

# Smarter Consumer Communications: Removing ineffective disclosure requirements in our Handbook

October 2015





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We are asking for comments on this Consultation Paper by 18 December 2015.

You can send them to us using the form on our website at:  
[www.fca.org.uk/your-fca/documents/consultation-papers/cp15-32-response-form](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp15-32-response-form).

**Or in writing to:**

Laura Bonacorsi  
Strategy and Competition Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

**Email:** [cp15-32@fca.org.uk](mailto:cp15-32@fca.org.uk)

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We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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## Abbreviations used in this paper

<b>AFM</b>	Authorised Fund Manager
<b>CFPPFM</b>	Consumer-Friendly Principles and Practices of Financial Management
<b>CBA</b>	Cost benefit analysis
<b>CIDD</b>	Combined Initial Disclosure Document
<b>COBS</b>	Conduct of Business sourcebook
<b>COLL</b>	Collective Investment Schemes sourcebook
<b>CP</b>	Consultation Paper
<b>DP</b>	Discussion Paper
<b>FSA</b>	Financial Services Authority
<b>ICOBS</b>	Insurance: Conduct of Business sourcebook
<b>IDD</b>	Initial Disclosure Document
<b>KFD</b>	Key Features Document
<b>KFI</b>	Key Features Illustration
<b>KID</b>	Key Information Document
<b>MCOB</b>	Mortgages and Home Finance: Conduct of Business sourcebook
<b>PPFM</b>	Principles and Practices of Financial Management
<b>PRIIPs</b>	Packaged Retail and Insurance-based Investment Products
<b>SCDD</b>	Services and Costs Disclosure Document
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities

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# 1. Overview

## Introduction

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- 1.1** In June 2015, we published a Discussion Paper (DP) on Smarter Consumer Communications. This started a debate around how the FCA, industry, consumer groups and other stakeholders can work together to deliver information to consumers in more effective ways.
- 1.2** Communications can play a fundamental role in helping consumers make informed decisions and promoting effective competition. We recognise, however, that simply providing information does not necessarily help consumers. Our work on behavioural economics has shown that overloading consumers with information, particularly where information is complex and poorly presented, can lead to people making poor decisions.
- 1.3** In the DP we set out our commitment to drive improvements in the effectiveness of communications to consumers. We are grateful to all those who have taken the time to respond to the DP, which we are currently considering. We are encouraged that a number of firms, trade associations and other stakeholders are taking forward initiatives to bring about improvements. We strongly support industry-led initiatives aimed at delivering improvements in the quality of information provided to consumers and we are keen to engage and contribute to these where appropriate.
- 1.4** In the DP, we also outlined our intention to consult on removing a number of existing disclosures that have not been effective in terms of informing consumers about a product or service. This reflects our commitment to create a sustainable regulatory framework. We are therefore consulting to amend rules and guidance related to the disclosures listed in the following table on Page 6. This will reduce the regulatory burden on certain firms without impacting consumer protection.

	Documents	Description
Requirements	The 'Consumer-Friendly Principles and Practices of Financial Management' (CFPPFM) (pre-sale document)	Customer disclosure document setting out the firm's approach to managing and operating its with-profits business, including its approach to setting bonus rates, smoothing, and market value reductions.
	Short report (post-sale document)	Half-yearly, disclosure report produced for investors in retail authorised funds showing the most useful and relevant information about the fund's performance and activities during the year or half-year under review.
Guidance	The Initial Disclosure Document (IDD)/ Combined Initial Disclosure Document (CIDD).	These are templates introduced by MCOB and ICOBS disclosure rules that firms can use to disclose their services and the cost of those services.
	Combined Initial Disclosure Document (CIDD)/ Services and Costs Disclosure Document (SCDD).	These are templates introduced by COBS disclosure rules that firms can use to disclose their services and the cost of those services.

### Who does this consultation affect?

- 1.5** The proposal to remove the requirement for firms to produce a CFPPFM will be of direct interest to insurance companies operating with-profits business, their customers, potential customers and firms providing advice on this business.
- 1.6** The proposal to delete the requirement on firms to produce a short report will be of interest to authorised fund managers (AFMs) of UCITS schemes and non-UCITS retail schemes, and service providers such as platforms or third-party administrators.
- 1.7** The proposal to delete the IDD and CIDD will be of interest to home finance and investment firms as well as general insurance firms.
- 1.8** The proposal to delete the template for the SCDD will be of interest to all firms that offer advice to retail clients or arrange transactions for them in relation to packaged products.

### Is this of interest to consumers?

- 1.9** This CP will be of general interest to retail consumers who may buy or seek advice on investments, including with-profit insurance products, mortgages and general insurance products. It will also be of interest to consumer representative groups.



### Equality and diversity considerations

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- 1.10** We have considered the equality and diversity issues that may arise from the proposals in this CP. We do not consider that the proposals in this CP raise concerns with regards to equality or diversity issues.
- 1.11** 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.
- 1.12** 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 input to this consultation on such matters.

