

Glossary

applicable provisions

FCA PRA

the *Host State* rules with which:

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

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

applicable sectoral consolidation rules

FCA PRA

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

■ GENPRU 3 Annex 1 R.

applicable sectoral rules

FCA PRA

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

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

(b) *insurance undertakings*;

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

applicant

FCA PRA

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

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

appointed representative

FCA PRA

(A) In the PRA Handbook:

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

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

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

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

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

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

(2) (in relation to a *firm* with a *permission* only to carry on one or more *regulated activities* prescribed for the purposes of section 39(1E)(a) of the *Act*) in accordance with section 39 of the *Act*, a person ("A") who:

(a) is a party to a contract with another *authorised person* (A's *principal*) which:

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

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

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

and, therefore, to whom sections 20(1) and (1A) and 23(1A) of the *Act* do not apply in relation to the carrying on by A of a *regulated activity* which is not one to which A's *permission* relates, and is comprised in the carrying on of the business for which A's *principal* has accepted responsibility.

(B) In the FCA Handbook:

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

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

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

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

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

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

(2) (in relation to a *firm* with a *permission* only to carry on one or more *regulated activities* prescribed for the purposes of section 39(1E)(a) of the *Act*) in accordance with section 39 of the *Act*, a person ("A") who:

(a) is a party to a contract with another *authorised person* (A's *principal*) which:

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

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

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

and, therefore, to whom sections 20(1) and (1A) and 23(1A) of the *Act* do not apply in relation to the carrying on by A of a *regulated activity* which is not one to which A's *permission* relates, and is comprised in the carrying on of the business for which A's *principal* has accepted responsibility.

Appointed Representatives Regulations

FCA PRA

the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001 (SI 2001/1217).

apportionment and oversight function

FCA controlled function CF8 in Parts 1 and Part 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.1 R .

FCA PRA

appropriate actuary

an *actuary* appointed under ■ SUP 4.4.1 R (Appointment of an appropriate actuary).

FCA PRA

appropriate charges information

(in *COBS*) information about charges which is calculated and presented in accordance with the charges *rules* in ■ COBS 13.4.1 R and ■ COBS 13 Annexes 3 or ■ 4.

FCA PRA

appropriate position risk adjustment

(1) (in relation to a *position* treated under ■ BIPRU 7.6 (Option PRR)) the percentage figure applicable to that *position* under the table in ■ BIPRU 7.6.8 R (Appropriate Position Risk Adjustment);

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

FCA PRA

appropriate regulator

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

(2)

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

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

FCA PRA

appropriate UK regulator

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

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

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

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

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

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

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

FCA PRA

appropriate valuer

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

FCA PRA

approve

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

FCA PRA

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approved bank

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

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

(i) the Bank of England; or

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

FCA PRA

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

(b) if the account is opened elsewhere:

- (i) a bank in (a); or
- (ii) a *credit institution* established in an *EEA State* other than the *United Kingdom* and duly authorised by the relevant *Home State* regulator; or
- (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or

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

(d) any other bank that:

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

(in *COLL*) any person falling within (a-c).

approved collateral

FCA **PRA**

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

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

approved counterparty

FCA **PRA**

any of the following:

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

approved credit institution

FCA **PRA**

(A) In the PRA Handbook:

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

(B) In the FCA Handbook:

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

approved depositary

FCA **PRA**

any *depositary*:

- (a) which is subject to regulation by a national *regulatory body* in connection with its custody services;

approved derivative

FCA **PRA**

approved financial institution

FCA **PRA**

approved index

FCA **PRA**

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

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

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

any of the following:

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

in relation to *permitted links*:

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

*approved
money-market
instrument*

FCA **PRA**

(d) the average earnings index when used for the purposes of orders made under section 148 of the Social Security Administration Act 1992 by the Department for Work and Pensions.

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

*approved
person*

FCA **PRA**

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

*approved
quasi-derivative*

FCA **PRA**

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

*approved
reinsurance to
close*

FCA **PRA**

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

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

(i) effected after 1 January 2005; and

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

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

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

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

*approved
reporting
mechanism*

FCA **PRA**

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

approved security

FCA **PRA**

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

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

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

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

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

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

(a) any *security* issued or guaranteed by, or the repayment of the principal of which, or the interest on which is guaranteed by, and any loan to or deposit with, any government, public or local authority or nationalised industry or undertaking that belongs to Zone A as defined in the *Banking Consolidation Directive*; or

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

(c) debentures issued before 31 December 1994 by the Agricultural Mortgage Corporation Ltd or the Scottish Agricultural Securities Corporation Ltd.

approved stock lending transaction

FCA **PRA**

a *stock lending* transaction in respect of which the conditions in **■ INSPRU 3.2.36 R** have been met.

APR

FCA **PRA**

(A) In the PRA Handbook:

annual percentage rate.

(B) In the FCA Handbook:

(1) (except in *CONC*) *annual percentage rate*.

(2) (in *CONC* for a *credit agreement* secured on *land*) the *annual percentage rate of charge* for credit determined in accordance with the rules in **■ CONC App 1.1** and **■ CONC 3.6.9 R**.

(3) (in *CONC* for all other *credit agreements*) the *annual percentage rate of charge* for credit determined in accordance with the rules in **■ CONC App 1.2** and **■ CONC 3.5.13 R**.

APR rules

FCA **PRA**

■ MCOB 10.

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arrangement

FCA **PRA**

(as defined in section 59(10) of the *Act* (Approval for particular arrangements)) any kind of arrangement for the performance of a function of an *authorised person* ("A") which is entered into by A or any contractor of his with another *person*, including, in particular, that other *person's* appointment to an office, his becoming a partner, or his employment (whether under a contract of service or otherwise).

arranging

FCA **PRA**

(a) (except in relation to a *home finance transaction*) *arranging (bringing about) deals in investments, making arrangements with a view to transactions in investments or agreeing to carry on either of those regulated activities.*

(b) (in relation to a *regulated mortgage contract*) *arranging (bringing about) regulated mortgage contracts, making arrangements with a view to regulated mortgage contracts or agreeing to carry on either of those regulated activities;*

(c) (in relation to a *home purchase plan*) *arranging (bringing about) a home purchase plan, making arrangements with a view to a home purchase plan or agreeing to carry on either of those regulated activities.*

(d) (in relation to a *home reversion plan*) *arranging (bringing about) a home reversion plan, making arrangements with a view to a home reversion plan or agreeing to carry on either of those regulated activities.*

arranging (bringing about) a home finance transaction

FCA **PRA**

any of the *regulated activities* of *arranging (bringing about) a regulated mortgage contract, arranging (bringing about) a home purchase plan, arranging (bringing about) a home reversion plan or arranging (bringing about) a regulated sale and rent back agreement.*

arranging (bringing about) a home purchase plan

FCA **PRA**

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

(a) enter into a *home purchase plan* as *home purchaser*; or

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

arranging (bringing about) a home reversion plan

FCA **PRA**

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

(a) enter into a *home reversion plan* as *reversion occupier* or as plan provider; or

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

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

FCA **PRA**

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

(a) for another *person* to enter into a *regulated sale and rent back agreement* as an agreement seller or as an agreement provider; or

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

including making arrangements with a view to a *person* who participates in the arrangements

entering into a regulated sale and rent back agreement as agreement seller or agreement provider.

arranging (bringing

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

about) deals in investments

FCA **PRA**

(whether as *principal* or agent) to *buy, sell*, subscribe for or underwrite a particular *investment* which is:

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

arranging (bringing about) regulated mortgage contracts

FCA **PRA**

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

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

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

arranging deals in contracts of insurance written at Lloyd's

FCA **PRA**

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

arranging qualifying credit

FCA **PRA**

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

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

arranging safeguarding and administration of assets

FCA **PRA**

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

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

arrears

FCA **PRA**

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

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

article 12(1)
relationship

PRA

(A) (in the PRA Handbook):

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

Article 129
implementing
measure

FCA **PRA**

any:

(a) measure taken by the *appropriate regulator* under regulations 7-9 of the *Capital Requirements Regulations 2006*; or

(b) corresponding measure taken by another *competent authority* to apply an *Article 129 permission* as referred to in the last paragraph of Article 129(2) of the *Banking Consolidation Directive*.

