the *regulated activities* of:
 - (a) *effecting contracts of insurance*; or
 - (b) *carrying out contracts of insurance*.

16.22.2 R This section does not apply to:

- (1) an *authorised professional firm*; and
- (2) a *firm*:
 - (a) with *permission* to carry on any of the following activities:
 - (i) *retail investment activity*;
 - (ii) *advising on pension transfers and opt-out*;
 - (iii) *arranging (bringing about deals) in investments*;
 - (iv) *home finance mediation activity*;
 - (v) *insurance mediation activity in relation to non-investment insurance contracts*; or
 - (vi) *credit-related regulated activities*;
 - (b) that is not:
 - (i) a *UK bank*;
 - (ii) a *building society*;
 - (iii) a *non-EEA bank*;
 - (iv) a *designated investment firm*;
 - (v) a *credit union*;
 - (vi) an *investment firm*;
 - (vii) a *mortgage lender*; or
 - (viii) an *electronic money issuer*;
 - (c) and which has reported total revenue of less than £5

million as at the *firm's* last *accounting reference date*.

Purpose

- 16.22.3 G (1) The purpose of this section is to ensure that the *FCA* receives regular and comprehensive information about the *firm's* systems and controls in preventing *financial crime*.
- (2) The purpose of collecting the data in the Annual Financial Crime Report is to assist the *FCA* in assessing the nature of financial crime risks within the financial services industry.

Requirement to submit the Annual Financial Crime Report

- 16.22.4 R A *firm* must submit the Annual Financial Crime Report to the *FCA* annually and on a single entity basis.

Method for submitting the Annual Financial Crime Report

- 16.22.5 R A *firm* must submit the Annual Financial Crime Report in the form specified in *SUP 16 Annex 42AR* using the appropriate online systems accessible from the *FCA's* website.

Time period for firms submitting their Annual Financial Crime Report

- 16.22.6 R A *firm* must submit the Annual Financial Crime Report within 30 *business days* of the *firm's* *accounting reference date*.

After *SUP 16 Annex 41R* (Compliance reporting return) insert the following new annex. The text is not underlined.

16 Annex 42AR Annual Financial Crime Report

REP-CRIM - Financial Crime Questionnaire

Section 1 : Operating jurisdictions

A

B

1 Please list:

The jurisdictions within which the <i>firm</i> operates as at the end of the reporting period	Those jurisdictions considered high-risk by the <i>firm</i>
Dropdown List (ISO 3166 Codes)	Dropdown List (ISO 3166 Codes)

+

Section 2 : Customer information

A

B

If any part of the *firm's* business is subject to the *Money Laundering Regulations*, please provide the total number of the *firm's* relationships with:

- 2 Politically Exposed Persons
- 3 Non-EEA Correspondent Banks
- 4 All Other High-Risk Customers

As at the end of the reporting period	New in the reporting period

For any business conducted by the *firm* (excluding general insurance):

Please provide the number of the *firm's* customer relationships located in the following geographical areas:

		As at the end of the reporting period
5	Europe	

Of which:

6	United Kingdom	
7	European Union (Excluding UK)	
8	Other Europe	

9	Middle East and Africa	
10	North America	
11	Latin America	
12	Asia Pacific	

For any general insurance business conducted by the *firm*:

Please provide the number of the *firm's* policies located (see guidance notes) in the following geographical areas:

		As at the end of the reporting period
13	Europe	

Of which:

14	United Kingdom	
15	European Union (Excluding UK)	
16	Other Europe	

- 17 Middle East and Africa
- 18 North America
- 19 Latin America
- 20 Asia Pacific

For all *firms*:

- 21 Please provide the number of the *firm's* customers linked to those jurisdictions considered by the firm to be high-risk:

As at the end of the reporting period

- 22 Please provide the number of customer relationships refused or exited for financial crime and/or reputational risk reasons:

During the reporting period

- 23 For insurance policies, please provide the number of claims not paid, or partially paid, at the point of claim for fraud reasons during the reporting period:

Not paid	Partially paid

Section 3: Compliance information

A

B

C

- 24 Please provide the number of suspicious activity reports (SARs) under Part 7 of the Proceeds of Crime Act (POCA) 2002:

Submitted internally to the nominated officer/MLRO within the <i>firm</i> as at the end of the reporting period	Disclosed to the National Crime Agency as at the end of the reporting period	The percentage of those SARs which were consent requests under s.335 POCA 2002

- 25 Please provide the number of SARs disclosed to the National Crime Agency under the Terrorism Act 2000 during the reporting period?

--

26 Please provide the number of investigative court orders received as at the end of the reporting period:

--

A

B

27 Please provide the number of restraint orders being serviced/ in effect as at the end of the reporting period and the number of new restraint orders received during the reporting period:

Restraint orders being serviced/ in effect as at the end of the reporting period	New restraint orders received during the reporting period

28 Please provide the number of relationships maintained with natural or corporate persons (excluding group members) which introduce business to the *firm*. Please also provide the number of these relationships which have been refused or exited for financial crime reasons and/or reputational risk reasons during the reporting period:

Relationships maintained	Relationships refused or exited

If the *firm* has appointed representatives:

29 Please provide the number of *appointed representative* (AR) relationships refused or exited due to financial crime reasons:

During the reporting period

30 As at the end of the reporting period, please provide the total FTE of UK staff with financial crime responsibilities:

--

Of which:

31 Please provide the percentage of the FTE stated above dedicated to fraud responsibilities:

--

Section 4: Sanctions-specific information

A

B

C

32 Does the *firm* use an automated system(s) to conduct screening against relevant sanctions lists?

--

33 How many true sanction matches were detected in the reporting period?

True customer sanctions matches	True payments sanctions matches

34 Does the *firm* conduct repeat customer sanctions screening?

--

Section 5: Fraud

35 Please indicate the *firm's* view of the top three most prevalent frauds which the *FCA* should be aware of and whether they are increasing, decreasing or unchanged:

Fraud typology	Perpetrator(s)	Incidence

16 Annex 42BG Guidance Notes for completion of the Annual Financial Crime Report

The form in SUP 16 Annex 42AR should only be completed by *firms* subject to the reporting requirements in SUP 16.22 of the *FCA Handbook*.

General Notes

This data item is reported on a single unit basis and in integers, except where a full-time equivalent (FTE) figure is requested. Where an FTE figure is requested, this should be reported to two decimal places.

We will use the data we collect through this data item to assess the nature of financial crime risks within the financial services sector. Section 5 of this return is designed to allow the *FCA* to track the industry's perception of the most prevalent fraud risks. A *firm* may not be specifically affected by the fraud typologies it considers most prevalent across the industry.

Data Elements

Section 1: Operating jurisdictions		
Please list:		
1A	The jurisdictions within which the <i>firm</i> operates as at the end of the reporting period.	<p>Select from the list of country codes (in ISO 3166 format), the jurisdictions within which the <i>firm</i> is operating as at the end of the reporting period.</p> <p>Only those jurisdictions active as at the end of the reporting period should be reported; if a <i>firm</i> terminated operations within a jurisdiction during the reporting period, this jurisdiction does not need to be reported.</p> <p>‘Operates’ for the purposes of this form is defined as where the <i>firm</i> has a physical presence through a legal entity. This</p>

		definition does not therefore include local agents contracted by the <i>firm</i> .
1B	Those jurisdictions considered high-risk by the <i>firm</i> .	Select from the list of country codes (in ISO 3166 format), the jurisdictions considered by the <i>firm</i> to be high-risk, regardless of whether the <i>firm</i> operates in those jurisdictions.
<p>Section 2: Customer information</p> <p>Figures in this section should be for the number of customer relationships as at the end of the reporting period. It should include all accounts that are open, including dormant and inactive accounts.</p> <p>Where the figure requested is ‘new in the reporting period’, a <i>firm</i> should report new (not pre-existing) customer relationships initiated within the reporting period.</p> <p>For a <i>firm</i> subject to the requirements of the <i>Money Laundering Regulations</i>, the use of the word ‘customer’ in this section is intended in the same sense as in those Regulations and should be reported on that basis in questions 5 – 12.</p> <p>For a general insurance <i>firm</i> the location of policies in questions 13 – 20 below should be considered as determined by the jurisdiction in which the Insurance Premium Tax (or equivalent) payable on the policy is due.</p> <p>For non-financial institutions which may carry out regulated business (e.g. consumer credit), the <i>firm</i> should not include customers which are outside its regulated activities.</p> <p>If any part of the <i>firm</i>’s business is subject to the <i>Money Laundering Regulations</i>, please provide the total number of the <i>firm</i>’s relationships with:</p>		
2.	Politically Exposed Persons (PEPs)	<p>A definition of ‘Politically Exposed Person’ can be found in Regulation 14(5) of the <i>Money Laundering Regulations</i>. This definition includes customer relationships with corporate entities that have PEP shareholders or Board Directors.</p> <p>If a <i>firm</i> uses its own alternative, wider, PEP definition (e.g.</p>

		including domestic PEPs), it may submit figures using its own definition.
3.	Non-EEA Correspondent Banks	This refers to situations where a credit institution has a correspondent banking relationship with a respondent institution from a non-EEA state. These terms are intended as set out in Regulation 14(3) of the <i>Money Laundering Regulations</i> .
4.	All Other High-Risk Customers	This means a customer categorised as being of high risk for the purposes of compliance with Regulation 14 of the <i>Money Laundering Regulations</i> , and therefore subject to Enhanced Customer Due Diligence measures, but not otherwise captured in 2 or 3.
For any business conducted by the <i>firm</i> (excluding general insurance):		
5-12.	Please provide the number of the <i>firm's</i> customer relationships located in the following geographical areas:	Location for business other than general insurance should be determined by the location in which the customer is based.
For any general insurance business conducted by the <i>firm</i> :		
13-20.	Please provide the number of the <i>firm's</i> policies located in the following geographical areas:	Location should be determined by the jurisdiction in which the Insurance Premium Tax (or equivalent) on the policy is due. Where Insurance Premium Tax (or equivalent) is due in more than one jurisdiction, the policy should be reported in all relevant jurisdictions.
For all <i>firms</i> :		
21.	Please provide the number of the <i>firm's</i> customers linked to those jurisdictions considered by the <i>firm</i> to be high-risk:	The <i>firm</i> should provide the number of customers judged by the <i>firm</i> to have links to jurisdictions identified by the