### What do you need to do next?

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- 1.13** We want to know what you think of our proposals. Please send us your comments by 18 December.
- 1.14** Use the online response form on our website or write to us at the address on page 2.

### What will we do?

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- 1.15** We will consider your feedback and publish our final rules in a Policy Statement in early 2016.

## 2. Consumer Friendly Principles and Practices of Financial Management (CFPPFM)

- 2.1** The CFPPFM was introduced by the Financial Services Authority (FSA) in 2005 and was designed to provide both potential and existing with-profits policyholders with clear and understandable information about with-profit policies. It sought to do this by presenting the key information included in the full Principles and Practices of Financial Management (PPFM), appropriate to their contract, in a clear and simple way. Potential with-profit policyholders receive this information at the point-of-sale and existing policyholders receive this on an annual basis. A CFPPFM also needs to be made publicly available on the firm's website.
- 2.2** In 2004, when developing the CFPPFM, the FSA tested it with consumers. We found that the CFPPFM helped consumers' understanding of with-profit products. Despite this testing, since its introduction we have received feedback that this disclosure has not been as successful as first expected in terms of increasing the transparency of with-profit business. Feedback suggests few consumers read the document and, those who do, find it difficult to understand. Based on this feedback, we now propose to remove the requirement for firms to produce a CFPPFM.
- 2.3** Separately, a new European Regulation will take effect from 31 December 2016, which will require all manufacturers of retail investment products, including with-profit insurance contracts, to provide potential customers with a Key Information Document (KID). This KID will outline the costs, risks, potential performance and other key information associated with these investments. While this Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation will not apply to pension products, once implemented, it will provide customers of other with-profit insurance policies with important information about these investments. Although the information included in the PRIIPs KID will mostly be different to that included in the CFPPFM, it will help to increase transparency of with-profit business.

**Q1: Do you have any comments on our proposal to remove the requirement to produce a CFPPFM from the Handbook?**

## 3. Short report

- 3.1** Our rules require authorised fund managers to prepare an annual report and a half-yearly short report for each UCITS scheme and non-UCITS retail scheme that they manage. The short report includes relevant information about the performance of the authorised fund.
- 3.2** The content of the short report is prescribed by COLL 4.5.5R. This requires authorised fund managers to provide unitholders with a copy of each short report, in either electronic or hard-copy form.
- 3.3** Short reports were introduced in 2004 because the FSA considered the annual manager's report was so long and detailed that most retail investors found it difficult to understand. The short report was intended to summarise the most useful and relevant information about the fund's performance and activities during the year or half-year under review.
- 3.4** Since its introduction, we have received feedback that the short report does not meet the original aim of providing clear and focused information about funds. We believe that the likely reasons for this are:
- The length and content of the short report does not significantly improve on the long report.
  - The potential time lag in short reports being distributed (four months after the end of each annual accounting period and two months after the end of each half-yearly accounting period) means the information is not timely and therefore may no longer be pertinent to investors.
  - Many fund investors buy products through intermediaries such as online platforms and therefore do not automatically receive the short report.
- 3.5** Given these considerations, we propose to amend the COLL sourcebook to delete the requirements to produce and provide such reports to investors.
- 3.6** While we are consulting to remove requirements for firms to produce short reports, in the Smarter Consumer Communications DP we set out our intention to explore more innovative approaches to meeting consumers' information needs in the market. We invited firms to make suggestions for making information more effective and engaging, specifically for consumers of the asset management industry. We will be reviewing the responses to the Discussion Paper and considering what information should be provided to consumers and in what format.

**Q2: Do you agree with our proposal to delete the requirement on firms to produce a short report?**

## 4.

# The Initial Disclosure Document (IDD), Combined Initial Disclosure Document (CIDD) and Services and Costs Disclosure Document (SCDD)

- 4.1** Our disclosure rules include an overriding requirement for certain firms to disclose information to consumers about the products and the services they offer.

### MCOB and ICOBS disclosure rules

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- 4.2** The IDD was introduced to help consumers compare the services offered by insurance, home finance or investment firms. To do this, our rules set out a prescriptive template for the required information, covering topics such as the scope of service offered and how the firm is paid. There is an additional, expanded template, the CIDD, where a firm covers more than one market.
- 4.3** When first introduced, the IDD and CIDD were required to be given out by home finance and investment firms, and suggested as a disclosure approach for general insurance firms. However, our subsequent experience with the documents was that consumers were making little use of them when choosing firms to buy from.<sup>1</sup> In response, our rules were changed so that firms were no longer required to give out the IDD and CIDD, but the templates remained as guidance suggesting one way to meet relevant disclosure requirements.
- 4.4** We are concerned that these templates create a risk that firms adopt a 'tick-box' approach to their disclosure obligations rather than designing an effective disclosure to help their target customers understand the scope and cost of their service. Also the templates, though only guidance, may still be viewed by firms as a constraint on finding new ways of engaging consumers on key messages. We are therefore proposing to delete the IDD and CIDD templates. Firms might continue to present the information in the same way set out in the templates, but will no longer be able to use the Key Facts Logo after the rules come into force. We recognise that firms might have old stocks of documents with the Key Facts Logo, and firms will of course be able to continue to use the old stocks until the new rules come into force. We propose to allow a reasonable time between the final rules being made and their coming into force.