Article 129
permission

FCA **PRA**

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

Article 129
procedure

FCA **PRA**

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

Article 134
relationship

FCA **PRA**

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

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

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

article 18(5)
relationship

FCA **PRA**

(A) (in the PRA Handbook)

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

(B) (in the FCA Handbook)

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

article 18(6)
relationship

FCA

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

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

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

article 9
default

FCA PRA

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

- (a) the passing of a resolution for the voluntary winding up of an authorised insurance company within the meaning of section 3 of the Policyholders Protection Act 1975 in circumstances falling within section 5(1)(a) of that Act;
- (b) the making by the court of an order for the winding up of such a company in accordance with section 5(1)(b) of that Act;
- (c) the appointment of a provisional liquidator in the circumstances falling within section 15 of that Act in respect of such a company;
- (d) such a company becoming a company in financial difficulties within the meaning of section 16 of that Act;
- (e) a *participating deposit-taker* becoming insolvent for the purposes of Part II of the Banking Act 1987;
- (f) a *participating institution* becoming insolvent within the meaning of section 25A of the Building Societies Act 1986;
- (g) the beginning of a dissolution or transfer of engagements of a *member society* in accordance with rule 9(2) of the Rules of the Friendly Societies Protection Scheme.

assessable
mutual

FCA PRA

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

asset

FCA PRA

(in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) any property, right, entitlement or interest.

asset backed
commercial
paper
programme

FCA PRA

(for the purposes of ■ BIPRU 9 (Securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) a programme of *securitisations* (within the meaning of paragraph (2) of the definition of securitisation) the securities issued by which predominantly take the form of commercial paper with an original maturity of one year or less.

asset backed
security

FCA PRA

(as defined in the *PD Regulation*) *securities* which:

- (a) represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets of amounts payable thereunder; or
- (b) are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.

asset
identification
rules

FCA PRA

rules made by the *appropriate regulator* which require an *authorised person* who has *permission* to *effecting* or *carry out contracts of insurance* to identify assets which belong to him and which are maintained in respect of a particular aspect of his business.

asset
management
company

FCA PRA

a management company within the meaning of Article 2(1)(b) of the *UCITS Directive*, as well as an *undertaking* the registered office of which is outside the *EEA* and which would require authorisation in accordance with Article 6(1) of the *UCITS Directive* if it had its registered office within the *EEA*.

| | |
|---|--|
| <p><i>asset pool</i> FCA PRA</p> | <p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) an asset pool within the meaning of Regulation 3 of the <i>RCB Regulations</i>.</p> |
| <p><i>asset pool monitor</i> FCA PRA</p> | <p>a <i>person</i> appointed under regulation 17A of the <i>RCB Regulations</i>.</p> |
| <p><i>asset-related capital requirement</i> FCA PRA</p> | <p>a component of the calculation of the <i>ECR</i> for a <i>firm</i> carrying on <i>general insurance business</i> as set out in INSPRU 2.2 .</p> |
| <p><i>assignment</i> FCA</p> | <p>in accordance with article 60L of the <i>Regulated Activities Order</i>, in relation to Scotland, means assignation.</p> |
| <p><i>assistance</i> FCA PRA</p> | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 18 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), providing either or both of the following benefits:</p> <ul style="list-style-type: none"> (a) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties while travelling, while away from home or while away from their permanent residence; (b) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties otherwise than as in (a). |
| <p><i>assisting in the administration and performance of a contract of insurance</i> FCA PRA</p> | <p>the <i>regulated activity</i>, specified in article 39A of the <i>Regulated Activities Order</i> (Assisting in the administration and performance of a contract of insurance) of assisting in the administration and performance of a contract of insurance.</p> |
| <p><i>associate</i> FCA PRA</p> | <p>(A) in the <i>PRA Handbook</i>:</p> <p>(1) (in <i>LR</i>) (in relation to a <i>director, substantial shareholder, or person exercising significant influence</i>, who is an individual):</p> <ul style="list-style-type: none"> (a) that individual's spouse, civil partner or child (together the "individual's family"); (b) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an <i>occupational pension scheme</i> or an <i>employees' share scheme</i> which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties; (c) any <i>company</i> in whose <i>equity securities</i> the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that |

they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

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

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

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

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

(ii) at least 30% of the partnership.

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

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

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

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

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

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

(a) an *affiliated company* of A;

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

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

(B) in the *FCA Handbook*:

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

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

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

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

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

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

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

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

(ii) at least 30% of the partnership.

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

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

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

(b) any *company* whose *directors* are accustomed to act in accordance with the *substantial shareholder's*

or *person exercising significant influence's*, directions or instruction;

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

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

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

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

(b) where P is a *body corporate*:

- (i) any *person* who is a *controller* ("C") of P;
- (ii) any other *person* for whom C is a *controller*.

(3) (except in LR or in relation to a *credit-related regulated activity*) (in relation to a *person* ("A")):

- (a) an *affiliated company* of A;
- (b) an *appointed representative* of A, or a *tied agent* of A, or of any *affiliated company* of A;
- (c) any other *person* whose business or domestic relationship with A or his *associate* might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.

associated call option

FCA PRA

a right to acquire a particular amount of the *relevant security* or of any *associated security* at a future date at a particular *price*.

associated instrument

FCA PRA

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) any of the following *financial instruments* (including those which are not admitted to trading on a *regulated market*, or for which a request for admission to trading on such a market has not been made, provided that the relevant competent authorities have agreed to standards of transparency for transactions in such *financial instruments*):

- (a) contracts or rights to subscribe for, acquire or dispose of *relevant securities*;
- (b) financial derivatives on *relevant securities*;

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| <p>(c) where the <i>relevant securities</i> are convertible or exchangeable debt instruments, the securities into which such convertible or exchangeable debt instruments may be converted or exchanged;</p> <p>(d) instruments which are issued or guaranteed by the <i>issuer</i> or guarantor of the <i>relevant securities</i> and whose market price is likely to materially influence the price of the <i>relevant securities</i>, or vice versa; and</p> <p>(e) where the <i>relevant securities</i> are <i>securities</i> equivalent to <i>shares</i>, the <i>shares</i> represented by those <i>securities</i> (and any other <i>securities</i> equivalent to those <i>shares</i>).</p> | <p>(for the purposes of ■ BIPRU 7 (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) the strike price of that <i>option</i> or <i>warrant</i> being equal to the current market value of the underlying instrument.</p> |
| <p><i>at the money</i> FCA PRA</p> | <p>(in <i>CREDS</i>) means any shares in the <i>credit union</i> (other than any <i>deferred shares</i>):</p> <p>(a) (in relation to a <i>Great Britain credit union</i>) the withdrawal of which is not permitted by section 7(5) of the Credit Unions Act 1979 or (in relation to a <i>Northern Ireland credit union</i>) the withdrawal of which is not permitted by article 23(4) of the Credit Unions (Northern Ireland) Order 1985; or</p> <p>(b) (in relation to a <i>Great Britain credit union</i>) the withdrawal of which is not permitted by the terms of a loan made to a member; or</p> <p>(c) the withdrawal of which is not permitted without seeking and obtaining the permission of the committee of management of the <i>credit union</i>.</p> <p>In relation to a <i>Great Britain credit union</i>, paragraph (c) is relevant only where the <i>credit union</i> made a loan to the holder of the shares before the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 came into force.</p> |
| <p><i>attached shares</i> FCA PRA</p> | <p>a platform on which auctions of <i>emissions allowances</i> are held in accordance with the <i>auction regulation</i>.</p> |
| <p><i>auction platform</i> FCA</p> | <p>Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community.</p> |
| <p><i>auction regulation</i> FCA</p> | <p>the <i>regulated activity</i> of <i>bidding in emissions auctions</i> where it is carried on by:</p> <p>(a) a <i>firm</i> that is exempt from <i>MiFID</i> under article 2(1)(i); or</p> <p>(b) a <i>MiFID investment firm</i> (other than a <i>UCITS investment firm</i>) on behalf of its <i>clients</i> in relation to a <i>two-day emissions spot</i>.</p> |
| <p><i>auction regulation bidding</i> FCA PRA</p> | <p>Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.</p> |
| <p><i>Audit Directive</i> FCA PRA</p> | <p>an <i>authorised unit trust scheme</i>.</p> |
| <p><i>AUT</i> FCA PRA</p> | |