		<p><i>firm</i> as high risk in question 1B.</p> <p>Links to a high risk jurisdiction could include customers which are resident/domiciled/incorporated and/or carrying out business in a jurisdiction identified as high risk by the <i>firm</i>.</p>
22.	Please provide the number of customer relationships refused, or exited, for financial crime and/or reputational risk reasons:	Figures for ‘refused’ relationships would not include customers whose account application did not proceed because, for example, they lacked appropriate documentary evidence of identity. It would include customers whose application was escalated to management for a decision on whether to proceed, and was rejected.
23.	For insurance policies, please provide the number of claims not paid, or partially paid, at the point of claim for fraud reasons during the reporting period.	<i>Firms</i> should report the number of claims rejected due to fraud-related issues and those partially paid for the same reason.
Section 3: Compliance information		
Please provide the number of suspicious activity reports (SARs) under Part 7 of the Proceeds of Crime Act (POCA) 2002:		
24A	Submitted internally to the nominated officer/MLRO, within the <i>firm</i> , as at the end of the reporting period.	This includes all reports filed internally from staff to the MLRO that relate to the staff member’s concerns, suspicions or knowledge of money laundering. These reports will be considered by the MLRO in order to decide whether a formal submission to the authorities is justified.
24B	Disclosed to the National Crime Agency as at the end of the reporting period.	The number of SARs disclosed to the National Crime Agency within the reporting period, as at the end of the reporting period.
24C	The percentage of those SARs which were consent	The percentage of disclosed

	requests under s. 335 POCA 2002.	SARs which sought consent from the National Crime Agency within the reporting period, as at the end of the reporting period.
25	Please provide the number of SARs disclosed to the National Crime Agency under the Terrorism Act 2000 during the reporting period:	The number of SARs disclosed to the National Crime Agency under the Terrorism Act 2000 within the reporting period, as at the end of the reporting period.
26.	Please provide the number of investigative court orders received as at the end of the reporting period:	This refers to production orders, disclosure orders, account monitoring orders and customer information orders as defined by the Proceeds of Crime Act 2002 etc. and/or the Terrorism Act 2000 received by the <i>firm</i> from law enforcement agencies or accredited financial investigators from other bodies as set out in an Order under section 453 of the Proceeds of Crime Act 2002.
27	Please provide the number of restraint orders being serviced or in effect as at the end of the reporting period and the number of new restraint orders received during the reporting period:	<p>A 'restraint order' here refers to either a restraint order under section 42 of the Proceeds of Crime Act 2002 or a property freezing order under section 245A of the Proceeds of Crime Act 2002.</p> <p>The number of restraint orders being serviced should include all restraint orders which are still in effect as at the end of the reporting period.</p> <p>The number of new restraint orders received should include all new restraint orders received by the <i>firm</i> during the reporting period, as at the end of the reporting period.</p>
28.	Please provide the number of relationships maintained with natural or corporate persons (excluding group members) which introduce business to the <i>firm</i> . Please also provide the	This question refers to individuals or corporate entities which introduce business to the <i>firm</i> by way of business whether

	number of these relationships which have been refused or exited for financial crime and/or reputational risk reasons during the reporting period.	under a formal agency/ broker agreement or not.
	If the <i>firm</i> has <i>appointed representatives</i> (ARs):	
29.	Please provide the number of <i>appointed representative</i> (AR) relationships refused or exited due to financial crime reasons:	<i>Firms</i> should report the number of existing AR relationships terminated and prospective AR relationships refused during the reporting period.
30.	As at the end of the reporting period, please provide the total full time equivalent (FTE) of UK staff with financial crime responsibilities:	<p><i>Firms</i> should provide an FTE figure on a best endeavours basis.</p> <p>For example, if the <i>firm</i> has 20 part time staff that work 50% of normal hours, the figure would be 10 FTE.</p> <p>The figure should be provided to two decimal places.</p> <p>This question is applicable to staff with financial crime responsibilities where financial crime is the total extent, or main part, of their role.</p>
Of which:		
31.	Please provide the percentage of the FTE stated in question 28 dedicated to fraud responsibilities	<i>Firms</i> should provide a percentage figure to two decimal places on a best endeavours basis.
Section 4: Sanctions-specific information		
32.	Does the <i>firm</i> use an automated system (or systems) to conduct screening against relevant sanctions lists?	<i>Firm</i> should answer 'Yes' or 'No'. Note there is no explicit regulatory or legal requirement for the use of automated screening tools.
33.	How many true sanction matches were detected during the reporting period?	The number of confirmed true sanctions alerts which matched against the <i>firm's</i> customer or payment.

34.	Does the <i>firm</i> conduct ongoing customer sanctions screening against relevant sanctions lists?	<p><i>Firms</i> should answer ‘Yes’ or ‘No’.</p> <p>Relevant sanctions lists are the lists against which the <i>firm</i> screens its customers.</p>
Section 5: Fraud		
35.	Please indicate the <i>firm</i> ’s view of the top three most prevalent frauds which the <i>FCA</i> should be aware of and whether they are increasing, decreasing or unchanged.	<p>This question is designed to obtain the <i>firm</i>’s view on the most prevalent frauds within the industry as a whole and will be used by the <i>FCA</i> to ensure that the organisation is up to date on the fraud risks being perceived by industry.</p> <p>The identified fraud typologies may or may not be those by which the <i>firm</i> has been specifically impacted, but should be those that the <i>firm</i> considers most prevalent as at the end of the reporting period.</p>

Appendix 7

Changes to the Training and Competence (TC) sourcebook

**TRAINING AND COMPETENCE SOURCEBOOK (QUALIFICATIONS
AMENDMENTS NO 14) INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 138C (Evidential provisions).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*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 No 14) Instrument 2016.

By order of the Board
[*date*]

Annex

Amendments to the Training and Competence sourcebook (TC)

In this Annex, underlining indicates new text.

Appendix 4 Appropriate Qualification tables

App 4.1.1E

...

Part 2: Appropriate Qualifications Tables

...

Qualification provider	Qualification	Activity Number(s)	Key
...	...		
Chartered Institute for Securities and Investment (CISI) - (Formerly the Securities and Investment Institute (SII); formerly The Securities Association)	Investment Operations Certificate - Asset Servicing Module	15, 16, 17	6
	<u>Investment Operations Certificate – Client Money and Assets</u>	<u>16</u>	<u>6</u>
	...		
Chartered Insurance Institute	...		
	Financial Planning Certificate - Paper 1	15, 16, 17, 18, 19	4
		15, 16, 17, 18, 19	5
CF1 - UK financial services, regulation and ethics	<u>10, 14</u> , 15, 16, 17, 18, 19	<u>3</u> , 4	

		<u>10, 14, 15,</u> 16, 17, 18, 19	<u>3, 5</u>
	RO1 Paper: Regulation and Ethics	<u>10, 14, 15,</u> 16, 17, 18, 19	<u>3, 4</u>
		<u>10, 14, 15,</u> 16, 17, 18, 19	<u>3, 5</u>
...	...		

DRAFT

Appendix 8

Consumer credit amendments

CONSUMER CREDIT (AMENDMENT NO [x]) INSTRUMENT 2016

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in or under the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137R (Financial promotion rules);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. Part 1 of Annex A and Annex B to this instrument come into force on 21 March 2016.
- D. Part 2 of Annex A to this instrument comes into force on 1 May 2016.

Amendments to the Handbook

- E. The Consumer Credit sourcebook (CONC) is amended in accordance with Annex A to this instrument.

Amendments to material outside the Handbook

- F. The Perimeter Guidance manual (PERG) is amended in accordance with Annex B to this instrument.

Notes

- G. In Annex A to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- H. This instrument may be cited as the Consumer Credit (Amendment No [x]) Instrument 2016.

By order of the Board of the Financial Conduct Authority
[date 2016]

Annex A

Amendments to the Consumer Credit sourcebook (CONC)

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

Part 1: coming into force on 21 March 2016

2 Conduct of business standards: general

...

2.7 Distance marketing

...

Terms and conditions, and form

...

- 2.7.7 G (1) Activities in relation to a *consumer hire agreement* are not financial services within the meaning of the *Distance Marketing Directive* and do not fall within *CONC 2.7*. Instead such agreements fall within the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334) if they were made before 13 June 2014, or the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (SI 2013/3134) if they were made on or after that date.

...

...

3 Financial promotions and communications with customers

...

3.5 Financial promotions about credit agreements not secured on land

...

Content of financial promotions

...

3.5.3 R ...

- (2A) Paragraph (1)(a) also does not apply where the *financial promotion* relates only to *credit agreements* in respect of which the *APR* is 0%.

...

Guidance on showing interest rates and cost of credit

- 3.5.4 G (1) A rate of interest for the purpose of *CONC 3.5.3R(1)* is not limited to an annual rate of interest but would include a *monthly* or daily rate or an *APR*. It would also include reference to 0% credit (but where the APR is 0% and *CONC 3.5.3R(2A)* applies, a representative example is not required). An amount relating to the *cost of credit* would include the amount of any fee or charge, or any *repayment of credit* (where it includes interest or other charges).

...

...

...

Other financial promotions requiring a representative APR

- 3.5.7 R ...

(3) This *rule* does not apply to a *financial promotion*:

- (a) for an *authorised non-business overdraft agreement*; or
- (b) which relates only to *credit agreements* in respect of which the *APR* is 0%; or
- (c) made by a *community finance organisation*.

...

6.7 Post contract: business practices

...

Credit card and store card requirements

...

- 6.7.12 R ~~(1) A firm under a regulated credit agreement for a credit card or store card must notify a customer at least 30 days before an increase in the rate of interest under the agreement comes into effect.~~

~~[Note: paragraph 6.18) of *ILG*]~~

~~(2) Paragraph (1) does not apply in the following cases where in relation to an agreement:~~

- ~~(a) the interest rate is set to directly track the movement in an external index (such as a base rate), which was adequately explained under *CONC 4.2.15R* and was clearly stated in the agreement; or~~

- (b) ~~the period of a promotional interest rate has come to an end.~~
[deleted]

...

6.8 Post contract business practices: credit brokers

...

Refunds of brokers' fees

- 6.8.3 G (1) Under section 155 of the *CCA* an *individual* has a right to a refund of the *firm's* fee (less £5) (or for that fee not to be payable) where, ~~following an introduction the *individual* has not entered into an agreement to which section 155 applies within six months of an introduction~~ to a source of *credit* or of bailment (or in Scotland of hire), ~~the *individual* has not entered into an agreement to which section 155 applies within six months of an introduction or to another *firm* that carries on *credit broking* of the kind specified in article 36A(1)(a) to (c) of the *RAO* disregarding the effect of paragraph (2) of that article (that is, the effecting of an introduction to a *lender* or an *owner*, or to another *person* who effects such introductions by way of business).~~

...

...