**Q3: Do you agree to the proposed deletion of the IDD and CIDD and from both MCOB and ICOBS?**

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<sup>1</sup> December 2008, Disclosure in the Prime Mortgage Market, Illuminas.

### COBS disclosure rules

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- 4.5** COBS currently includes a template for the Services and Costs Disclosure Document (COBS 6 Annex 1G).
- 4.6** The 'Services and Costs Disclosure Document' (SCDD) was introduced in 2008 and brings together into one document the key information about services contained in the initial disclosure document (IDD) and key information about the cost of services. The SCDD is similar in style to the IDD but less prescriptive in relation to cost of services, providing firms with greater flexibility to explain the cost of these services.
- 4.7** Guidance in COBS 6.3 suggests that firms that offer advice to retail clients or arrange transactions for them in relation to packaged products, can use the SCDD templates to disclose their services and how much these cost. Anecdotal evidence suggests that the template leads to duplicated information to consumers and firms adopting a tick-box approach to these disclosures rather than considering how disclosure of services and costs can be best delivered. This was not our policy intention when we introduced the guidance and templates.
- 4.8** Therefore we are proposing to remove the SCDD template as well as the CIDD templates although firms are free to continue to present the information in the same way set out in the templates. This will require deleting the whole of COBS 6.3 (apart from COBS 6.3.21R, on group personal pensions, which we are proposing to move to COBS 6.1C).
- 4.9** Firms might choose to continue to present the information in the same way as in the templates but will no longer be able to use the Key Facts Logo once the new rules have come into force.

**Q4: Do you agree with our proposed deletion from COBS of the templates for the Services and Costs Disclosure Document and Combined Initial Disclosure Document, and the consequent deletion of COBS 6.3?**

# Annex 1

## List of questions

- Q1:** Do you have any comments on our proposal to remove the requirement to produce a CFPPFM from the Handbook?
- Q2:** Do you agree with our proposal to delete the requirement on firms to produce a short report?
- Q3:** Do you agree to the proposed deletion of the IDD and CIDD and from both MCOB and ICOBS?
- Q4:** Do you agree with our proposed deletion from COBS of the templates for the Services and Costs Disclosure Document and Combined Initial Disclosure Document, and the consequent deletion of COBS 6.3?

## Annex 2

# Cost benefit analysis

1. Section 138I(2)(a) of the Financial Services and Market Act (FSMA) requires us to publish a cost benefit analysis (CBA) when proposing draft rules. Section 138L(3) of FSMA states 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.
2. In our Smarter Consumer Communications Discussion Paper, we committed to drive improvements in the effectiveness of information consumers receive. The intended outcome of this consultation is to make sure that our Handbook only includes disclosure requirements and guidance that are relevant and useful for consumers and not unnecessarily cumbersome for the industry.
3. We expect that the proposed changes set out in this Consultation Paper will impose no significant increase in costs for affected firms, as we will be removing current disclosure requirements or the optional use of templates. Evidence shows that these disclosures are not as effective as initially envisaged in terms of providing appropriate information to consumers, so we expect that removing these disclosures will have no significant impact on consumers. Indeed, this information will be still available for consumers from alternative sources.
4. Evidence shows that short reports do not meet the original aim of providing clear and focused information to investors about the fund's progress and activities. Consumers will still be able to access the information currently included in the short report through the long report (which must be provided free of charge on request) or other information, such as factsheets, that AFMs may choose to produce.
5. We received feedback from consumers that the CFPPFM is not achieving its intended outcome of delivering better consumer understanding of with-profit products. Most consumers do not read the CFPPFM and, if they do, they find that complex wording or explanations inhibit understanding. For those consumers and their advisers who still wish to access this information, it will be available in firms' full PPFM, which firms will still need to produce and make available.
6. Our consumer research shows that consumers do not value or use the IDD, CIDD and SCDD templates which firms can currently use to disclose the scope and cost of their services. Firms might choose to continue to present the information in the same way set out in the templates but will no longer be able to use the Key Facts Logo. This will require changing the disclosure documents. As a result, we expect firms to incur some one-off costs when introducing this change, but the costs will be minimised by firms being able to use the old stocks until the new rules come into force.

## Annex 3

# Compatibility with the FCA's General Duties

1. This annex explains our reasons for concluding that our proposals relating to the Handbook rules in this consultation are compatible with certain requirements under FSMA.
2. We are required by section 138I (2)(d) of FSMA to explain why we believe our proposed rules are compatible with our strategic objective, advance one or more of our operational objectives, and have regard to the regulatory principles in section 3B of FSMA. We are also required by section 138K (2) of FSMA to state whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

### Compatibility with our objectives

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3. Our proposals are intended to advance our operational objective of securing an appropriate degree of protection for consumers and promote effective competition in the interests of consumers.