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| <p><i>authorisation</i> FCA PRA</p> | <p>authorisation as an <i>authorised person</i> for the purposes of the <i>Act</i>.</p> |
| <p><i>authorisation order</i> FCA PRA</p> | <p>an order made by the <i>FCA</i> :</p> <ul style="list-style-type: none"> (a) in relation to an <i>AUT</i> under section 243 of the <i>Act</i> (Authorisation orders); (b) in relation to an <i>ICVC</i> under regulation 14 of the <i>OEIC Regulations</i> (Authorisation); (c) in relation to an <i>ACS</i> under section 261D of the <i>Act</i> (Authorisation orders); <p>as a result of which the <i>AUT</i> or <i>ACS</i> becomes authorised or the body becomes incorporated as an <i>ICVC</i> under regulation 3 of the <i>OEIC Regulations</i> (Open-ended investment company).</p> |
| <p><i>authorised AIF</i> FCA PRA</p> | <p>an <i>AIF</i> which is an <i>authorised fund</i>.</p> |
| <p><i>authorised business overdraft agreement</i> FCA</p> | <p>a <i>borrower-lender agreement</i> which provides authorisation in advance for the <i>borrower</i> to overdraw on a current account, where the agreement is entered into by the <i>borrower</i> wholly or predominantly for the purposes of the <i>borrower's</i> business.</p> |
| <p><i>authorised central counterparty</i> FCA PRA</p> | <p>a <i>CCP</i> authorised or recognised under <i>EMIR</i>.</p> |
| <p><i>authorised contractual scheme</i> FCA PRA</p> | <p>a <i>co-ownership scheme</i> or a <i>limited partnership scheme</i>.</p> |
| <p><i>authorised contractual scheme manager</i> FCA</p> | <p>a <i>firm</i>, including, if relevant, an <i>EEA UCITS management company</i> or <i>incoming EEA AIFM</i> , which is the <i>authorised fund manager</i> of the <i>ACS</i> in accordance with the <i>contractual scheme deed</i>.</p> |
| <p><i>authorised corporate director</i> FCA PRA</p> | <p>the director of an <i>ICVC</i> who is the <i>authorised corporate director</i> of the <i>ICVC</i> in accordance with ■ COLL 6.5.3 R (Appointment of an ACD) including, if relevant, an <i>EEA UCITS management company</i> or <i>incoming EEA AIFM</i> .</p> |
| <p><i>authorised electronic money institution</i> FCA PRA</p> | <p>(in accordance with regulation 2(1) of the <i>Electronic Money Regulations</i>):</p> <ul style="list-style-type: none"> (a) a <i>person</i> included by the <i>FCA</i> in the <i>Financial Services Register</i> as an <i>authorised electronic money institution</i> pursuant to regulation 4(1)(a) of the <i>Electronic Money Regulations</i>; or |

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| <p><i>authorised fund</i></p> <p>FCA PRA</p> | <p>(b) a <i>person</i> deemed to have been granted authorisation by virtue of regulation 74 of the <i>Electronic Money Regulations</i>.</p> <p>an <i>ICVC</i>, <i>ACS</i> or an <i>AUT</i>.</p> |
| <p><i>authorised fund manager</i></p> <p>FCA PRA</p> | <p>an <i>ACD</i>, an <i>authorised contractual scheme manager</i> or an <i>authorised unit trust manager</i>.</p> |
| <p><i>authorised insurance company</i></p> <p>FCA PRA</p> | <p>(In <i>COMP</i>) (in accordance with the <i>compensation transitionals order</i>) a <i>person</i> who was, at any time before <i>commencement</i>, authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on insurance business of any class in the <i>United Kingdom</i>.</p> |
| <p><i>authorised non-business overdraft agreement</i></p> <p>FCA</p> | <p>a <i>borrower-lender agreement</i> which provides authorisation in advance for the <i>borrower</i> to overdraw on a current account, where:</p> <p>(a) the <i>credit</i> must be repaid on demand or within three months;</p> <p>(b) the agreement is not entered into by the <i>borrower</i> wholly or predominantly for the purposes of the <i>borrower's</i> business.</p> |
| <p><i>authorised payment institution</i></p> <p>FCA PRA</p> | <p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a <i>person</i> included by the <i>FCA</i> in the <i>Financial Services Register</i> as an authorised payment institution pursuant to regulation 4(1)(a), or a <i>person</i> deemed to have been granted authorisation by virtue of regulation 121 of the <i>Payment Services Regulations</i>.</p> |
| <p><i>authorised person</i></p> <p>FCA PRA</p> | <p>(in accordance with section 31 of the <i>Act</i> (Authorised persons)) one of the following:</p> <p>(a) a <i>person</i> who has a <i>Part 4A permission</i> to carry on one or more <i>regulated activities</i>;</p> <p>(b) an <i>incoming EEA firm</i>;</p> <p>(c) an <i>incoming Treaty firm</i>;</p> <p>(d) a <i>UCITS qualifier</i>;</p> <p>(e) an <i>ICVC</i>;</p> <p>(f) the <i>Society of Lloyd's</i>.</p> <p>(see also ■ GEN 2.2.18 R for the position of an <i>authorised partnership</i> or unincorporated association which is dissolved.)</p> |
| <p><i>authorised primary dealer</i></p> <p>FCA PRA</p> | <p>(as defined in article 2(1)(n) of the <i>short selling regulation</i>) a natural or legal person who has signed an agreement with a <i>sovereign issuer</i> or who has been formally recognised as a primary dealer by or on behalf of a <i>sovereign issuer</i> and who, in accordance with that agreement or recognition, has committed to dealing as principal in connection with primary and secondary market operations relating to debt issued by that <i>sovereign issuer</i>.</p> |
| <p><i>authorised primary dealer exemption</i></p> <p>FCA PRA</p> | <p>an exemption from articles 7, 13 and 14 of the <i>short selling regulation</i> for the activities of an <i>authorised primary dealer</i> pursuant to article 17 of the <i>short selling regulation</i>.</p> |

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| <p><i>authorised professional firm</i></p> <p>FCA PRA</p> | <p>a <i>professional firm</i> which is an <i>authorised person</i>.</p> |
| <p><i>authorised UK representative</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>firm</i>) a <i>person</i> resident in the <i>United Kingdom</i> who is authorised to act generally, and to accept service of any <i>document</i>, on behalf of the <i>firm</i>.</p> |
| <p><i>authorised unit trust manager</i></p> <p>FCA PRA</p> | <p>a <i>manager</i> of an <i>AUT</i>.</p> |
| <p><i>authorised unit trust scheme</i></p> <p>FCA PRA</p> | <p>(as defined in section 237(3) of the <i>Act</i> (Other definitions)) a <i>unit trust scheme</i> which is authorised for the purposes of the <i>Act</i> by an <i>authorisation order</i>.</p> |
| <p><i>authorised Voluntary Jurisdiction participant</i></p> <p>FCA PRA</p> | <p>a participant in the <i>Voluntary Jurisdiction</i> who is an <i>authorised person</i>.</p> |
| <p><i>automatic enrolment scheme</i></p> <p>FCA PRA</p> | <p>a scheme that meets the conditions in Part 1 of the Pensions Act 2008. In summary this is a qualifying <i>occupational pension scheme</i> or qualifying <i>personal pension scheme</i> that enables automatic enrolment arrangements to take place.</p> |
| <p>AVC</p> <p>FCA PRA</p> | <p>a voluntary contribution arrangement paid by a member of an <i>occupational pension scheme</i> under the terms of the scheme or of a separate contract.</p> |
| <p><i>average outstanding electronic money</i></p> <p>FCA PRA</p> | <p>(in accordance with regulation 2(1) of the <i>Electronic Money Regulations</i>) the average total amount of financial liabilities related to <i>electronic money</i> in issue at the end of each calendar day over the preceding six calendar months, calculated on the first calendar day of each calendar month and applied for that calendar month.</p> |