- 6.8.4A R If a *customer* has not entered into an agreement referred to in section 155(2) of the *CCA* within six months of the *customer* being introduced by the *firm* to a potential source of *credit* or of bailment (or in Scotland of hire), or to another *firm* that carries on *credit broking* of the kind specified in article 36A(1)(a) to (c) of the *RAO* (disregarding the effect of paragraph (2) of that article), as soon as reasonably practicable after the expiry of that six-month period a *firm* must by any method clearly bring to the *customer's* attention:

...

...

11.1 The right to cancel

...

- 11.1.2 R (1) For a *credit agreement* there is no right to cancel under *CONC* 11.1.1R, unless (2) or (3) applies, in respect of:

...

- (c) a *credit agreement* cancelled under regulation 15(1) of the Consumer Protection (Distance Selling) Regulations 2000 (automatic cancellation of a related credit agreement) or

under regulation 38 of the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (effects of withdrawal or cancellation on ancillary contracts);

...

...

(4) In the case of a *distance contract* comprising an initial service agreement followed by successive operations or a series of separate operations of the same nature performed over time, the right to cancel under *CONC 11.1.1R* applies only to the initial service agreement.

[Note: article 1(2) of the *Distance Marketing Directive*]

(5) In this rule:

(a) “initial service agreement” includes the opening of a bank account or the making of a *credit-token agreement*; and

(b) “operations” includes the deposit or withdrawal of funds to or from a bank account and payments by a credit card or store card.

App 1 Total charge for credit rules; and certain exemptions

...

App 1.4 Exemption for high net worth borrowers and hirers and exemption relating to businesses

Exemption for high net worth borrowers and hirers

...

App 1.4.3 R (1) ...

(2) The bodies referred to in (1)(b) are:

...

(fa) the Association of International Accountants;

...

...

Part 2: coming into force on 1 May 2016

3.7A Financial promotions and communications: P2P agreementsApplication

3.7A.1 R This section applies to a *firm* with respect to *operating an electronic system in relation to lending*.

Status

3.7A.2 R (1) A *firm* must, in any relevant communication, indicate the extent of its powers, in particular whether it works exclusively with one or more *lenders* (including, for example, if it works exclusively with *lenders* who are participants in the electronic system that the *firm* operates) or whether it works as an independent broker.

[Note: article 21(a) of the *Consumer Credit Directive*]

(2) In this rule, a “relevant communication” means:

(a) a *financial promotion* or a document;

(b) which is intended for *borrowers* or prospective *borrowers*; and

(c) which relates to a *P2P agreement*:

(i) that is, or would be, a *regulated credit agreement*; and

(ii) in respect of which the *lender* is, or would be, acting by way of business.

4.3 Adequate Pre-contractual requirements and adequate explanations: P2P agreementsApplication

4.3.1 R This section applies to a *firm* with respect to *operating an electronic system in relation to lending in relation to a borrower or a prospective borrower under a P2P agreement*.

...

Pre-contractual requirements

4.3.3A R (1) This rule applies if the *lender*, or the prospective *lender*, under a *P2P agreement* is, or would be, carrying on by way of business the *regulated activity of entering into a regulated credit agreement as lender* by entering into the agreement.

- (2) Any fee to be paid by the borrower to the operator of an electronic system in relation to lending must be agreed between the borrower and the operator, and that agreement must be recorded in writing or other durable medium before the P2P agreement is entered into.
- (3) The operator of an electronic system in relation to lending must disclose to the lender the fee, if any, for its activity payable by the borrower for the purpose of enabling the lender to calculate the annual percentage rate of charge for the P2P agreement.

[Note: article 21(b) and (c) of the Consumer Credit Directive]

...

Annex B

Amendment to the Perimeter Guidance manual (PERG)

Amend the following as shown.

2 Authorisation and regulated activities

...

2.3 The business element

...

Whether someone is carrying on his or her own business

...

2.3.7 G ...

- (6) The degree to which the services supplied by the individual to the principal *firm* are ones that the individual supplies to other clients as well. If the individual supplies services to more than one client (~~principal *firm*~~), it is very likely that the individual is in the business of providing those services generally and that, as a result, he is carrying on his own business and hence needs *authorisation* or an exemption from the *general prohibition*.

...

Appendix 9A

PR amendments proposed in CP15/28

Annex E

Amendments to the Prospectus Rules sourcebook (PR)

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

1 Preliminary

1.1 Preliminary

...

Provisions implementing the prospectus directive

1.1.6 G The *FCA* considers that the following documents together determine the effect of the *prospectus directive*:

...

(6) ...; and

(7) the *Prospectus RTS ~~Regulation~~ Regulations*.

1.1.7 G To assist readers, extracts from the *Act*, the *PD Regulation* and the *Prospectus RTS ~~Regulation~~ Regulations* are reproduced in the text of these *rules*. Readers should however consult those documents themselves to see the full text.

ESMA materials

1.1.8 G In determining whether Part 6 of the *Act*, these *rules*, the *PD Regulation* and the *Prospectus RTS ~~Regulation~~ Regulations* have been complied with, the *FCA* will consider whether a *person* has acted in accordance with the *ESMA Prospectus Recommendations*, the *ESMA Prospectus Questions and Answers* and the *ESMA Prospectus Opinion*.

...

2.2 Format of the prospectus

...

Base prospectus

...

2.2.9 R If the final terms of the *offer* are not included in the *base prospectus* or a *supplementary prospectus*:

- (1) the final terms must be:
 - (a) filed with the *FCA*; and
 - (b) made available to the public ~~in accordance with PR 3.2.4R to PR 3.2.6R.~~

[Note: see ~~PR TR 2~~ See PR 3.2 for the requirements regarding making final terms available to the public]

...

...

2.5 Omission of information

...

Request to omit information

2.5.3 ~~R~~ G Article 2(2) of Commission Delegated Regulation (EU) No [xxx]/2015 sets out requirements regarding the submission of requests to omit information from a *prospectus*. The *FCA* considers that a reasoned request for this purpose would ~~A request to the *FCA* to authorise the omission of specific information must:~~

- (1) be in writing from the *applicant*;
- (2) identify the specific information concerned and the specific reasons for its omission; and
- (3) state why in the *applicant's* opinion one or more of the grounds in section 87B(1) of the *Act* applies.

[Note: Extracts of Article 2 of Commission Regulation EU [xxx]/2015 are reproduced for the convenience of readers in PR3.1.-1EU.]

...

3 Approval and publication of prospectus

3.1 Approval of prospectus

Prospectus review process

3.1.-1 EU Articles 2, 3 and 4 of Commission Delegated Regulation (EU) No [xxx]/2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No 809/2004 provide that:

Article 2Submission of an application for approval

1. The issuer, offeror or person asking for admission to trading on a regulated market shall submit all drafts of the prospectus in searchable electronic format via electronic means to the competent authority. A contact point to which the competent authority can submit all notifications in writing, via electronic means, shall be specified when the first draft of the prospectus is submitted.
2. Along with the first draft of the prospectus submitted to the competent authority, or during the prospectus review process, the issuer, offeror or person asking for admission to trading on a regulated market shall also submit in searchable electronic format:
 - (a) if required by the competent authority of the home Member State according to Article 25(4) of Regulation (EC) No 809/2004 or on their own initiative, a cross reference list which shall also identify any items from Annexes I to XXX to Regulation (EC) No 809/2004 that have not been included in the prospectus because, given the nature of the issuer, offeror or person asking for admission to trading or the securities being offered to the public or admitted to trading, they were not applicable.
 - ...
 - (b) if the issuer, offeror or person asking for admission to trading on a regulated market is requesting the competent authority of the home Member State to authorise the omission of information from the prospectus according to Article 8(2) of Directive 2003/71/EC, a reasoned request to that effect;
 - (c) if the issuer, offeror or person asking for admission to trading on a regulated market wishes the competent authority of the home Member State to notify the competent authority of a host Member State, upon approval of the prospectus, with a certificate of approval according to Article 18(1) of Directive 2003/71/EC, a request to this effect;
 - (d) any information which is incorporated by reference into the prospectus, unless such information has already been approved by or filed with the same competent authority in accordance with Article 11 of Directive 2003/71/EC;
 - (e) any other information considered necessary, on reasonable grounds, for the review by the competent authority of the home Member State and expressly required by the competent authority for that purpose.

Article 3Changes to the draft prospectus

1.	<p><u>Following submission of the first draft of the prospectus to the competent authority of the home Member State, where the issuer, offeror or person asking for admission to trading on a regulated market submits subsequent drafts of the prospectus, the subsequent drafts shall be marked to highlight all changes made to the preceding unmarked draft of the prospectus as submitted to the competent authority. Where only limited changes are made, marked extracts of the draft prospectus, showing all changes from the preceding draft, shall be acceptable. An unmarked draft of the prospectus shall always be submitted along with the draft highlighting all changes made.</u></p> <p><u>Where the issuer, offeror or person asking for admission to trading on a regulated market is unable to comply with the requirement set out in the first subparagraph due to technical difficulties related to the marking of the prospectus, each change made to the preceding draft of the prospectus shall be identified to the competent authority of the home Member State in writing.</u></p>
2.	<p><u>Where the competent authority of the home Member State has, in accordance with Article 5(2) of this Regulation, notified the issuer, offeror or person asking for admission to trading on a regulated market that it considers that the draft prospectus does not meet the requirement of completeness, including consistency of the information given and its comprehensibility, the subsequently submitted draft of the prospectus shall be accompanied by an explanation as to how the incompleteness notified by the competent authority has been addressed.</u></p> <p><u>Where changes made to a previously submitted draft prospectus are self-explanatory or clearly address the incompleteness notified by the competent authority, an indication of where the incompleteness has been addressed shall be considered sufficient.</u></p>
<p><u>Article 4</u></p>	
<p><u>Final submission</u></p>	
<p><u>With the exception of the cross reference list mentioned in Article 2(2)(a), submission of the final draft of the prospectus for approval shall be accompanied by any information mentioned in Article 2(2) which has changed since a previous submission. The final draft of the prospectus shall not be annotated in the margin.</u></p>	
<p><u>Where no changes have been made to the previously submitted information mentioned in Article 2(2), the issuer, offeror or person asking for admission to trading on a regulated market shall not be required to resubmit such information. In those cases, the issuer, offeror or person asking for admission to trading on a regulated market shall confirm in writing that no changes have been made to the previously submitted information.</u></p>	