### Compatibility with our principles of regulation

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#### ***The need to use our resources in the most efficient and economic way***

4. We have had regard to this principle and do not believe that our proposals will have a significant impact on our resources or the way in which we use them.

#### ***The principle that a burden or restriction should be proportionate to the expected benefits***

5. Where required, in Annex 2 we have set out our analysis of the costs and benefits for relevant proposals. Overall, we believe that our proposals are a proportionate response to the concerns that the disclosures we are proposing to remove are not particularly useful for consumers.

#### ***The desirability of sustainable growth in the economy of the United Kingdom in the medium and long term***

6. We have had regard to this principle and do not believe our proposals undermine it.

#### ***The general principle that consumers should take responsibility for their own decisions***

7. Our proposals are intended to remove unhelpful information consumers receive. This is in line with our commitment to drive improvements in the effectiveness of communications. This will empower consumers to make more informed and better decisions about the products they buy.

#### ***The responsibility of senior management of persons subject to the requirements imposed by or under FSMA, including those affecting consumers, in relation to compliance with those requirements***



8. We have had regard to this principle and do not believe our proposals undermine it.

***The desirability of the FCA exercising its functions in a way which recognises differences in the nature and objectives of businesses carried on by different persons***

9. We have had regard to this principle and do not believe our proposals undermine it.

***The desirability of publishing information in relation to persons***

10. We have had regard to this principle and do not believe our proposals undermine it.

***The principle that we should exercise our functions as transparently as possible***

11. We have had regard to this principle and do not believe our proposals undermine it.

***Compatibility with our competition duty***

12. Our proposals in this paper are intended to remove ineffective disclosures with a view to encouraging firms to engage more effectively with consumers.
13. This will reduce the regulatory burden on firms and empower consumers to make appropriate, informed decisions about financial products and services. This will help drive effective competition.

**Impact on mutuals**

---

14. Section 138K requires us to prepare a statement about the impact of our proposed rules on mutual societies. In particular, we are required to set out our opinion on whether this will be significantly different from the impact on other authorised persons and, if so, details of the difference.
15. We do not expect the proposals in this paper to have a significantly different impact on mutual societies than other authorised persons or present them with any more or less of a burden than other authorised persons.

**Legislative and Regulatory Reform Act 2006 (LRR)**

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16. We are required under the LRR to have regard to the principles in the LRR and to the Regulators' Compliance Code when determining general policies and principles, and giving general guidance (but this duty does not apply to regulatory functions exercisable through our rules).
17. We have had regard to the principles in the LRR and the Regulators' Compliance Code for the parts of the proposals that consist of general policies, principles or guidance. We have engaged with firms and consider that the proposals will be effective in helping firms understand and meet regulatory requirements more easily, in a manner that leads to improved outcomes for consumers and addresses the issues identified in this market following the introduction of the pension freedoms. We also consider that the proposals are proportionate and will result in an appropriate level of consumer protection when balanced with impacts on firms and competition.



# Appendix 1

## Draft Handbook text

**DISCLOSURE DOCUMENTS (AMENDMENT No 2) 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) the following sections of the Act:
- (a) section 137A (The FCA’s general rules);
  - (b) section 137T (General supplementary powers);
  - (c) section 139A (Power of the FCA to give guidance);
  - (d) section 247 (Trust scheme rules);
  - (e) section 248 (Scheme particulars rules);
  - (f) section 261I (Contractual scheme rules); and
  - (g) section 261J (Contractual scheme particulars rules); and
- (2) regulation 6(1) of the Open-ended Investment Companies Regulations 2001 (SI 2001/ 1228).
- 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 FCA Handbook**

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

(1)	(2)
Glossary of definitions	Annex A
General Provisions (GEN)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Insurance: Conduct of Business sourcebook (ICOBS)	Annex D
Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)	Annex E
Collective Investment Schemes sourcebook (COLL)	Annex F

**Citation**

- E. This instrument may be cited as the Disclosure Documents (Amendment No 2) Instrument 2015.

By order of the Board

[date]

## Annex A

## Amendments to the Glossary of definitions

In this Annex, striking through indicates deleted text.

<i>combined initial disclosure document</i>	<p><del>information about the breadth of advice, <i>scope of advice</i> or <i>scope of basic advice</i> and the nature and costs of the services offered by a <i>firm</i> in relation to either:</del></p> <p><del>(a) two or more of the following:</del></p> <ul style="list-style-type: none"> <li><del>(i) <i>packaged products</i> or, for basic advice, <i>stakeholder products</i> that are not a <i>group personal pension scheme</i> or a <i>group stakeholder pension scheme</i> (but only if a <i>consultancy charge</i> will be made);</del></li> <li><del>(ii) <i>non-investment insurance contracts</i>;</del></li> <li><del>(iii) <i>home finance transactions</i> (other than <i>regulated sale and rent back agreement</i>); or</del></li> </ul> <p><del>(b) <i>home finance transactions</i> (other than <i>regulated sale and rent back agreements</i>) only;</del></p> <p><del>which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, <i>COBS 6 Annex 2</i>.</del></p>
<i>CFPPFM</i>	<p><del>the consumer friendly version of a <i>firm's PPFM</i>, which must be produced pursuant to <i>COBS 20.4.5R</i>.</del></p>
<i>initial disclosure document</i>	<p><del>information about the <i>scope of advice</i> and the nature of the services offered by a <i>firm</i> in relation to a non-investment insurance contract in accordance with <i>ICOBS 4.5.1G</i> and set out in <i>ICOBS 4 Annex 1</i>.</del></p>
<i>services and costs disclosure document</i>	<p><del>information about the breadth of advice or <i>scope of basic advice</i> and the nature and costs of the services offered by a <i>firm</i> as described in <i>COBS 6.3.7G</i>, which contains the keyfacts logo, headings and text described in <i>COBS 6 Annex 1</i>.</del></p>