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

break fee arrangement

FCA **PRA**

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

bridging loan

a *regulated mortgage contract* which has a term of twelve *months* or less.

broker

FCA **PRA**

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

broker fund

FCA **PRA**

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

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

broker fund adviser

FCA **PRA**

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

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

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| <p><i>business illustration</i></p> <p>FCA PRA</p> | <p>(b) (in <i>REC</i>) (as defined in section 167 of the Companies Act 1989) any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in any part of the <i>United Kingdom</i>.</p> <p>(2) (in relation to anything done or to be done by reference to a market outside the <i>United Kingdom</i>) any <i>day</i> on which that market is normally open for business.</p> <p>an <i>illustration</i> for a <i>regulated mortgage contract</i> that is for a business purpose.</p> |
| <p><i>business offer document</i></p> <p>FCA PRA</p> | <p>an <i>offer document</i> for a <i>regulated mortgage contract</i> that is for a business purpose.</p> |
| <p><i>Business Order</i></p> <p>FCA PRA</p> | <p>the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business Order) 2001 (SI 2001/1177).</p> |
| <p><i>business premises</i></p> <p>FCA</p> | <p>(in ■ CONC App 2.1) premises for occupation for the purposes of a business (including any activity carried on by a body of <i>persons</i>, whether corporate or unincorporate) or for those and other purposes.</p> |
| <p><i>Buy-back and Stabilisation Regulation</i></p> <p>FCA PRA</p> | <p>Commission Regulation (EC) of 22 December 2003 implementing the <i>Market Abuse Directive</i> as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003).</p> |
| <p><i>buy-back programme</i></p> <p>FCA PRA</p> | <p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) trading in own shares in accordance with Articles 19 to 24 of the <i>PLC Safeguards Directive</i>.</p> |
| <p><i>buying</i></p> <p>FCA PRA</p> | <p>(in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) any form of buying, including acquiring for valuable consideration.</p> |
| <p><i>byelaw</i></p> <p>FCA PRA</p> | <p>any Byelaw, direction, regulation, or other instrument made using the powers of the <i>Council</i> under section 6 of Lloyd's Act 1982 (including any regulation ratified by the <i>Council</i> by special resolution) and any condition or requirement made under any such Byelaw, direction, regulation or other instrument.</p> |

Definitions

collective
portfolio
management

FCA PRA

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

collective
portfolio
management
firm

FCA PRA

a *firm* which:

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

collective
portfolio
management
investment
firm

FCA PRA

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

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

COLLG

FCA PRA

the Collective Investment Scheme Information Guide.

Combined
Code

FCA PRA

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

combined
initial
disclosure
document

FCA PRA

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

- (a) two or more of the following:
 - (i) *packaged products* or, for *basic advice*, *stakeholder products* that are not a *group personal pension scheme* or a *group stakeholder pension scheme* (but only if a *consultancy charge* will be made);
 - (ii) *non-investment insurance contracts*;
 - (iii) *home finance transactions* (other than *regulated sale and rent back agreement*); or
- (b) *home finance transactions* (other than *regulated sale and rent back agreements*) only;

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

commencement

FCA PRA

the beginning of the *commencement day*.

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C27

commencement
day

FCA PRA

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

commercial customer

FCA PRA

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

commission

FCA PRA

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

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

commission equivalent

FCA PRA

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

commitment

FCA PRA

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

commodity

FCA PRA

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

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

commodity extended maturity ladder approach

FCA PRA

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

commodity future

FCA PRA

a *future* relating to a *commodity*.

| | |
|---|--|
| <p><i>commodity maturity ladder approach</i></p> <p>FCA PRA</p> | <p>the method of calculating the <i>commodity PRR</i> in ■ BIPRU 7.4.25 R (Maturity ladder approach).</p> |
| <p><i>commodity option</i></p> <p>FCA PRA</p> | <p>an <i>option</i> relating to a <i>commodity</i>.</p> |
| <p><i>commodity PRR</i></p> <p>FCA PRA</p> | <p>the part of the <i>market risk capital requirement</i> calculated in accordance with ■ BIPRU 7.4 (Commodity PRR) or, in relation to a particular <i>position</i>, the portion of the overall <i>commodity PRR</i> attributable to that <i>position</i>.</p> |
| <p><i>commodity simplified approach</i></p> <p>FCA PRA</p> | <p>the method of calculating the <i>commodity PRR</i> in ■ BIPRU 7.4.24 R (Simplified approach).</p> |
| <p><i>common equity tier 1 capital</i></p> <p>FCA</p> | <p>as defined in article 50 of the <i>EU CRR</i>.</p> |
| <p><i>common equity tier 1 instrument</i></p> <p>FCA</p> | <p>a capital instrument that qualifies as a common equity tier 1 instrument under article 26 of the <i>EU CRR</i>.</p> |
| <p><i>common platform firm</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <ul style="list-style-type: none"> (a) a <i>BIPRU firm</i>; or (aa) a <i>bank</i>; or (ab) a <i>building society</i>; or (ac) a <i>designated investment firm</i>; or (ad) an <i>IFPRU investment firm</i>; or (b) an <i>exempt CAD firm</i>; or (c) a UK <i>MiFID investment firm</i> which falls within the definition of 'local firm' in Article 3.1P of the <i>Capital Adequacy Directive</i> (d) a <i>dormant account fund operator</i>. <p>(B) In the FCA Handbook:</p> <ul style="list-style-type: none"> (a) a <i>BIPRU firm</i>; or (aa) a <i>bank</i>; or (ab) a <i>building society</i>; or (ac) a <i>designated investment firm</i>; or (ad) an <i>IFPRU investment firm</i>; or (b) an <i>exempt CAD firm</i>; or |

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

United
Kingdom

FCA PRA

In this definition:

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

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

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

(f) The conditions are that:

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

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

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

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

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

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

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

community
benefit society

FCA

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

Community
Co-Insurance
Directive

FCA PRA

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

community
co-insurance
operation

FCA PRA

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

*community
finance
organisation*

FCA **PRA**

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

COMP

FCA **PRA**

the Compensation sourcebook.

company

FCA **PRA**

any *body corporate*.

*Company
Announcements
Office*

FCA **PRA**

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

*compensation
costs*

FCA **PRA**

the costs incurred:

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

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

*compensation
costs levy*

FCA **PRA**

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

*compensation
fund*

FCA **PRA**

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

*compensation
scheme*

FCA **PRA**

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

*compensation
transitional
order*

FCA **PRA**

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

competent
authority

FCA PRA

(A) In the PRA Handbook:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) In the FCA Handbook:

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

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

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

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

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

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

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

competent
employees rule

FCA PRA

complaint

FCA PRA

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

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

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

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

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

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

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

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

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

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

(A) In the PRA Handbook:

(1) [deleted]

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

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

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

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

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

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

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

(B) In the FCA Handbook:

(1) [deleted]

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

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

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

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

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

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

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

complaints data publication rules

FCA PRA

■ DISP 1.10A.

complaints handling rules

FCA PRA

■ DISP 1.3.

complaints investigator

FCA PRA

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

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

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

■ DISP 1.9.

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complaints record rule

FCA PRA

■ DISP 1.10.

complaints reporting rules

FCA PRA

*complaints
resolution rules*

■ DISP 1.4.

FCA PRA

*complaints
time barring
rule*

■ DISP 1.8.