- 3.1.1 R ~~An applicant must submit to the FCA the following information:~~
- ~~(1) a completed form A;~~
 - ~~(2) the prospectus;~~
 - ~~(3) if the order of items in the prospectus does not coincide with the order in the schedules and building blocks in the PD Regulation, a cross reference list identifying the pages where each item can be found in the prospectus;~~
 - ~~(4) a letter identifying any items from the schedules and building blocks that have not been included because they are not applicable;~~
 - ~~(5) if information is incorporated in the prospectus by reference to another document, a copy of the document (annotated to indicate which item of the schedules and building blocks in the PD Regulation it relates to);~~
 - ~~(6) if the applicant is requesting the FCA to authorise the omission of information from the prospectus, the information required by PR 2.5.3R;~~
 - ~~(7) [deleted]~~
 - ~~(8) [deleted]~~
 - ~~(9) contact details of individuals who are:

 - ~~(a) [sufficiently knowledgeable about the documentation to be able to answer queries from the FCA; and~~
 - ~~(b) available to answer queries between the hours of 7 a.m. and 6 p.m.; and]~~~~
 - ~~(10) any other information that the FCA may require. [deleted]~~
- 3.1.1A R If the order of disclosure items in the prospectus does not coincide with the order set out in the schedules and building blocks in the PD Regulation, an applicant must provide the FCA with a cross reference list identifying the pages where each disclosure item can be found in the prospectus.
- [Note: articles 25(4) and 26(3) of the PD Regulation]
- 3.1.2 G ~~FEES 3 sets out the relevant application fee payable to the FCA. [deleted]~~
- 3.1.2A R An applicant must take all reasonable care to ensure that any prospectus submitted for approval, for which it is responsible, contains:
- (1) ...
 - (2) the information items required in Annexes I to XVII and Annexes

XX to XXX of the ~~PD regulation~~ Regulation, as appropriate to its application.

...

~~When information must be submitted~~ Timeframe for submission

- 3.1.3 R (1) The *applicant* must submit to the *FCA* by the date specified in paragraph (2):
- (a) ~~the completed form A in final form;~~
- (i) a completed Form A;
- (ii) a completed Prospectus Publication Form;
- (iii) a completed Issuer Contact Details Form; and
- (iv) a completed Transaction Review Submissions Information Sheet;
- [Note: Article 2(2)(e) of Commission Delegated Regulation (EU) No [xxx]/2015. These forms are available on the UKLA section of the *FCA*'s website.]
- (b) the relevant fee; and
- [Note: FEES 3 sets out the relevant fee payable to the *FCA*.]
- (c) ~~the other information referred to in PR 3.1.1R in draft form~~ the first draft of the *prospectus* (accompanied, where relevant, by the additional information set out in article 2(2) of Commission Regulation EU [xxx]/2015).
- [Note: Extracts of article 2 of Commission Regulation EU [xxx]/2015 are reproduced for the convenience of readers in PR 3.1.-1EU.]
- (2) The date referred to in paragraph (1) is:
- ...
- (b) at least 20 *working days* before the intended approval date of the *prospectus* if the *applicant* does not have *transferable securities admission admitted to trading* and has not previously made an *offer*; or
- ...
- (3) The *applicant* must submit the final version of the draft *prospectus* and the additional information set out in Article 4 of Commission Regulation EU [xxx]/2015 to the *FCA* ~~the information referred to in~~

~~paragraph (1)(c) in final form~~ before midday on the day on which approval is required to be granted.

[Note: Article 4 of Commission Regulation EU [xxx]/2015 is reproduced for the convenience of readers in PR3.1.-1EU.]

Drafts of documents

- 3.1.4 R ~~Drafts of documents must be submitted to the FCA:~~
- ~~(1) in a substantially complete form;~~
 - ~~(2) in duplicate in hard copy or an agreed electronic format; and~~
 - ~~(3) annotated in the margin to indicate compliance with all applicable requirements of Part 6 of the Act and these rules. [deleted]~~
- 3.1.5 R ~~If further drafts of documents are required, they must be submitted to the FCA:~~
- ~~(1) marked to show all changes made since the last draft was reviewed by the FCA;~~
 - ~~(2) marked to show all changes made to the documents as a consequence of the FCA's comments (in a way that differentiates those changes from other changes);~~
 - ~~(3) in duplicate in hard copy or an agreed electronic format; and~~
 - ~~(4) annotated in the margin to indicate compliance with all applicable requirements of the Act and these rules. [deleted]~~

...

Request for certificate of approval

- 3.1.6 G ~~If an applicant wishes the FCA to provide a certificate of approval to another competent authority at the time the prospectus is approved, it should include a request for the supply of the certificate with its application for approval of the prospectus (PR 5.3.2R sets out the requirements for such a request). [deleted]~~

Approval of prospectus

- 3.1.7 UK ...
- [Note: Section 87C of the Act sets out time limits for the FCA to notify an applicant of its decision on an application for approval.]
- 3.1.7A EU Article 5(2) and (4) of Commission Delegated Regulation (EU) No [xxx]/2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of

advertisements and amending Commission Regulation (EC) No 809/2004 provides that:

2.	<u>Where the competent authority of the home Member State considers, on reasonable grounds, that the documents submitted to it are incomplete or that supplementary information is needed, for instance due to inconsistencies or incomprehensibility of certain information provided, it shall notify the issuer, offeror or person asking for admission to trading of the need for supplementary information and the reasons therefor, in writing, via electronic means.</u>
4.	<u>Where the issuer, offeror or person asking for admission to trading on a regulated market is unable or unwilling to provide the supplementary information requested in accordance with paragraph 2, the competent authority of the home Member State shall be entitled to refuse the approval of the prospectus and terminate the review process.</u>

- 3.1.8 G ~~The FCA will only approve a prospectus when it considers that the information provided with the application is complete and is in final form.~~
 Note: Section 87C of the Act sets out time limits for the FCA to notify an applicant of its decision on an application for approval. [deleted]

...

Service of Notice Regulations

- 3.1.17 G Regulation 7 of The Financial Services and Markets Act 2000 (Service of Notice Regulations) 2001 (SI 2001/1420) contains provisions relating to the possible methods of serving documents on the FCA. Regulation 7 does not apply to the submission of a draft prospectus to the FCA for approval because of the provisions set out in PR 3.1.-1EU.

3.2 Filing and publication of prospectus

...

Method of publishing

...

- 3.2.6A EU Commission Delegated Regulation (EU) No [xxx]/2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No 809/2004 provides that:

Recital 7

... Requiring investors to agree to a disclaimer limiting legal liability, pay a fee or go through a registration process to gain access to the prospectus impedes easy accessibility and should not be permitted. Filters warning in which jurisdictions an offer is being made and requiring investors to disclose their country of residence or indicate that they are not resident in a particular country or jurisdiction should not be considered as disclaimers limiting legal liability.

Article 6Publication of the prospectus in electronic form

1. When published in electronic form pursuant to points (c), (d) or (e) of Article 14(2) of Directive 2003/71/EC, the prospectus, whether a single document or comprising several documents, shall:

(a) be easily accessible when entering the website;

(b) be in searchable electronic format that cannot be modified;

(c) not contain hyperlinks with the exception of links to the electronic addresses where information incorporated by reference is available;

(d) be downloadable and printable.

2. Where a prospectus containing information incorporated by reference is published in electronic form, it shall include hyperlinks to each document containing information incorporated by reference or to each webpage on which that document is published.

3. If a prospectus for offer of securities to the public is made available on the websites of issuers or financial intermediaries or of regulated markets, these shall take measures to avoid targeting residents in Member States or third countries where the offer of securities to the public does not take place, such as the insertion of a disclaimer as to who are the addressees of the offer.

4. Access to the prospectus published in electronic form shall not be subject to:

(a) completion of a registration process;

(b) acceptance of a disclaimer limiting legal liability;

(c) payment of a fee.

Article 7

<u>Publication of final terms</u>	
<u>The publication method for final terms related to a base prospectus does not have to be the same as the one used for the base prospectus as long as the publication method used is one of the methods indicated in Article 14 of Directive 2003/71/EC.</u>	
<u>Article 8</u>	
<u>Publication in newspapers</u>	
1.	<u>In order to comply with point (a) of Article 14(2) of Directive 2003/71/EC the publication of a prospectus shall be made in a general or financial information newspaper having national or supra-regional scope.</u>
2.	<u>If the competent authority is of the opinion that the newspaper chosen for publication does not comply with the requirements set out in paragraph 1, it shall determine a newspaper whose circulation is deemed appropriate for this purpose taking into account, in particular, the geographic area, number of inhabitants and reading habits in each Member State.</u>

FCA will publish a list of approved prospectuses

- 3.2.7 G The FCA will publish on its website, a list of *prospectuses* approved over the previous 12 months. The list will ~~specify how a prospectus is made available and where it can be obtained, including~~ include, if applicable, a hyperlink to the *prospectus* published on the *issuer's* or *regulated market's* website.

[Note: article 14.4 PD]

...

- 3.2.9 EU ~~Articles 29, 30 and 33 of the PD Regulation provide for further requirements relating to publication of *prospectuses*:~~

<u>Article 29</u>	
<u>Publication in electronic form</u>	
1.	The publication of the prospectus or base prospectus in electronic form, either pursuant to [PR 3.2.4R(3) and PR 3.2.4R(4)], or as an additional means of availability, shall be subject to the following requirements:
- (1)	the prospectus or base prospectus shall be easily accessible when entering the website;

-	(2)	the file format shall be such that the prospectus or base prospectus cannot be modified;
-	(3)	the prospectus or base prospectus shall not contain hyper links, with exception of links to the electronic addresses where information incorporated by reference is available;
-	(4)	the investors shall have the possibility of downloading and printing the prospectus or base prospectus.
-		The exception referred to in point (3) of the first subparagraph shall only be valid for documents incorporated by reference; those documents shall be available with easy and immediate technical arrangements.
2.		If a prospectus or base prospectus for offer of securities to the public is made available on the web sites of issuers and financial intermediaries or of regulated markets, these shall take measures, to avoid targeting residents in Members States or third countries where the offer of securities to the public does not take place, such as the insertion of a disclaimer as to who are the addressees of the offer.
Article 30 Publication in newspapers		
1.		In order to comply with [PR 3.2.4R(1)] the publication of a prospectus or a base prospectus shall be made in a general or financial information newspaper having national or supra regional scope;
2.		If the [FCA] is of the opinion that the newspaper chosen for publication does not comply with the requirements set out in paragraph 1, it shall determine a newspaper whose circulation is deemed appropriate for this purpose taking into account, in particular, the geographic area, number of inhabitants and reading habits in each Member State.
Article 33 Publication of the final terms of base prospectuses		
-		The publication method for final terms related to a base prospectus does not have to be the same as the one used for the base prospectus as long as the publication method used is one of the publication methods indicated in [PR 3.2.4R].