## Annex B

## Amendments to the General Provisions (GEN)

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

## 5 Annex 1 Licence for use of the FSA and keyfacts logos

...	
<b>Permission to use the keyfacts logo</b>	
3A.1	...
3A.2	The following are examples of places where the <i>rules</i> require or permit the keyfacts logo to be used:
	(1) <del>In COBS, in a services and costs disclosure document or combined initial disclosure document (COBS 3.6) [deleted]</del>
	(2) In ICOBS:
	(a) <del>in an initial disclosure document or combined initial disclosure document; [deleted]</del>
	...
	(3) In MCOB:
	(a) <del>in an initial disclosure document or combined initial disclosure document; [deleted]</del>
	...
...	

## Annex C

### Amendments to the Conduct of Business sourcebook (COBS)

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

#### 6.1C Consultancy charging and remuneration

...

6.1C.20 R ...

6.1C.20 R A A firm must take reasonable steps to ensure that its representatives, when making contact with an employee with a view to giving a personal recommendation on his employer's group personal pension scheme or group stakeholder pension scheme, inform the employee:

- (1) that the firm will be providing a personal recommendation on a group personal pension scheme or group stakeholder pension scheme provided by the employer;
- (2) whether the employee will be provided with a personal recommendation that is restricted to the group personal pension scheme or group stakeholder pension scheme provided by the employer or the recommendation will also cover other products;
- (3) that the employee will have to pay an adviser charge (if applicable) unless the representative is making contact pursuant to an agreement made between the firm and the employer under which the firm is remunerated by consultancy charging or a fee payable by the employer.

...

Delete the text of the following section. The deleted text is not shown.

#### 6.3 Disclosing information about services, fees and commission [deleted]

Delete the text of the following two annexes. The deleted text is not shown.

**6 Annex 1G Services and costs disclosure document described in COBS 6.3.7G(1) [deleted]**

**6 Annex 2 Combined initial disclosure document described in COBS 6.3, ICOBS 4.5 and MCOB 4.4A.20G [deleted]**

Amend the following as shown.



## 9.6 Special rules for giving basic advice on a stakeholder product

...

- 9.6.6 G (1) ~~A firm may give a retail client the basic advice initial disclosure information (COBS 9 Annex 1) as part of:~~
- ~~(a) a services and costs disclosure document; or~~
  - ~~(b) a combined initial disclosure document if it has reasonable grounds to believe that it will provide services relating to a stakeholder product and a non-investment insurance contract, a regulated mortgage contract, an equity release transaction or a home purchase plan.~~
- (2) ~~If a firm provides a services and costs disclosure document or combined initial disclosure document to a retail client it will comply with the requirements under:~~
- ~~(a) COBS 2.2.1R(1)(a) and COBS 2.2.1R(1)(d);~~
  - ~~(b) COBS 9.6.5R(1) and COBS Annex 1;~~
  - ~~(c) the items of distance marketing information set out in paragraphs (1), (2), (4), (5), (19) and (20) of COBS 5 Annex 1R; and~~
  - ~~(d) any duties that apply to it under the rule on information to be provided by the insurance intermediary (COBS 7.2.1R(1) and 2)). [deleted]~~
- 9.6.7 R For the purposes of GEN 5, a firm may not use the keyfacts logo in relation to any document that is designed to comply with rules in COBS 9.6 or COBS 7 unless it is a services and costs disclosure document or combined initial disclosure document produced in accordance with templates and notes in the annexes to COBS 6. [deleted]

...

## 20 With-profits

### 20.1 Application

...

- 20.1.3 R For an EEA insurer:

...

- (3) the rule on providing information to with-profits policyholders who are habitually resident in the United Kingdom (COBS 20.4.4R) and the rule on production and provision of a CFPPFM (COBS 20.4.5R)

~~apply~~ applies, but the rest of *COBS 20.4* (Communications with with-profits policyholders) does not ~~;~~ and

- (4) ~~the rule on production and provision of a *CFPPFM* (*COBS 20.4.5R*) applies as if a reference to a *firm* was a reference to an *EEA insurer* in relation to any of its *with-profits policyholders* who are *habitually resident* in the *United Kingdom*; and [deleted]~~

...