FCA PRA

*complaints
time limits
rules*

■ DISP 1.6.

FCA PRA

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

FCA PRA

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

FCA PRA

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

FCA PRA

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

FCA PRA

CONC

the Consumer Credit sourcebook.

FCA

*concentration
risk capital
component*

[deleted]

COND

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

FCA PRA

*conditional
sale agreement*in accordance with article 60L of the *Regulated Activities Order*, an agreement for the sale of *goods* or *land* under which the purchase price or part of it is payable by instalments, and the property in the *goods* or *land* is to remain with the seller (notwithstanding that the buyer is to be in possession of the

FCA

conflicts of interest policy

FCA **PRA**

goods or land) until such conditions as to the payment of instalments or otherwise as may be specified in the agreement are fulfilled.

(1) the policy established and maintained in accordance with ■ SYSC 10.1.10 R; and

(2) (in ■ MAR 8) the policy established and maintained in accordance with ■ MAR 8.2.8 G which identifies circumstances that constitute, or may give rise to, a conflict of interest arising from *benchmark submissions* and the process of gathering information in order to make *benchmark submissions*, and sets out the process to manage such conflicts.

conglomerate capital resources

FCA **PRA**

(in relation to a *financial conglomerate* with respect to which ■ GENPRU 3.1.29 R (Application of method 1 or 2 from Annex I of the *Financial Groups Directive*) applies) capital resources as defined in whichever of paragraphs 1.1 or 2.1 of ■ GENPRU 3 Annex 1 R (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

conglomerate capital resources requirement

FCA **PRA**

(in relation to a *financial conglomerate* with respect to which ■ GENPRU 3.1.29 RR (Application of method 1 or 2 from Annex I of the *Financial Groups Directive*) applies) the capital resources requirement defined in whichever of paragraphs 1.3 or 2.4 of ■ GENPRU 3 Annex 1 R (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

connected client

FCA **PRA**

(in LR) in relation to a *sponsor* or securities house, any client of the *sponsor* or securities house who is:

(a) a partner, *director*, employee or controller (as defined in section 422 of the *Act*) of the *sponsor* or securities house or of an undertaking described in paragraph (d); or

(b) the spouse, civil partner or child of any individual described in paragraph (a); or

(c) a *person* in his capacity as a trustee of a private trust (other than a pension scheme or an *employees' share scheme*) the beneficiaries of which include any *person* described in paragraph (a) or (b); or

(d) an undertaking which in relation to the *sponsor* or securities house is a group undertaking.

connected contract

FCA **PRA**

(A) In the PRA Handbook:

a *non-investment insurance contract* which:

(a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);

(b) has a total duration (including *renewals*) of five years or less;

(c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;

(d) covers the risk of:

(i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or

(ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider ("travel risks") in circumstances where:

(A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an

individual (acting in his private capacity) or a small business; or

(B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;

(e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);

(f) is complementary to the non-motor goods being supplied or service being provided by the provider; and

(g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

In this definition:

(h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

(i) a hire-purchase agreement within the meaning of section 189(1) of the Consumer Credit Act 1974; or

(ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

(i) "small business" means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);

(j) "turnover" means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

(B) In the FCA Handbook:

a *non-investment insurance contract* which:

(a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);

(b) has a total duration (including *renewals*) of five years or less;

(c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;

(d) covers the risk of:

(i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or

(ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider ("travel risks") in circumstances where:

(A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an individual (acting in his private capacity) or a small business; or

(B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;

(e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);

(f) is complementary to the non-motor goods being supplied or service being provided by the provider; and

(g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

(h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

(i) a *hire-purchase agreement*; or

(ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

(i) "small business" means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);

(j) "turnover" means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

connected lending of a capital nature

[deleted]

connected person

FCA **PRA**

(1) (in relation to the *FCA* or *PRA*'s consideration of an application for, or of whether to vary or cancel, a *Part 4A permission*) (in accordance with section 55R of the *Act* (Persons connected with an applicant)) any *person* appearing to the regulator concerned to be, or likely to be, in a relationship with the applicant or *person* given *permission*, which is relevant.

(2) (in relation to the *FCA* or *PRA*'s power to gather information under section 165 of the *Act* (Regulators' power to require information)) (in accordance with section 165(11) of the *Act*) a *person* who has, or has at any relevant time had, the following relationship with another person ("A"):

(a) he is a member of A's *group*;

(b) he is a *controller* of A;

(c) he is a member of a *partnership* of which A is a member;

(d) he is or has been an employee of A;

(e) if A is a *body corporate*, he is or has been an *officer*, or *manager* or agent of A or of a *parent undertaking* of A;

(f) if A is a *partnership*, he is or has been a member, *manager* or agent of A;

(g) if A is an unincorporated association of *persons* which is neither a *partnership* nor an unincorporated *friendly society*, he is or has been an *officer, manager*, or agent of A;

(h) if A is a *friendly society*, he is or has been an officer or manager of A ("officer" and "manager" having the same meaning as in section 119(1) of the Friendly Societies Act 1992);

(i) if A is a *building society*, he is or has been an officer of A ("officer" having the same meaning as in section 119(1) of the Building Societies Act 1986);

(j) if A is an individual, he is or has been an agent of A.

(3) (in relation to the *FCA* or *PRA*'s powers of investigation under sections 171 and 172 of the *Act* (Powers of persons appointed under section 167; Additional power of persons appointed as a result of section 168(1) or (4))) (in accordance with section 171(4) of the *Act*) a *person* who has, or has at any relevant time had, the following relationship with a *person* under investigation ("P"):

(a) he has the relationship specified in any of paragraphs (2) (a), (b) or (d) to (j) to P (where references in those paragraphs to A are taken to be references to P);

(b) it is a *partnership* of which P is a member;

(c) he is the partner, *manager*, employee, agent, *appointed representative*, or, where applicable, *tied agent*, banker, auditor, actuary or solicitor of:

(i) P; or

(ii) a *parent undertaking* of P; or

(iii) a *subsidiary undertaking* of P; or

(iv) a *subsidiary undertaking* of a *parent undertaking* of P; or

(v) a *parent undertaking* of a *subsidiary undertaking* of P.

(4) to follow

(5) (in *DTR* and *LR* in relation to a *person discharging managerial responsibilities* within an *issuer*) has the same meaning as in section 96B(2) of the *Act*.

(a) [deleted]

(b) [deleted]

(c) [deleted]

connected travel insurance contract

FCA **PRA**

a *non-investment insurance contract* which covers the risk of damage to, or loss of, baggage and other risks linked to the travel booked with the provider but does not otherwise meet the conditions in paragraph (d)(ii) of the definition of *connected contract*.

connected travel insurance intermediary

FCA **PRA**

an *insurance intermediary* whose *permission* includes a *requirement* that it must not conduct any *regulated activity* other than *insurance mediation activity* in relation to a *connected travel insurance contract*.