[deleted]

...

3.3 Advertisements

...

Advertisements

...

- 3.3.3A EU Article 11 of Commission Delegated Regulation (EU) No [xxx]/2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No 809/2004 provides that:

<u>Article 11</u>	
<u>Dissemination of advertisements</u>	
1.	<u>Where an advertisement relating to an offer to the public or an admission to trading on a regulated market has been disseminated, and a supplement to the prospectus is subsequently published, due to the arising or noting of a significant new factor, material mistake or inaccuracy relating to the information included in the prospectus, an amended advertisement shall be disseminated if the significant new factor, material mistake or inaccuracy relating to the information included in the prospectus renders the contents of the previously disseminated advertisement inaccurate or misleading.</u>
2.	<u>An amended advertisement shall make reference to the previous advertisement, specify that the previous advertisement has been amended due to it containing inaccurate or misleading information and specify the differences between the two versions of the advertisement.</u>
3.	<u>An amended advertisement shall be disseminated without undue delay following the publication of the supplement. With the exception of orally disseminated advertisements, an amended advertisement shall be disseminated, at a minimum, through the same means as the original advertisement.</u> <u>The obligation to amend an advertisement shall not apply after the final closing of the offer to the public or after the time when trading on a regulated market begins, whichever occurs later.</u>
4.	<u>Where no prospectus is required in accordance with Directive 2003/71/EC, any advertisement shall include a warning to that effect unless the issuer, offeror or person asking for admission to trading on a regulated market chooses to publish a prospectus which complies with Directive 2003/71/EC, Regulation (EC) No 809/2004</u>

and this Regulation.

Other information disclosed must be consistent with prospectus

...

3.3.5 EU ~~Article 34 of the PD Regulation sets out a non-exhaustive list of the types of advertisement covered by the advertising provisions:~~

Dissemination of advertisements	
Advertisements related to an offer to the public of securities or to an admission to trading on a regulated market may be disseminated to the public by interested parties, such as issuer, offeror or person asking for admission, the financial intermediaries that participate in the placing and/or underwriting of securities, notably by one of the following means of communication:	
(1)	Addressed or unaddressed printed matter;
(2)	Electronic message or advertisement received via a mobile telephone or pager;
(3)	Standard letter;
(4)	Press advertising with or without order form;
(5)	Catalogue;
(6)	Telephone with or without human intervention;
(7)	Seminars and presentations;
(8)	Radio;
(9)	Videophone;
(10)	Videotext;
(11)	Electronic mail;
(12)	Faeximile machine (fax);
(13)	Television;
(14)	Notice;
(15)	Bill;

(16)	Poster;
(17)	Brochure;
(18)	Web posting including internet banners.

[deleted]

- 3.3.6 EU ~~Article 34 of the *PD Regulation* also provides for the inclusion of a warning where no *prospectus* is required in accordance with the *PD*:~~

Article 34
Where no prospectus is required in accordance with Directive 2003/71/EC, any advertisement shall include a warning to that effect unless the issuer, the offeror or the person asking for admission to trading on a regulated market chooses to publish a prospectus which complies with Directive 2003/71/EC and this Regulation.

[deleted]

- 3.3.7 EU Article 12 of Commission Delegated Regulation (EU) No [xxx]/2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No 809/2004 provides that:

Article 12
<u>Consistency for the purposes of Article 15(4) of Directive 2003/71/EC</u>
<u>Information disclosed in an oral or written form about the offer to the public or admission to trading on a regulated market, whether for advertisement or other purposes, shall not:</u>
(a) <u>contradict the information contained in the prospectus;</u>
(b) <u>refer to information which contradicts that contained in the prospectus;</u>
(c) <u>present a materially unbalanced view of the information contained in the prospectus, including by way of omission or presentation of negative aspects of such information with less prominence than the positive aspects;</u>
(d) <u>contain alternative performance measures concerning the issuer, unless such are contained in the prospectus.</u>
<u>For the purposes of points (a)-(d), information contained in the prospectus shall consist of information included in the prospectus, if</u>

already published, or information to be included in the prospectus, if the prospectus is published at a later date.

For the purposes of point (d), alternative performance measures shall consist of performance measures which are financial measures of historical or future financial performance, financial position, or cash flows, other than financial measures defined in the applicable financial reporting framework.

App 1.1 Relevant definitions

App 1.1.1 **Note:** The following definitions relevant to the *prospectus rules* are extracted from the *Glossary*.

...		
<i>Prospectus RTS Regulations</i>	(1)	the Commission Delegated Regulation (EU) No 382/2014 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for publication of supplements to the prospectus; <u>and</u>
	(2)	<u>Commission Delegated Regulation (EU) No xxx/2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No 809/2004.</u>
...		

Appendix 9B

Current prospectus forms

FORM A

Application for the approval of a prospectus in accordance with Part VI of the Financial Services and Markets Act 2000 (FSMA) as amended

To: **Financial Conduct Authority**

Date:

_____ [insert name of issuer, offeror, or person seeking admission to trading on a regulated market] (the 'applicant') hereby applies for the draft prospectus¹/registration document/securities note and summary² attached hereto to be approved by the FCA.

Confirmation:

We acknowledge our obligations under FSMA as amended, the Prospectus Directive Regulation and the Prospectus Rules and the legal implications of approval of a prospectus/registration document/securities note and summary under those provisions. Accordingly we confirm, in relation to the application for approval of the attached prospectus/registration document/securities note and summary that:

(a) the United Kingdom is our Home Member State under the Prospectus Directive;

(b) all information required to be included in a prospectus/registration document/securities note and summary has been included therein, or if the final version has not yet been submitted, will be included therein prior to submission; and

(c) all the documents and information required to be provided with the application have been or will be supplied in accordance with the Prospectus Rules and all other requirements of the FCA in respect of this application have been or will be complied with.

Signed

Director or Secretary or other duly authorised officer for and on behalf of

Name of Applicant

Attachments:

- Draft prospectus/registration document/securities note and summary
- The documents referred to in PR 3.1.1
- The applicable fee

¹ References to prospectus in this form include a base prospectus and a supplementary prospectus

² Please delete as appropriate

ISSUER CONTACT DETAILS

New Applicants: Please complete all sections below so that we can set up our records correctly. This information will be used if we need to contact you in the future.

Other Issuers: If the information shown below has changed since your last listing application please complete the relevant sections.

Full name of Issuer

Registered Office
Address:
 Postcode

Telephone Number Fax Number

Website (if applicable)

Main Contact (usually Company Secretary)

Name

Position

Address:
(if different to above)
 Postcode

Telephone Number Fax Number

Email (if applicable)

Preferred Contact Method:

Other Information

Sponsor/Broker (main contact for the issuer)

Persons authorised to release information on behalf of the company

Accounting Reference Date First year end date

PROSPECTUS PUBLICATION FORM

As set out in *PR 3.2.7G*, the FCA will publish on its website, a list of prospectuses approved over the previous 12 months. This list will specify **how** the prospectuses have been made available and **where they can be obtained**– including a hyperlink to the prospectus published on the issuer's or its financial intermediaries' websites and, if applicable, the website of the regulated market on which admission is sought.

Under the Prospectus Directive, a variety of publication options are available to issuers/offerors or persons requesting admission to trading on a regulated market.¹ These options are set out in *PR3.2.4R*. Therefore when completing this form, a number of boxes may not apply and you may leave them blank. However, a person publishing a prospectus in accordance with *PR3.2.4R(1)* or (2) must also publish their prospectus electronically in accordance with *PR3.2.4R (3)*.

The information you give us on this form will appear on our website shortly after your prospectus is approved.

Approved prospectus details

Publication/ approval date	Name(s) of issuer/offeror and/or person requesting admission to trading	Prospectus title	Admission date / offer date

Option 1 - Publication by being made available at office of the issuer and financial intermediaries

The prospectus is to be made available in a printed form, free of charge, at the registered office of the issuer **and** at the offices of the financial intermediaries (*PR 3.2.4R(2)*):

	Issuer	and	Intermediary*
Name:			Name:
Address:			Address:

*Where more than one, please complete for each financial intermediary.

Please note that where this option is chosen, you must also complete Option 6 (PR3.2.4AR).

Option 2 - Publication on website of the issuer or financial Intermediaries

The issuer must make its prospectus available in an electronic form on its website or, if applicable, on that of its financial intermediaries placing or selling the transferable securities, including paying agents (*PR 3.2.4R(3)* and *PR3.2.4A*). A paper copy of the prospectus can be obtained by calling the following telephone numbers (*PR 3.2.6R*):

¹ The requirements to publish a prospectus under *PR3.2.2R – PR3.2.6R* are in addition to, and distinct from, the obligation to file a prospectus with the FCA (via the national storage mechanism) under *PR3.2.1R* and *PR3.2.1AR*.

	Issuer		Intermediary**
Website address*:		Website address*:	
Tel no:		Tel no:	

* Please provide a website address that takes an investor to a webpage from which they can access the document itself, rather than the generic website home page of the issuer or financial intermediary.

** Where more than one, please complete for each financial intermediary.

Option 3 - Publication by being made available at office of a regulated market

If applicable, the prospectus is to be made available in a printed form, free of charge, at the offices of the following regulated market where admission to trading is sought (*PR 3.2.4R(2)*):

Market:	
Address:	

Please note that where this option is chosen, you must also complete Option 6 (PR3.2.4AR).

Option 4 - Publication on the website of a regulated market

If applicable, the prospectus is to be made available in an electronic form on the website of the regulated market where admission to trading is sought (*PR 3.2.4R(4)*):

Website address*:	
-------------------	--

* Please provide a website address that takes an investor to a webpage from which they can access the document itself, rather than the generic website home page of the market.

Option 5 - Publication in a newspaper

The prospectus is to be made available in printed form in the following newspaper edition (*PR 2.4R(1)*):

Newspaper*	
Edition (dd/mm/yy)	

* Where more than one, please complete for each newspaper.

Please note that where this option is chosen, you must also complete Option 6 (PR3.2.4AR).

Option 6 – Additional website publication where Options 1, 3 or 5 chosen

	Issuer		Intermediary**
Website address*:		Website address*:	
Tel no:		Tel no:	

* Please provide a website address that takes an investor to a webpage from which they can access the document itself, rather than the generic website home page of the issuer or financial intermediary.

** Where more than one, please complete for each financial intermediary.

Appendix 10A

Amendments to IFPRU 2

**PRUDENTIAL SOURCEBOOK FOR INVESTMENT FIRMS (PILLAR 2
AMENDMENTS) INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 138D (Action for damages); and
 - (d) section 139A (Power of the FCA to give guidance); and
 - (2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [1 April 2016].