...

## 20.4 Communications with with-profits policyholders

...

Consumer friendly PPFM

- 20.4.5 R ~~A firm must:~~
- (1) ~~produce a CFPPFM describing the most important information set out under each of the headings in its PPFM and keep it up to date as the PPFM changes over time;~~
  - (2) ~~express its CFPPFM in clear and plain language that can be easily understood by a with-profits policyholder, or potential with-profits policyholder who does not possess any specialist or technical knowledge;~~
  - (3) ~~provide its CFPPFM free of charge with any:~~
    - (a) ~~written notice sent to with-profits policyholders on proposed changes to its with-profits principles (where the firm must provide the version of the CFPPFM in use before the changes if this has not already been provided);~~
    - (b) ~~annual statements sent to its with-profits policyholders (unless there has been no material change in the CFPPFM since it was last supplied); and~~
    - (c) ~~key features document for a with-profits policy; and~~
  - (4) ~~make its CFPPFM publicly available and prominently signpost the availability on its website. [deleted]~~
- 20.4.6 G ~~A firm may include the information set out in its CFPPFM in any other document it produces. [deleted]~~

...

## Annex D

### Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

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

Delete the text of ICOBS 4.5, as shown.

#### **4.5 Initial disclosure document** [deleted]

- ~~4.5.1 G Using an *initial disclosure document* (see *ICOBS 4 Annex 1G*) or *combined initial disclosure document* satisfies the status disclosure, scope of service and *fee* disclosure requirements if it is used in accordance with its notes and provided to the *customer* at the correct time.~~

Delete the text of the following annex. The deleted text is not shown.

#### **4 Annex 1G Initial disclosure document** [deleted]

## Annex E

### Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

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

#### 1.2 General application: who? what?

...

Business loans and loans to high net worth mortgage customers: additional requirements if tailored route is used

1.2.7 R In relation to a *regulated mortgage contract* for a business purpose or with a *high net worth mortgage customer*, if a *firm* has opted for the tailored route, it must adopt the following modifications to the sourcebook:

(1) ~~(except in relation to sections 5 and 8 of any *combined initial disclosure document*)~~ substitute an alternative description of the facility provided under the *regulated mortgage contract* for ‘mortgage’ where that term is used in any disclosure;

(2) ...

...

...

#### 4.4A Initial disclosure requirements

...

Additional disclosure where the services are to be provided to a consumer under a distance contract

...

4.4A.20 G ~~If used in accordance with its notes and provided to the *customer* at the correct time, using a *combined initial disclosure document* in a durable medium may satisfy the requirements of *MCOB* 4.4A.18R, though *firms* should consider whether it contains all the contractual terms and conditions of the *distance contract*. [deleted]~~

...

#### 4.9 Business loans and loans to high net worth mortgage customers: tailored provisions

...

## Initial disclosure document

- 4.9.4 G (1) *Firms* are reminded that *MCOB 1.2.7R* enables them to substitute an alternative for ‘mortgage’ in the initial disclosure in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* ~~(except in relation to sections 5 and 8 of any combined initial disclosure document).~~
- (2) ~~*MCOB 1.2.7R* also means that a *firm* should amend any combined initial disclosure document in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* so that the final sentence of prescribed text in section 4 states: ‘You will receive an illustration which will tell you about any fees relating to a particular [term used by the firm to describe the borrowing, for example “secured overdraft”]’. [deleted]~~
- (3) Where the initial disclosure in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* makes reference to the permitted business of a *firm*, ~~(for example, sections 5 and 8 of the combined initial disclosure document may refer to a *firm* advising on or arranging regulated mortgage contracts)~~ a *firm* can add text explaining the relevance of these descriptions. One approach may be to add an additional sentence such as: ‘Secured overdrafts are referred to here as “mortgages” because they involve a charge being taken over your property’.

## Annex F

## Amendments to the Collective Investment Schemes sourcebook (COLL)

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

## 4.2 Pre-sale notifications

...

Table: contents of the prospectus

4.2.5

R

...		
Reporting, distributions and accounting dates		
4	(c)	the <i>accounting reference date</i> and when the long report will be published in accordance with COLL 4.15.14R (Publication and availability of annual and half-yearly long report); <del>and</del> .
	(d)	<del>when the short report will be sent to <i>unitholders</i> in accordance with COLL 4.5.13R (Provision of short report):</del> <u>[deleted]</u>
...		

...

...

## 4.5 Reports and accounts

...

Explanation

4.5.2

G In order to provide the *unitholders* with regular and relevant information about the progress of the *authorised fund*, the *authorised fund manager* must:

- (1) prepare a ~~short report and a~~ long report half-yearly and annually; and
- (2) ~~send the short report to all *unitholders*; and~~ [deleted]
- (3) make the long report available to *unitholders* on request.

Preparation of long ~~and short~~ reports

- 4.5.3 R (1) The *authorised fund manager* must for each *annual accounting period* and *half-yearly accounting period*, prepare ~~a short report and~~ a long report for a *scheme*.
- (2) For a *scheme* which is an *umbrella*, the *authorised fund manager* must prepare a short report for each *sub-fund* but this is not necessary for the *umbrella* as a whole. ~~[deleted]~~
- ...