| | |
|---|--|
| <i>consent notice</i> FCA PRA | <p>a notice given by the <i>FCA</i> or <i>PRA</i> as the case may be to a <i>Host State regulator</i> under :</p> <p>(a) paragraph 19(4) (Establishment) of Part III of Schedule 3 to the <i>Act</i> (Exercise of Passport Rights by UK firms); or</p> <p>(b) paragraph 20(3A) (Services) of Part III of Schedule 3 to the <i>Act</i> (Exercise of Passport Rights by UK firms).</p> |
| <i>Consolidated Admissions and Reporting Directive</i> FCA PRA | <p>Directive of the European Parliament and of the Council on the admission of securities to official stock exchange listing and on information to be published on those securities (No 2001/34/EC).</p> |
| <i>consolidated basis</i> FCA | <p>has the meaning in article 4(1)(48) of the <i>EU CRR</i>.</p> |
| <i>consolidated capital resources</i> FCA PRA | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) that group's capital resources calculated in accordance with ■ <i>BIPRU 8.6</i> (Consolidated capital resources).</p> |
| <i>consolidated capital resources requirement</i> FCA PRA | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) an amount of <i>consolidated capital resources</i> that that group must hold in accordance with ■ <i>BIPRU 8.7</i> (Consolidated capital resources requirement).</p> |
| <i>consolidated credit risk requirement</i> FCA PRA | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ <i>BIPRU 8.7</i> (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to credit risk calculated in accordance with ■ <i>BIPRU 8.7.11 R</i> (Calculation of the consolidated requirement components) and as adjusted under ■ <i>BIPRU 8.7</i>.</p> |
| <i>consolidated fixed overheads requirement</i> FCA PRA | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ <i>BIPRU 8.7</i> (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to the <i>fixed overheads requirement</i> (as referred to Article 21 of the <i>Capital Adequacy Directive</i> and the definition of <i>fixed overheads requirement</i>) calculated in accordance with ■ <i>BIPRU 8.7.11 R</i> (Calculation of the consolidated requirement components) and as adjusted under ■ <i>BIPRU 8.7</i>.</p> |
| <i>consolidated indirectly issued capital</i> FCA PRA | <p>has the meaning in ■ <i>BIPRU 8.6.12 R</i> (Indirectly issued capital and group capital resources), which is in summary any <i>capital instrument</i> issued by a member of a <i>UK consolidation group</i> or <i>non-EEA sub-group</i> where the conditions in ■ <i>BIPRU 8.6.12 R</i> are met.</p> |
| <i>Consolidated Life Directive</i> FCA PRA | <p>the Council Directive of 5 November 2002 on the taking-up and pursuit of the business of life assurance (No 2002/83/EC), which consolidates the provisions of the <i>First</i>, <i>Second</i> and <i>Third Life Directives</i>.</p> |

Consolidated Life Directive information

FCA **PRA**

(in COBS) the Consolidated Life Directive information (■ COBS 13 Annex 1 R).

consolidated market risk requirement

FCA **PRA**

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in GENPRU and BIPRU) has the meaning in ■ BIPRU 8.7 (Consolidated capital resources requirement) which is in summary the part of that group's *consolidated capital resources requirement* relating to *market risk* calculated in accordance with ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ BIPRU 8.7.

Consolidated Motor Insurance Directive

FCA **PRA**

the European Parliament and Council Directive of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (No 2009/103/EC). This Directive codifies Council Directives 72/166/EEC, 84/5/EEC, 90/232/EEC, 2000/26/EC and 2005/14/EC.

consolidated operational risk requirement

[deleted]

consolidated requirement component

FCA

has the meaning in ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components), which in summary is one of the following:

- (a) the *consolidated credit risk requirement*; or
- (b) the *consolidated fixed overheads requirement*; or
- (c) the *consolidated market risk requirement*; or
- (d) [deleted]

consolidated situation

FCA **PRA**

(A) (in the *PRA Handbook*)

the situation that results from applying the requirements of the *EU CRR* in accordance with Part One, Title II, Chapter 2 of the *EU CRR* to an *institution* as if that *institution* formed, together with one or more other *institutions*, a single *institution*.

(B) (in the *FCA Handbook*)

has the meaning in article 4(1)(47) of the *EU CRR*.

consolidating supervisor

FCA

has the meaning in article 4(1)(41) of the *EU CRR*.

consolidation Article 12(1) relationship

FCA **PRA**

a relationship between one *undertaking* (the first undertaking) and one or more other *undertakings* satisfying the conditions set out in Article 12(1) of the *Seventh Company Law Directive*, which in summary are as follows:

- (a) those *undertakings* are not connected, as described in article 1(1) or (2) of that Directive; and
- (b) one of the following conditions is satisfied:

consolidation
group

FCA PRA

- (i) they are managed on a unified basis pursuant to a contract concluded with the first undertaking or provisions in the memorandum or articles of association of those *undertakings*; or
- (ii) the administrative, management or supervisory bodies of those *undertakings* consist, for the major part, of the same *persons* in office during the financial year in respect of which it is being decided whether such a relationship exists.

(A) In the PRA Handbook:

(1) the following:

(a) a *conventional group*; or

(b) *undertakings* linked by a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

(2) (in SYSC) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the *EU CRR* and

■ IFPRU 8.1.3 R to ■ IFPRU 8.1.4 R (Prudential consolidation) for which the *FCA* is the *consolidating supervisor* under [article 111 of the *CRD*].

(3) For the purposes of ■ SUP 16, the *group of undertakings* which are included in the *consolidated situation* of a *parent institution in a Member State*, an *EEA parent institution*, an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* (including any *undertaking* which is included in that consolidation because of an *Article 12(1) relationship*, *Article 18(5) relationship* or *Article 18 relationship*).

(B) In the FCA Handbook:

(1) the following:

(a) a *conventional group*; or

(b) *undertakings* linked by a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or (for the purposes of BIPRU) an *Article 134 relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

(2) (for the purposes of ■ SUP 16) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the *EU CRR* and ■ IFPRU 8.1.3 R to ■ IFPRU 8.1.4 R (Prudential consolidation) for which the *FCA* is the *consolidating supervisor* under article 111 of the *CRD*.

| | |
|---|--|
| <i>consolidation UK integrated group</i> | [deleted] |
| <i>consolidation wider integrated group</i> | [deleted] |
| <i>constable</i> FCA PRA | a police officer in the <i>United Kingdom</i> or a <i>person</i> commissioned by the Commissioners for HM Revenue and Customs. |
| <i>constitution</i> FCA PRA | (in <i>LR</i>) memorandum and articles of association or equivalent constitutional document. |
| <i>consultancy charge</i> FCA PRA | any charge payable by or on behalf of an employee to a <i>firm</i> or other intermediary (whether or not that intermediary is an <i>employee benefit consultant</i>) in respect of advice given, or services provided, by the <i>firm</i> or intermediary to the employer or employee in connection with a <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> , where those charges have been agreed between the <i>firm</i> or intermediary and the employer in accordance with the <i>rules</i> on consultancy charging and remuneration (■ COBS 6.1C). |
| <i>consumer</i> FCA PRA | <p>(A) In the PRA Handbook:</p> <p>(1) (except as specified in this definition) any natural person acting for purposes outside his trade, business or profession.</p> <p>[Note: article 2 of the <i>Distance Marketing Directive</i>, article 2 of the Unfair Terms in Consumer Contracts Directive (93/13/EEC), article 2 of the <i>E-Commerce Directive</i>, and article 4(11) of the Payment Services Directive].</p> <p>(2) (as further defined in section 1G of the <i>Act</i>) (in relation to the discharge of the <i>FCA</i>'s general functions (sections 1B to 1E of the <i>Act</i>), the application of the regulatory principles by the regulators in section 3B of the <i>Act</i> and references by scheme operators or regulated persons (section 234D of the <i>Act</i>)) a <i>person</i>:</p> <p>(a) who uses, has used, or may use:</p> <p>(i) regulated financial services; or</p> <p>(ii) services that are provided by other than <i>authorised persons</i> but are provided in carrying on <i>regulated activities</i>; or</p> <p>(b) who has relevant rights or interests in relation to any of those services; or</p> <p>(c) who has invested, or may invest, in financial instruments; or</p> <p>(ca) who has relevant rights or interests in relation to financial instruments; or</p> <p>(d) (in relation to the <i>FCA</i>'s power to make general <i>rules</i> (section 137A of the <i>Act</i> (The <i>FCA</i>'s general rules)) a <i>person</i> within the extended definition of</p> |

consumer in article 7 of the Financial Services Act 2012 (Transitional Provisions) (Miscellaneous Provisions) Order 2013 (SI 442/2013 Definition of "consumer");

(e) [deleted]

(2A) (as further defined in section 425A of the *Act*) (in relation to the issue of statements or codes under section 64 of the *Act*), general exemptions to consultation by the *FCA* (section 138L of the *Act*) in the publication of notices (section 391 of the *Act*) and the exercise of *Treaty rights* (Schedule 4 to the *Act*) a *person* who uses, has used, may have used, or has relevant rights or interests in relation to any services provided by:

(a) *authorised persons* in carrying on regulated activities;

(b) *authorised persons* who are investment *firms*, or credit institutions, in providing relevant ancillary services; or

(c) *persons* acting as appointed representatives.

for the purposes of this definition:

(A) if a *person* is providing a service within (2)(a) or (2A) as a trustee, the *persons* who are, have been or may be beneficiaries of the trust are to be treated as *persons* who use, have used or may use the service;

(AA) a *person* has a "relevant right or interest" in relation to any services within (2)(a) or (2A) if that *person* has a right or interest:

(i) which is derived from, or is otherwise attributable to, the use of the services by others; or

(ii) which may be adversely affected by the use of the services by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(B) a *person* who deals with another person ("A") in the course of A providing a service within (2)(a) or (2A) is to be treated as using the service;

(C) a *person* has a "relevant right or interest" in relation to any financial instrument within (2)(ca) if that person has a right or interest:

(i) which is derived from, or is otherwise attributable to, investment in the instrument by others; or

(ii) which may be adversely affected by the investment in the instrument by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(D) (for the purposes of (2A)(b)):

(a) "credit institution" means:

(i) a credit institution authorised under the *CRD* ; or

(ii) an institution which would satisfy the requirements for authorisation as a credit institution under that directive if it had its registered office (or if it does not have one, its head office) in an EEA State;

(b) "relevant ancillary service" means any service of a kind mentioned in Section B of Annex I to *MiFID* the provision of which does not involve the carrying on of a *regulated activity*.

(3) [deleted]

(4) (as further defined in section 425A and 425B of the *Act*) (in relation to the establishment and maintenance of the Consumer Panel (section 1Q of the *Act* (The Consumer Panel))) (as defined in section 1Q of the *Act*), complaints by consumer bodies (section 234C of the *Act*):

(a) a *person* within (2A), other than an *authorised person*; and

(b) (in relation to *regulated activities* carried on otherwise than by *authorised persons*) a *person*, other than an *authorised person*, who would have been a "consumer" within (2A) if the activities were carried on by an *authorised person*.

(5) [deleted]

(5A) (as further defined in sections 425A and 425B of the *Act*) until 31 March 2014, with respect to the publication of information in relation to activities carried on by *Northern Ireland credit unions* (section 391 of the *Act* and article 5 of the Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011 (SI 2832/2011) a *person* within (4)(b).

(6) [deleted]

(B) In the FCA Handbook:

(1) (except as specified in this definition) any natural person acting for purposes outside his trade, business or profession.

[Note: article 2 of the *Distance Marketing Directive*, article 2 of the Unfair Terms in Consumer Contracts Directive (93/13/EEC), article 2 of the *E-Commerce Directive*, article 4(11) of the Payment Services Directive and article 3 of the *Consumer Credit Directive*.]

(2) (as further defined in section 1G of the *Act*) (in relation to the discharge of the *FCA*'s general functions (sections 1B to 1E of the *Act*), the application of the regulatory principles by the regulators in section 3B of the *Act* and references by scheme operators or regulated persons (section 234D of the *Act*)) a *person*:

(a) who uses, has used, or may use:

(i) regulated financial services; or

(ii) services that are provided by other than *authorised persons* but are provided in carrying on *regulated activities*; or

(b) who has relevant rights or interests in relation to any of those services; or

(c) who has invested, or may invest, in financial instruments; or

(ca) who has relevant rights or interests in relation to financial instruments; or

(d) (in relation to the *FCA*'s power to make general *rules* (section 137A of the *Act* (The *FCA*'s general rules)) a *person* within the extended definition of consumer in article 7 of the Financial Services Act 2012 (Transitional Provisions) (Miscellaneous Provisions) Order 2013 (SI 442/2013 Definition of "consumer");

(e) [deleted]

(2A) (as further defined in section 425A of the *Act*) (in relation to the issue of statements or codes under section 64 of the *Act*), general exemptions to consultation by the *FCA* (section 138L of the *Act*) in the publication of notices (section 391 of the *Act*) and the exercise of *Treaty rights* (Schedule 4 to the *Act*) a *person* who uses, has used, may have used, or has relevant rights or interests in relation to any services provided by:

- (a) *authorised persons* in carrying on regulated activities;
- (b) *authorised persons* who are investment *firms*, or credit institutions, in providing relevant ancillary services; or
- (c) *persons* acting as appointed representatives.

for the purposes of this definition:

(A) if a *person* is providing a service within (2)(a) or (2A) as a trustee, the *persons* who are, have been or may be beneficiaries of the trust are to be treated as *persons* who use, have used or may use the service;

(AA) a *person* has a "relevant right or interest" in relation to any services within (2)(a) or (2A) if that *person* has a right or interest:

- (i) which is derived from, or is otherwise attributable to, the use of the services by others; or
- (ii) which may be adversely affected by the use of the services by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(B) a *person* who deals with another person ("A") in the course of A providing a service within (2)(a) or (2A) is to be treated as using the service;

(C) a *person* has a "relevant right or interest" in relation to any financial instrument within (2)(ca) if that person has a right or interest:

- (i) which is derived from, or is otherwise attributable to, investment in the instrument by others; or
- (ii) which may be adversely affected by the investment in the instrument by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(D) (for the purposes of (2A)(b)):

(a) "credit institution" means:

- (i) a credit institution authorised under the *CRD*; or
- (ii) an institution which would satisfy the requirements for authorisation as a credit institution under that directive if it had its registered office (or if it does not have one, its head office) in an EEA State;

(b) "relevant ancillary service" means any service of a kind mentioned in Section B of Annex I to *MiFID* the provision of which does not involve the carrying on of a *regulated activity*.

(3) [deleted]

(4) (as further defined in section 425A and 425B of the *Act*) (in relation to the establishment and maintenance of the Consumer Panel

(section 1Q of the *Act* (The Consumer Panel))) (as defined in section 1Q of the *Act*), complaints by consumer bodies (section 234C of the *Act*):

(a) a *person* within (2A), other than an *authorised person*; and

(b) (in relation to *regulated activities* carried on otherwise than by *authorised persons*) a *person*, other than an *authorised person*, who would have been a "consumer" within (2A) if the activities were carried on by an *authorised person*.

(5) [deleted]

(5A) (as further defined in sections 425A and 425B of the *Act*) until 31 March 2014, with respect to the publication of information in relation to activities carried on by *Northern Ireland credit unions* (section 391 of the *Act* and article 5 of the Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011 (SI 2832/2011) a *person* within (4)(b).

(6) [deleted]

consumer awareness rules

FCA **PRA**

Consumer Credit Directive

FCA

Consumer Credit Jurisdiction

FCA

consumer credit lending

FCA

consumer hire agreement

FCA

consumer hiring

FCA

Consumer Panel

■ DISP 1.2

Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.

the jurisdiction of the *Financial Ombudsman Service* which resulted from section 226A (repealed) of the *Act*.

in accordance with article 60B of the *Regulated Activities Order*, entering into a *regulated credit agreement as lender or exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement*.

in accordance with article 60N of the *Regulated Activities Order*, an agreement between a *person* ("the owner") and an *individual* ("the hirer") for the bailment or, in Scotland, the hiring of *goods* to the hirer which:

(a) is not a *hire-purchase agreement*; and

(b) is capable of subsisting for more than three months.

in accordance with article 60N of the *Regulated Activities Order*, entering into a *regulated consumer hire agreement as owner or exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement*.

the panel of *persons* which section 1Q of the *Act* (The Consumer Panel) requires the *FCA* to establish and maintain, as part of its arrangements for consultation under section 1M, to represent the interests of *consumers*.