Amendments to the Handbook

- D. The Prudential sourcebook for Investment Firms (IFPRU) is amended in accordance with the Annex to this instrument.

Notes

- E. In the Annex to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Prudential Sourcebook for Investment Firms (Pillar 2 Amendments) Instrument 2016.

By order of the Board
[date 2016]

Annex

Amendments to the Prudential sourcebook for Investment Firms (IFPRU)

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

2 Supervisory processes and governance

[Note: On 19 December 2014, the EBA published Guidelines on common procedures and methodologies for the supervisory review and evaluation process The FCA has confirmed its intention to make every effort to comply with these guidelines that can be found at: <http://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+%28Guidelines+on+SREP+methodologies+and+processes%29.pdf/4b842c7e-3294-4947-94cd-ad7f94405d66>.]

2.1 Application and purpose

...

- 2.1.6 G This section has rules on the individual, sub-consolidated basis and consolidated basis application of:
- (1) the ICAAP rules in IFPRU 2.2.45R to IFPRU 2.2.49R (Level of application: ICAAP rules);
 - (2) the risk control rules in IFPRU 2.2.58R to IFPRU 2.2.60R (Level of application: risk control rules);
 - (3) the overall financial adequacy rule in IFPRU 2.2.61R to IFPRU 2.2.63R (Level of application: overall financial adequacy rules).

2.2 Internal capital adequacy assessment process

Adequacy of financial resources

...

- 2.2.4 G ~~The liabilities referred to in the overall financial adequacy rule include a firm's contingent and prospective liabilities. They exclude liabilities that might arise from transactions that a firm has not entered into and which it could avoid (eg, by taking realistic management actions such as ceasing to transact new business after a suitable period of time has elapsed). They include liabilities or costs that arise in scenarios where the firm is a going concern and those where the firm ceases to be a going concern. They also include claims that could be made against a firm, which ought to be paid in accordance with fair treatment of customers, even if such claims could not be legally enforced.~~

The liabilities referred to in the overall financial adequacy rule:

- (1) include:
- (a) a firm's contingent and prospective liabilities;
 - (b) liabilities or costs that arise in scenarios where the firm is a going concern and those where the firm ceases to be a going concern;
 - (c) claims that could be made against a firm, which ought to be paid in accordance with fair treatment of customers, even if such claims could not be legally enforced; and
 - (d) claims on insurance that a firm has made or is in the course of making; and
- (2) exclude liabilities that might arise from transactions that a firm has not entered into and which it could avoid (e.g., by taking realistic management actions such as ceasing to transact new business after a suitable period of time has elapsed).

...

Strategies, processes and systems

...

- 2.2.16 G (1) A firm should:
- (a) carry out assessments of the sort described in the *overall Pillar 2 rule* and *IFPRU 2.2.13R* on an ongoing basis; and
 - (b) document the assessments in (a), in line with IFPRU 2.2.43R to IFPRU 2.2.44R (Documentation of risk assessments), at least annually, or more frequently if changes in the business, strategy, nature or scale of its activities or operational environment suggest that the current level of financial resources is no longer adequate.
- (2) The appropriateness of the internal process, and the degree of involvement of *senior management* in the process, will be taken into account by the *FCA* when reviewing a *firm's* assessment as part of the *FCA's* own assessment of the adequacy of a *firm's* financial resources and internal capital. The processes and systems should ensure that the assessment of the adequacy of a *firm's* financial resources and internal capital is reported to its *senior management* as often as is necessary.

...

Market risk

...

- 2.2.27 R A firm must take measures against the risk of a shortage of liquidity if the short

position falls ~~before~~ due before the long position.

[Note: article 83(2) of *CRD*]

...

General stress and scenario testing

...

2.2.37 R

...

- (6) A *firm* must report to the *FCA* the results of the stress tests and scenario analysis annually and not later than ~~three~~ six months after its annual reporting date.

[Note: article 100 of *CRD*]

...

Capital planning

...

- 2.2.75 G A *firm* may consider scenarios in which expected future profits will provide capital reserves against future risks. However, it would only be appropriate to take into account profits that can be foreseen with a reasonable degree of certainty as arising before the risk against which they are being held could possibly arise. In estimating future reserves, a *firm* should deduct estimates for future dividend payment or other forms of profits distribution from projections of future profits.

...

Pension obligation risk

...

- 2.2.79 G The focus of the risk assessment is on the *firm's* funding obligations towards the pension scheme, not of the pension ~~scheme itself~~ scheme's risks themselves (i.e., the scheme's segregated assets and liabilities). A *firm* should include in its estimate of financial resources both its expected obligations to the pension scheme and any increase in obligations that may arise in a stress scenario.
- 2.2.80 G If a *firm* has a current funding obligation in excess of normal contributions or there is a risk that such a funding obligation will arise then, when calculating available capital resources, ~~it should reverse out any accounting deficit and replace this in its capital adequacy assessment with its best estimate, calculated in discussion with the scheme's actuaries or trustees, of the cash that will need to be paid into the scheme in addition to normal contributions over the~~

foreseeable future. This may differ from the approach taken in assessing pension scheme risks for the purposes of calculating *own funds* to meet the *own funds* requirements: the *firm* should include these sources of risk as part of its:

- (1) stress tests and scenario analysis under *IFPRU* 2.2.37R and considering at least the scenarios in *IFPRU* 2.2.81G; and
- (2) capital projections under *IFPRU* 2.2.73G.

2.2.81 G A *firm* may wish to consider the following scenarios:

- (1) ...
- (2) one in which the pension scheme position deteriorates (e.g., because either investment returns, or interest rate assumptions, or both, fall below expected returns or because of increases in life expectancy) with an effect on the *firm's* funding obligations; taking into account the management actions the *firm* could and would take.

...

2.3 Supervisory review and evaluation process: internal capital adequacy standards

[Note: On 19 December 2014, the *EBA* published Guidelines on common procedures and methodologies for the supervisory review and evaluation process on 19 December 2014. The *FCA* has confirmed its intention to make every effort to comply with these guidelines that can be found at: <http://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+%28Guidelines+on+SREP+methodologies+and+processes%29.pdf/4b842c7e-3294-4947-94cd-ad7f94405d66>.]

Purpose

...

2.3.1A G *BIPRU* 12 contains rules and guidance relating to the adequacy of a *firm's* liquidity resources and its assessment by the *firm* and the *FCA*.

...

The ICAAP and the SREP: the ICAAP

2.3.4 G The obligation to conduct an *ICAAP* includes requirements on a *firm* to:

...

- (3) conduct stress and scenario tests (the *general stress and scenario testing rule*, –including *SYSC* 20 (Reverse stress testing) – if it is a *significant IFPRU firm*₂ or *SYSC* 20 (Reverse stress testing) if it is not a *significant IFPRU firm*) taking into account, for a *firm* with an IRB permission, the stress test required by the *EU CRR*;

...

- 2.3.5 G (1) Where a *firm* is a member of a group, it should base its *ICAAP* on the consolidated financial position of the group. The group assessment should include information on:
- (a) diversification benefits and transferability of resources between members of the group ~~and~~;
 - (b) the contribution of each member within the group to its overall risk profile;
 - (c) an apportionment of the capital required by the group as a whole to the *firm* (*IFPRU* 2.2.45R to *IFPRU* 2.2.57G (Application of *IFPRU* 2.2 on an individual and consolidated basis)).
- (2) A *firm* may, instead of preparing the *ICAAP* itself, adopt as its *ICAAP* an assessment prepared by other group members.

...

The ICAAP and the SREP: the SREP

...

- 2.3.12 G (1) As part of its *SREP*, the *FCA* will also consider whether a *firm* should hold a *capital planning buffer* and the amount and quality of such *capital planning buffer*.
- (2) In making these assessments, the *FCA* will have regard to the nature, scale and complexity of a *firm's* business and of the major sources of risks relevant to such business as referred to in the *general stress and scenario testing rule* and *SYSC* 20 (Reverse stress testing), and the extent to which the *firm* has used any of the capital buffers that is required of it under the *CRD*, as applicable.
- (3) Accordingly, a *firm's capital planning buffer* should be of sufficient amount and adequate quality to allow the *firm* to continue to meet the *overall financial adequacy rule* in the face of adverse circumstances, after allowing for realistic management actions.

...

The drafting of individual capital guidance and capital planning buffer

- 2.3.19 G If the *FCA* gives *individual capital guidance* to a *firm*, the *FCA* will state what amount and quality of capital the *FCA* considers the *firm* needs to hold in order to comply with the *overall financial adequacy rule*. It will generally do so by saying that the *firm* should hold *own funds* of an amount which is at least equal to a specified percentage of that *firm's ~~own funds requirements~~ total risk exposure amount* calculated in accordance with article 92(3) of the *EU CRR*

plus one or more static add-ons for specific risks, in line with the *overall Pillar 2 rule*.

Appendix 10B

Amendments to GENPRU, SYSC and the Glossary

**FINANCIAL CONGLOMERATES (CONSEQUENTIAL
AMENDMENTS) INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138D (Actions for damages); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date* 2016].

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
General Prudential sourcebook (GENPRU)	Annex C

Citation

- E. This instrument may be cited as the Financial Conglomerate (Consequential Amendments) Instrument 2016.

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.

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

- (a) the *banking and investment services sector* as set out in paragraph 6.2 of *GENPRU 3 Annex 1R*; or
- (b) ~~*insurance undertakings*~~ the *insurance sector* as set out in paragraph 6.4 of *GENPRU 3 Annex 1R*;

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

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

...

- (3) (in *GENPRU 3*):
 - (a) in relation to members of the *financial conglomerate* which is a *PRA-authorised person*, the *PRA*;
 - (b) in relation to any other *authorised person* that is a member of the *financial conglomerate*, the *FCA*;
 - (c) in relation to the *banking and investment services sector*, the *FCA*;
 - (d) in relation to the *insurance sector*, the *PRA*.

consolidation group (1) the following:

- (a) a *conventional group*; or
- (b) *undertakings* linked by a *consolidation Article 12(1) relationship* or ~~(for the purpose of *BIPRU*) an *Article 134 relationship*~~ *article 18(6) relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or ~~(for the purposes of *BIPRU*) an *Article 134 relationship*~~ *article 18(6) relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person)

is also a member of the same *consolidation group*.

...