...

## Contents of a short report

- 4.5.5 R (1) The short report for an *authorised fund*, or for a *scheme* which is an *umbrella*, its *sub-fund*, must contain for the relevant period:
- (a) (i) ~~the name of the *scheme* or *sub-fund*;~~
  - (ii) ~~its stated investment objectives and the policy and strategy pursued for achieving those objectives;~~
  - (iii) ~~a brief assessment of its risk profile;~~
  - (iv) ~~in the case of a *UCITS scheme*, the figure for the *synthetic risk and reward indicator* disclosed in its most up-to-date *key investor information document* and any subsequent changes to that figure during that period; and~~
  - (b) ~~a review of the *scheme* or *sub-fund's* investment activities and investment performance during the period;~~
  - (c) ~~a performance record consistent with *COLL 4.5.10R(1)* (*Comparative table*) so as to enable a *unitholder* to put into context the results of the investment activities of the *scheme* during the period;~~
  - (d) ~~sufficient information to enable *unitholders* to form a view on where the portfolio is invested at the end of the period and the extent to which that has changed over the period;~~
  - (e) ~~any other significant information which would reasonably enable *unitholders* to make an informed judgement on the activities of the *scheme* or *sub-fund* during the period and the results of those activities at the end of the period; and~~
  - (f) ~~a statement that the latest long report is available on request.~~



- (1A) ~~The short report of a UCITS scheme which is a feeder UCITS must also include:~~
- ~~(a) in relation to each annual accounting period only, a statement on the aggregate charges of the feeder UCITS and the master UCITS;~~
  - ~~(b) a description of how the annual and half-yearly long reports of its master UCITS can be obtained; and~~
  - ~~(c) where the master UCITS is a UCITS scheme, a description of how its annual and half-yearly short reports can be obtained.~~
- ~~[Note: article 63(2) of the UCITS Directive]~~
- (1B) ~~The short report of a feeder NURS must also include:~~
- ~~(a) in relation to each annual accounting period only, a statement on the aggregate charges of the feeder NURS and its qualifying master scheme;~~
  - ~~(b) a description of how the annual and half-yearly long reports (or nearest equivalent documents for a qualifying master scheme that is a recognised scheme) of its qualifying master scheme can be obtained; and~~
  - ~~(c) where the qualifying master scheme is a UCITS scheme or non-UCITS retail scheme, a description of how the annual and half-yearly short reports of its qualifying master scheme can be obtained.~~
- (2) ~~The authorised fund manager must take reasonable steps to ensure that the short report is structured and written in such a way that it can be easily understood by the average investor.~~
- (3) ~~The short report must form a separate stand-alone document which must not include any extraneous material.~~
- (4) ~~The inclusion in a single document of the short reports of more than one of an authorised fund manager's schemes with the same accounting periods, or of more than one sub-fund in an umbrella, is not a contravention of (3) if each such report is discrete and easily identifiable.~~
- (5) ~~The authorised fund manager must ensure that the information given in the short report is consistent with the long report for the relevant accounting period prepared under COLL 4.5.7R (Contents of the annual long report) or COLL 4.5.8R (Contents of the half-yearly long report). [deleted]~~

~~Significant information to be contained in the short report~~

- 4.5.6 G For the purpose of ~~COLL 4.5.5R(1)(d) and COLL 4.5.5R(1)(e)~~ the *authorised fund manager* should consider including the following as sufficient and significant information:
- (1) particulars of any fundamental change to the *scheme* which required *unitholder* approval by meeting during the period;
  - (2) particulars of any significant change to the operation of the *scheme* requiring pre-notification, but this need only be given if the change impacts on the *unitholders'* ability to make an informed judgement on the activities of the *scheme*;
  - (3) particulars of any other developments in relation to the investment policy and strategy of the *scheme*, or the instruments used by it during the period;
  - (4) the total expense ratio at the end of the period or, in the case of a *UCITS scheme*, the ongoing charges figure together with (where appropriate) any performance-related fee payable to the *authorised fund manager* or any investment adviser;
  - (5) particulars of any qualification of the reports of the auditor and *depository*; and
  - (6) particulars of any income or distribution relating to the period. [deleted]

...

#### Provision of short report

- 4.5.13 R (1) The *authorised fund manager* must, within four *months* after the end of each *annual accounting period* and within two *months* after the end of each *half-yearly accounting period*, respectively provide free of charge the short report in accordance with (2).
- (2) The *authorised fund manager* must send a copy of the report:
- (a) to each *unitholder* (or to the first named of joint *unitholders*) entered in or entitled to be entered in the *register* at the close of business on the last day of the relevant accounting period;
  - (b) to each *unitholder* of bearer *units* at his request; and
  - (c) to any other *person* free of charge on request.
- (3) *Unitholders* in a *scheme* which is an *umbrella* must be provided with a report relating to the particular *sub-fund* in which they hold *units* subject to providing the long report on the *umbrella* on request in accordance with *COLL 4.5.14R(2)(a)*.