*EEA prudential
sectoral legislation*

(in relation to a *financial sector*) requirements applicable to *persons* in that *financial sector* in accordance with EEA legislation about prudential supervision of *regulated entities* in that *financial sector* and so that:

- (a) (in relation to the *banking sector* and the *investment services sector*) in particular this includes the requirements laid down in the *EU CRR* and (in relation to a *CAD investment firm*) the *Banking Consolidation Directive* and the *Capital Adequacy Directive*; and
- (b) (in relation to the *insurance sector*) in particular this includes requirements laid down in the *Solvency II Directive* and *Solvency II Regulations*.

insurance sector

a sector composed of one or more of the following entities:

- (a) an *insurance undertaking* a “Solvency II undertaking” as defined in the PRA Rulebook: Glossary;
- (aa) a “third country insurance undertaking” or a “third country reinsurance undertaking” as defined in the PRA Rulebook: Glossary;
- (b) an *insurance holding company*; and
- (c) ...

investment firm

- (1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

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

- (2) (in *IFPRU*, ~~*GENPRU 3*~~ and *BIPRU 12*) has the meaning in article 4(1)(2) of the *EU CRR*.

...

*recognised third
country investment
firm*

- (1) (in *GENPRU 3.2 (Third country groups)* as it applies to a *BIPRU firm* in relation to a *third-country banking and investment group* and *banking and investment group*) a *CAD investment firm* that satisfies the following conditions:

- (a) its head office is outside the *EEA*;
- (b) it is authorised by a *third country competent authority*

in the state or territory in which the *CAD investment firm's* head office is located;

- (c) that *third country competent authority* is named in Part 2 of *BIPRU 8 Annex 6* (Non-EEA investment firm regulators' requirements deemed CRD-equivalent for individual risks); and
- (d) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the *Banking Consolidation Directive* and the *Capital Adequacy Directive* as applied under the third paragraph of article 95(2) of the *EU CRR*.

(2) (except for the purpose in (1)) (in *GENPRU 3.2* (Third country groups) in relation to a *third-country banking and investment group* and *banking and investment group*) an *investment firm* that falls within the meaning of “investment firm” in article 4(1)(2) of the *EU CRR* and which satisfies the following conditions:

- (a) its head office is outside the *EEA*;
- (b) it is authorised by a *third country competent authority* in the state or territory in which the *investment firm's* head office is located;
- (c) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the *EU CRR*.

(3) (in *GENPRU 3.1*) an *investment firm* in either (1) or (2), or both.

regulated entity

one of the following:

- (a) a *credit institution*; or
- (b) a ~~regulated insurance undertaking~~ “Solvency II undertaking”, “third country insurance undertaking” or “third country reinsurance undertaking”, each as defined in the PRA Rulebook: Glossary; or
- (c) an *investment firm*;

whether or not it is incorporated in, or has its head office in, an *EEA State*.

sectoral rules

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

...

(b) (for the purpose of calculating *solo capital resources* a *solo capital resources requirement* ~~and regulatory surplus value~~):

...

...

Annex B

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

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

12 Group risk systems and controls requirements

12.1 Application

12.1.1 R Subject to SYSC 12.1.2R to SYSC 12.1.4R, this section applies to each of the following which is a member of a *group*:

(1) a *firm* that falls into any one or more of the following categories:

(a) a *regulated entity*; ~~or~~ that is:

(i) an investment firm, except a designated investment firm unless (ii) applies; or

(ii) a credit institution or designated investment firm that is a subsidiary undertaking of a parent institution in a Member State that is an IFPRU investment firm; or

...

(e) ~~a non-BIPRU firm that is a parent financial holding company in a Member State and~~ that is a member of one of the following:

(i) a *UK consolidation group*; ~~and~~ or

(ii) a FCA consolidation group; and

...

...

...

12.1.7 G This section implements ~~Articles 73(3) (Supervision on a consolidated basis of credit institutions) and 138 (Intra-group transactions with mixed activity holding companies) of the *Banking Consolidation Directive* Article 109(2) of the *CRD* and Article 9 of the *Financial Groups Directive* (Internal control mechanisms and risk management processes).~~

...

In each of the following provisions in SYSC 12, replace “*appropriate regulator*” wherever appearing with “*FCA*”. The new and deleted text is not shown.

12.1.18G

12.1.21G

12.1.22G

Annex C

Amendments to the General Prudential sourcebook (GENPRU)

[Note to reader: The amendments in this Appendix which relate to the transposition of the Solvency II Directive (2009/138/EC) are proposed to be made to amendments contained in the Solvency II Directive (Consequential Handbook Amendments) Instrument 2015 (FCA 2015/16) which is to come into force on 1 January 2016.]

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

1 Application

1.1 Application

...

1.1.2- G *GENPRU* 3 (Cross sector groups) applies to:
AA

...

(2) an *insurer* that is a “UK Solvency II firm” as defined in the PRA Rulebook: Glossary; and

...

...

2 Capital

...

2.2 Capital resources

...

2.2.214 R The amount to be deducted with respect to each *material insurance holding* is the higher of:

(1) the book value of the *material insurance holding*; and

(2) the *solo capital resources requirement* for the *insurance undertaking* or *insurance holding company* in question calculated in accordance with: ~~Part 3 of *GENPRU* 3 Annex 1R (Method 3 of the capital adequacy calculations for financial conglomerates).~~

(a) for an *insurer* that is *Solvency II firm*, the PRA Rulebook: Solvency II Firms; and

- (b) for an insurer other than in (a), the PRA Rulebook: Non-Solvency II Firms.

...

3 Cross sector groups

3.1 Application

- 3.1.1 R (1) Unless otherwise stated, GENPRU 3.1 applies to every firm that is a member of a financial conglomerate other than:

...

- (c) a UCITS qualifier; ~~and~~
- (d) an ICVC;
- (e) a bank
- (f) a designated investment firm; and
- (g) an insurer.

- (1A) GENPRU 3.1 (except GENPRU 3.1.5R to GENPRU 3.1.13G) applies to each of the following firms that is a member of a financial conglomerate:

- (a) a bank;
- (b) a designated investment firm; and
- (c) an insurer that is a “UK Solvency II firm” as defined in the PRA Rulebook: Glossary.

...

...

Introduction: identifying a financial conglomerate

- 3.1.3 G ...

- (10) If a mixed financial holding company is subject to equivalent provisions under ~~BIPRU 8 (Group risk consolidation)~~ the EEA prudential sectoral legislation in relation to the banking and investment services sector and under GENPRU 3 (Cross sector groups) and the ~~appropriate regulator FCA~~ is the coordinator, the ~~appropriate regulator FCA~~ may, on application by a firm and after consulting other competent authorities responsible for the supervision of subsidiaries, disapply such provisions of ~~BIPRU 8~~ the EEA prudential sectoral legislation in relation to the banking and

investment services sector with regard to the *mixed financial holding company* and apply only the relevant provisions of *GENPRU 3* to the *mixed financial holding company*.

...

3.1.8 R (1) ...

(1A) In determining the investment services sector for the purpose of identifying a financial conglomerate in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3 in the financial conglomerate definition decision tree, any investment firm that does not fall within the definition of article 4(1)(2) of the EU CRR is excluded.

...

...

Risk concentration and intra-group transactions: Table of applicable sectoral rules

3.1.36 R Table: application of sectoral rules

This table belongs to *GENPRU 3.1.35R*

The most important financial sector	Applicable sectoral rules	
	Risk concentration	Intra-group transactions
...		
<i>Insurance sector</i>	<i>PRA Rulebook: Solvency II: Groups: 16.1</i>	<i>Rule 9.39 of IPRU(INS) and, for Solvency II firms, the PRA Rulebook: Solvency II: firms: Groups: 16.2</i>
Note	Any <u>waiver, approval or permission</u> granted to a member of the <i>financial conglomerate</i> , on a solo (or individual for purposes of the <i>EU CRR</i>) or consolidated basis, shall not apply in respect of the <i>financial conglomerate</i> for the purposes of <i>GENPRU 3.1.36R</i> . For this purpose, “ <u>permission</u> ” refers to a consent, approval or agreement conferred on the <i>appropriate regulator as competent authority under the EU CRR</i> .	

3.1.37 R (1) ~~Where the sectoral rules for the banking and investment services sector are being applied, a mixed financial holding company must be treated as being a financial holding company.~~

- (2) ~~Where the rules for the insurance sector are being applied, a mixed financial holding company must be treated as being an insurance holding company. [deleted]~~

...

The financial sectors: asset management companies and alternative investment fund managers

3.1.39 R ...

- (2) An asset management company or an alternative investment fund manager is in the overall financial sector and is a regulated entity for the purpose of:

...

- (c) any other provisions of the *Handbook* ~~or PRA Rulebook~~ relating to the supervision of *financial conglomerates*.

...

3.2 Third country groups

Application

3.2.1 R *GENPRU* 3.2 applies to every *firm* that is a member of a *third-country group*. But it does not apply to:

...

- (4) an *ICVC*; or
 (5) a *bank*; or
 (6) a *designated investment firm*; or
 (7) an *insurer*.

3.2.1A R *GENPRU* 3.2.9R (Supervision by analogy: rules for third-country banking and investment groups) applies in relation to the following:

- (1) a *CAD investment firm*; and
 (2) an *investment firm* that falls within the definition of “investment firm” in article 4(1)(2) of the *EU CRR*.

Purpose

3.2.2 G *GENPRU* 3.2 implements in part Article 18 of the *Financial Groups*

Directive, and Article 127 of the *CRD* and (in relation to *BIPRU firms*) Article 143 of the *BCD*.

Equivalence

- 3.2.3 G ... Article 18(1) of the *Financial Groups Directive* sets out the process for establishing equivalence with respect to *third-country financial conglomerates* and Article 127(1) and (2) of the *CRD* does so with respect to *third-country banking and investment groups*, except where the investment firms in the group are CAD investment firms only, in which case Article 143 of the BCD applies.

...

3 Annex 1R Capital adequacy calculations for financial conglomerates (GENPRU 3.1.26R and GENPRU 3.1.29R)

...