(4) ~~The authorised fund manager must provide the reports in (1) and (3) to each unitholder:~~

(a) ~~in a durable medium; or~~

(b) ~~by means of a website that meets the website conditions.~~  
[deleted]

...

#### 4.6 Simplified Prospectus provisions

...

##### Contents of the simplified prospectus

4.6.8

R	...		
(26)	(a)	a statement that the following <i>documents</i> of the <i>qualifying master scheme</i> are available to <i>unitholders</i> of the <i>feeder NURS</i> upon request, and details of how they may be obtained:	
	(i)	...	
		...	
	(iii)	the annual and half-yearly long reports (or nearest equivalent documents for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i> ); <del>and</del>	
	(iv)	<del>where the <i>qualifying master scheme</i> is a <i>UCITS scheme</i> or <i>non-UCITS retail scheme</i>, its annual and half-yearly short reports;</del> [deleted]	
	...		
...			

...

#### 7.3 Winding up a solvent ICVC and terminating or winding up a sub-fund of an ICVC

...

##### Reports and accounts

- 7.3.10 R (1) ~~The ACD need not (as would be required under COLL 4.5.13R (Provision of short report)) prepare a short report relating to an *annual accounting period* or *half-yearly accounting period* which begins after commencement of winding up or termination, if the *directors* of the *ICVC*, after consulting the *depository*, have reasonably determined that this is not required in the interests of *unitholders*. [deleted]~~
- (1A) ~~The ACD must consult with the *depository* before determining that a short report is not required in the interests of *unitholders*. [deleted]~~
- (2) ~~Where (1) applies~~ For any *annual accounting period* or *half-yearly accounting period* which begins after commencement of the winding up or termination, a copy of the long report must be supplied free of charge to any *unitholder* upon request.
- (3) ~~Where (1) applies, the~~The ACD must ensure that it keeps *unitholders* appropriately informed about the winding up or termination including, if known, its likely duration.
- ...
- 7.3.10A G (1) The effect of *COLL 7.3.10R(H)*, if exercised by the *directors* of the *ICVC*, is that the ACD must continue to prepare annual and ~~half-annual~~ *half-yearly* long reports and to make them available to *unitholders* in accordance with *COLL 4.5.14R*.
- ...

...

#### 7.4 Winding up an AUT and terminating a sub-fund of an AUT

...

##### Accounting and reports during winding up or termination

- 7.4.5 R (1) ~~For any *annual* or *half-yearly accounting period* which begins after commencement of the winding up or termination, the *manager* is not required to prepare a short report (*COLL 4.5.13R* (Provision of short report)), provided that it has reasonably determined that the report is not required in the interests of the *unitholders*. [deleted]~~
- (1A) ~~The *manager* must consult the *trustee* before determining that a short report is not required in the interests of *unitholders*. [deleted]~~
- (2) ~~Where (1) applies~~ For any *annual accounting period* or *half-yearly accounting period* which begins after commencement of the winding up or termination, a copy of the long report must be supplied free of charge to any *unitholder* upon request.

(2A) ~~Where (1) applies, the~~ The *manager* must ensure that it keeps *unitholders* appropriately informed about the winding up or termination, including its likely duration.

7.4.6 G (1) The effect of *COLL 7.4.5R(1)*, ~~if exercised by the *manager* and *trustee*,~~ is that the *manager* must continue to prepare annual and half-yearly long reports and to make them available to *unitholders* in accordance with *COLL 4.5.14R*.

...

#### 7.4A **Winding up a solvent ACS and terminating a sub-fund of a co-ownership scheme**

...

##### Accounting and reports during winding up or termination

7.4A.9 R (1) ~~For any *annual* or *half-yearly accounting period* which begins after commencement of the winding up or termination, the *authorised contractual scheme manager* is not required to prepare a short report (*COLL 4.5.13R* (Provision of short report)), provided that it has reasonably determined that the report is not required in the interests of the *unitholders*.~~~~[deleted]~~

(2) ~~The *authorised contractual scheme manager* must consult the *depository* before determining that a short report is not required in the interests of *unitholders*.~~~~[deleted]~~

(3) ~~Where (1) applies~~ For any *annual accounting period* or *half-yearly accounting period* which begins after commencement of the winding up or termination, a copy of the long report must be supplied free of charge to any *unitholder* upon request.

(4) ~~Where (1) applies, the~~ The *authorised contractual scheme manager* must ensure that it keeps *unitholders* appropriately informed about the winding up or termination, including its likely duration.

...

7.4A.10 G (1) The effect of *COLL 7.4A.9R(1)*, ~~if exercised by the *authorised contractual scheme manager* and *depository*,~~ is that the *authorised contractual scheme manager* must continue to prepare annual and half-yearly long reports and to make them available to *unitholders* in accordance with *COLL 4.5.14R* (Publication and availability of annual and half-yearly long report).

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Financial Conduct Authority



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