7 Table

A mixed financial holding company	4.4	<p>A <i>mixed financial holding company</i> must be treated in the same way as:</p> <p>(1) a <i>financial holding company</i> (if Part One, Title II, Chapter 2 of the <i>EU CRR</i> and the <i>PRA Rulebook: Groups Part</i>) are applied; or</p> <p>(2) an <i>insurance holding company</i> (if the rules in <i>PRA Rulebook: Solvency II Firms: Group Supervision</i> are applied).</p>
-----------------------------------	-----	--

8 Table: PART 5: Principles applicable to all methods

...
Cross sectoral capital	5.3	<p>In accordance with the second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the <i>Financial Groups Directive</i> (Other technical principles and insofar as not already required in Parts 1 - 32):</p> <p>...</p>
Application of sectoral rules: General	5.4	<p>The following adjustments apply to the <i>applicable sectoral rules</i> as they are applied by the rules in this annex.</p>

		<p>(1) The scope of those rules will be extended to cover any <i>mixed financial holding company</i> and each other member of the <i>overall financial sector</i>. [deleted]</p> <p>...</p> <p>(5) (For the purposes of Parts 1 to 3 <u>and 2</u>) those <i>rules</i> must be adjusted, if necessary, when calculating the capital resources, capital resources requirements or solvency requirements for a particular <i>financial sector</i> to exclude those for a member of another <i>financial sector</i>.</p> <p>(6) Any <i>waiver</i>, <u>approval or permission</u> granted to a member of the <i>financial conglomerate</i> under those <i>rules</i> does not apply for the purposes of this annex.</p>
<p>Application of sectoral rules: Insurance sector</p>	<p>5.5</p>	<p>(1) This rule applies an adjustment to the applicable sectoral rules for the insurance sector as they are applied by the rules in this annex.</p> <p>(2) To the extent that:</p> <p>(a) those rules merely require a report on whether or not a specified level of solvency is met (a soft limit); or</p> <p>(b) the requirements in those rules concern having net assets of any amount at or above certain levels;</p> <p>those requirements are restated so as to include an obligation at all times actually to have capital at or above that level (a hard limit), thereby turning a soft limit into a hard limit and turning a limit drafted by reference to assets and liabilities into a requirement that the level of capital be maintained at or above a specified level. If those rules apply both a hard and soft limit, and the level of the soft limit is higher, that soft limit is applied under this annex, but translated into a hard limit in accordance with the earlier provisions of this rule.</p> <p>[deleted]</p>
<p>Application of sectoral rules: Banking sector and investment services</p>	<p>5.6</p>	<p>...</p> <p>(4) For the purposes of Part 3 <u>Parts 1 and 2</u>), without prejudice to the application of requirements in <i>BIPRU 8</i> preventing the use of an</p>

sector		<p><i>advanced prudential calculation approach</i> on a consolidated basis, any <i>advanced prudential calculation approach permission</i> that applies for the purpose of <i>BIPRU 8</i> does not apply.</p> <p>(5) (For the purposes of Part 3 <u>Parts 1 and 2</u>), <i>BIPRU 8.5.9R</i> and <i>BIPRU 8.5.10R</i> do not apply.</p> <p>...</p>
...

9 Table: PART 6: Definitions used in this Annex

...		
Solo capital resources requirement for Insurance sector	6.4	<p>...</p> <p>(2) The <i>solo capital resources requirement</i> of an <u>undertaking</u> a Solvency II firm in the <i>insurance sector</i> is: the capital resources requirement identified in the PRA Rulebook: Solvency II firms: Solvency Capital Requirement – General Provisions as applying to that undertaking.</p> <p><u>(a) in respect of a UK Solvency II firm, the SCR;</u></p> <p><u>(b) in respect of a Solvency II undertaking other than a UK Solvency II firm, the equivalent SCR as calculated in accordance with the Solvency II EEA implementing measures in its Home State;</u></p> <p><u>(c) in respect of a third country insurance undertaking or third country reinsurance undertaking to which the PRA Rulebook: Solvency II: Group Supervision, 10.4(2) applies, the equivalent of the SCR as calculated in accordance with the applicable requirements in that third country; and</u></p> <p><u>(d) in respect of any undertaking which is not within (a) to (c), the rules for the calculation of the solo capital resources requirement applicable to that undertaking under the PRA Rulebook: Solvency II: Group Supervision and the Solvency II Regulations.</u></p> <p><u>For the purpose of this Part as it applies in relation to GENPRU 3.1, the following expressions bear</u></p>

		<p>the same meaning as defined in the PRA Rulebook: Glossary:</p> <p>(i) “UK Solvency II firm”;</p> <p>(ii) “Solvency II undertaking”;</p> <p>(iii) “Solvency II EEA implementing measures”;</p> <p>(iv) “third country insurance undertaking”; and</p> <p>(v) “third country reinsurance undertaking”.</p>
...
<u>Reference to “rules”</u>	<u>6.7A</u>	A reference to “ <i>rules</i> ” in this annex includes any <u>directly applicable Community regulation that is relevant to the purpose of which “<i>rules</i>” as used refers to.</u>

10 Table

Solo capital resources requirement: the insurance sector	6.8	...
Applicable sectoral consolidation rules	6.9	The <i>applicable sectoral consolidation rules</i> for a <i>financial sector</i> are the appropriate regulator's <i>sectoral rules</i> about capital adequacy and solvency on a consolidated basis that are applied in the table in paragraph 6.10.

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

Financial sector	Sectoral rules
<i>Banking sector</i>	Part One, Title II, Chapter 2 of the <i>EU CRR</i> and the <i>PRA Rulebook</i> and <i>IFPRU</i> 8.1.
...	...
<i>Investment services sector</i>	(in relation to a designated investment firm or an <i>IFPRU investment firm</i> which is a member of a <i>financial conglomerate</i> for which the <i>PRA</i> is the <i>coordinator</i>) Part One, Title II, Chapter 2 of the <i>EU CRR</i> and the <i>PRA Rulebook</i> .

	<p>(in relation to a <i>designated investment firm</i> or an <i>IFPRU investment firm</i> which is a member of a <i>financial conglomerate</i> for which the <i>FCA</i> is the <i>coordinator</i>) Part One, Title II, Chapter 2 of the <i>EU CRR</i> and <i>IFPRU 8.1</i>.</p> <p>...</p>
--	--

3 Annex 2R Prudential rules for third country groups (GENPRU 3.2.8R to GENPRU 3.2.9R)

...

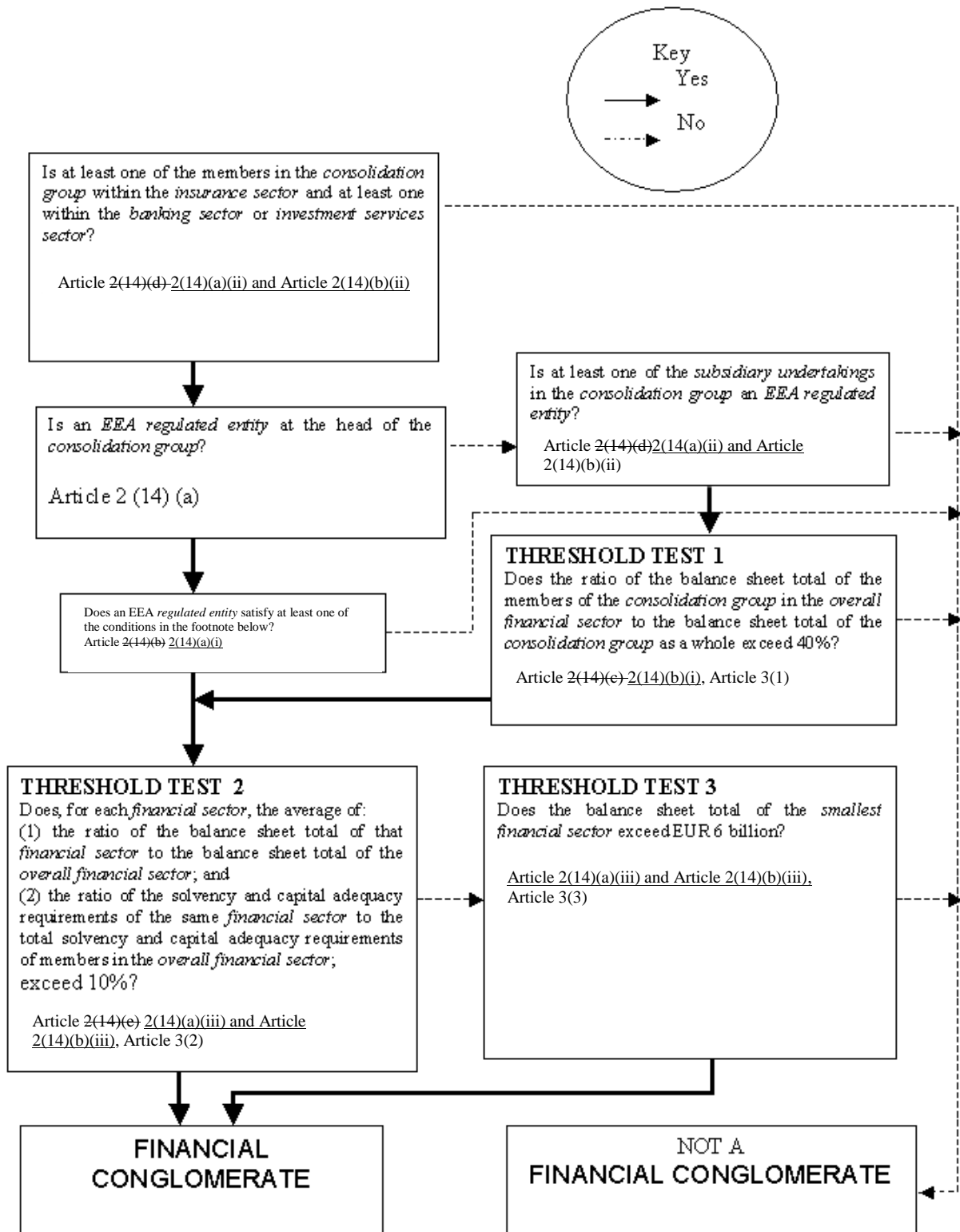
After “3: Table PART 3: Adjustment of scope”, insert the following new table.
The text is not underlined.

4 Table: PART 4: Definition used in this Annex

4.1	This Part sets out the definition which a <i>firm</i> must apply for the purposes of this annex as it applies in relation to <i>GENPRU 3.2</i> .
4.2	A reference to “ <i>rules</i> ” in this annex includes any directly applicable Community regulation that is relevant to the purpose of which “ <i>rules</i> ” as used refers to.

...

3 Annex 4R (see GENPRU 3.1.5R)



...

In each of the following provisions in GENPRU 3, replace “*appropriate regulator*” wherever appearing with “*FCA*”. The new and deleted text is not shown.

3.1.3G(9)

3.1.13G(10)

3.1.15G

3.1.16G

3.1.19G

3.1.21G

3.1.29AR

3.1.30R(1) and 3.1.30R(2)

3.1.33G

3.1.39R(3) and 3.1.39R(4)(d)

3.2.6G

Annex 1, 8 Table: PART 5: Principles applicable to all methods, paragraph 5.7(c)

Annex 1, 9 Table: PART 6: Definitions used in this Annex, paragraph 6.5(1)

Annex 3

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