FCA PRA

consumer redress scheme

FCA PRA

a scheme imposed:

- (a) by *rules* on *authorised persons*, *payment service providers* or *electronic money issuers* under section 404 (Consumer redress schemes) of the *Act*; or
- (b) on a particular *firm* by a *requirement* imposed on its *permission*, or on a particular *payment service provider* or *electronic money issuer* by a *requirement* imposed on its *authorisation*, as envisaged by section 404F(7) of the *Act* but only to the extent that section 404B of the *Act* is engaged by the scheme.

contingency funding plan

FCA PRA

- (1) (in ■ SYSC 11) a plan for taking action to ensure that a *firm* has adequately liquid financial resources to meet its liabilities as they fall due, prepared under ■ SYSC 11.1.24 E.
- (2) (in ■ BIPRU 12 and *BSOCS*) a plan for dealing with liquidity crises as required by ■ BIPRU 12.4.10 R.

contingent liability investment

FCA PRA

a *derivative* under the terms of which the *client* will or may be liable to make further payments (other than *charges*, and whether or not secured by *margin*) when the transaction falls to be completed or upon the earlier *closing out* of his position.

continuous payment authority

FCA

consent given by a *customer* for a *firm* to make one or more requests to a *payment service provider* for one or more payments from the *customer's* payment account, but excluding:

- (a) a direct debit to which the Direct Debit guarantee applies; and
- (b) separate consent given by a *customer* to a *firm*, following the making of the *credit agreement*, for the *firm* to make a single request to a *payment service provider* for one payment of a specified amount from the *customer's* payment account on the same day as the consent is given or on a specified day.

contract for differences

FCA PRA

the *investment*, specified in article 85 of the *Regulated Activities Order* (Contracts for differences etc), which is in summary rights under:

- (a) a contract for differences; or
- (b) any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:
 - (i) the value or price of property of any description; or
 - (ii) an index or other factor designated for that purpose in the contract ; or
- (c) a derivative instrument for the transfer of credit risk to which article 85(3) of the *Regulated Activities Order* applies.

[Note: paragraph 8 of Section C of Annex 1 to *MiFID*]

contract of insurance

FCA PRA

- (1) (in relation to a *specified investment*) the *investment*, specified in article 75 of the *Regulated Activities Order* (Contracts of insurance), which is rights under a contract of insurance in (2).
- (2) (in relation to a contract) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any contract of insurance which is a *long-term insurance contract* or a *general insurance contract*, including:

(a) fidelity bonds, performance bonds, administration bonds, bail bonds, customs bonds or similar contracts of guarantee, where these are:

- (i) effected or carried out by a *person* not carrying on a banking business;
- (ii) not effected merely incidentally to some other business carried on by the *person* effecting them; and
- (iii) effected in return for the payment of one or more premiums;

(b) *tontines*;

(c) *capital redemption* contracts or *pension fund management* contracts, where these are effected or carried out by a *person* who:

- (i) does not carry on a banking business; and
- (ii) otherwise carries on the *regulated activity of effecting or carrying out contracts of insurance*;

(d) contracts to pay annuities on human life;

(e) contracts of a kind referred to in article 2(2)(e) of the *Consolidated Life Directive* (Collective insurance etc); and

(f) contracts of a kind referred to in article 2(3) of the *Consolidated Life Directive* (Social insurance);

but not including a *funeral plan contract* (or a contract which would be a *funeral plan contract* but for the exclusion in article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements)); in this definition, "annuities on human life" does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of *persons* engaged, or who have been engaged, in any particular profession, trade or employment, or of the dependants of such *persons*.

contract of significance

FCA PRA

(in LR) a contract which represents in amount or value (or annual amount or value) a sum equal to 1% or more, calculated on a *group* basis where relevant, of:

- (a) in the case of a capital transaction or a transaction of which the principal purpose or effect is the granting of credit, the aggregate of the *group's* share capital and reserves; or
- (b) in other cases, the total annual purchases, sales, payments or receipts, as the case may be, of the *group*.

contracts of large risks

FCA PRA

(in ICOB) *contracts of insurance* covering risks within the following categories, in accordance with article 5(d) of the *First Non-Life Directive*:

- (a) *railway rolling stock, aircraft, ships* (sea, lake, river and canal vessels), *goods in transit, aircraft liability and liability of ships* (sea, lake, river and canal vessels);
- (b) *credit and suretyship*, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;
- (c) *land vehicles* (other than *railway rolling stock*), *fire and natural forces*, other *damage to property, motor vehicle liability, general liability, and miscellaneous financial loss*, in so far as the *policyholder* exceeds the limits of at least two of the following three criteria:
 - (i) balance sheet total: €6.2 million;
 - (ii) net turnover: €12.8 million;

contractual cross product netting agreement

FCA PRA

(iii) average number of *employees* during the financial year: 250.

(for the purpose of ■ BIPRU 13.7 (Contractual netting)) has the meaning set out in ■ BIPRU 13.7.2 R, which is in summary a written bilateral agreement between a *firm* and a *counterparty* which creates a single legal obligation covering all included bilateral master agreements and transactions belonging to different product categories.

contractual scheme deed

FCA

(in COLL) the deed referred to in ■ COLL 3.2.3A R (The contractual scheme deed for ACSs), together with any deed expressed to be supplemental to it, made between the *authorised fund manager* and:

- (a) the *depository*, in the case of a *co-ownership scheme*; or
- (b) the *nominated partner*, in the case of a *limited partnership scheme*.

Contractual Scheme Regulations

FCA

the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (SI 2013/1388).

contractual scheme rules

FCA

rules in COLL made by the FCA under section 261I of the *Act* (Contractual scheme rules) in relation to:

- (a) the constitution, management and operation of ACSs;
- (b) the powers, duties, rights, and liabilities of the *authorised fund manager* and *depository* of any such *scheme*;
- (c) the rights and duties of the *participants* in any such *scheme*; and
- (d) the winding up of any such *scheme*.

contractually based investment

FCA PRA

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *life policy* (except a *long-term care insurance* contract which is not a qualifying *contract of insurance*);
- (b) an *option*, *future*, *contract for differences* or *funeral plan contract*;
- (c) *rights to or interests in an investment* falling within (a) or (b).

control

FCA PRA

(1) (except in (2) and (2A)) (in relation to the acquisition, increase or reduction of control of a *firm*) the relationship between a *person* and the *firm* or other *undertaking* of which the *person* is a controller.

(2) (in ■ SYSC 8 and ■ SYSC 10) control as defined in Article 1 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive) .

[Note: article 4 (1)(30) of *MiFID*]

(2A) (in relation to a *management company* carrying on *collective portfolio management* or an *AIFM*) control as defined in articles 1 and 2 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive).

(3) (except in (2) and (2A)) (in accordance with section 182 of the *Act*) a *controller* ("A") (whether acting alone or in concert) increases control over a *firm* ("B") when:

- (a) the percentage of *shares* A holds in B or a *parent undertaking* ("P") of B increases by any of the following steps:
 - (i) from less than 20% to 20% or more;
 - (ii) from less than 30% to 30% or more;

- (iii) from less than 50% to 50% or more;
 - (b) the percentage of *voting power* A holds in B or P increases by any of the steps mentioned above; or
 - (c) A becomes a *parent undertaking* of B.
- (4) (except in (2) and (2A)) (in accordance with section 183 of the Act) a *controller* ("A") (whether alone or acting in concert) reduces control over a *firm* ("B") whenever:
- (a) the percentage of *shares* which A holds in B or a *parent undertaking* ("P") of B decreases by any of the following steps:
 - (i) from 50% or more to less than 50%;
 - (ii) from 30% or more to less than 30%;
 - (iii) from 20% or more to less than 20%;
 - (b) the percentage of *voting power* which A holds in B or P decreases by any of the steps mentioned above; or
 - (c) A ceases to be a *parent undertaking* of B.
- (5) (except in (2) and (2A)) (in accordance with section 183 of the Act) a *controller* ("A") (whether acting alone or in concert) ceases to have control over a *firm* ("B") if A ceases to hold any of the following:
- (a) 10% or more of the *shares* in B or a *parent undertaking* ("P") of B;
 - (b) 10% or more of the *voting power* in B or P;
 - (c) shares or *voting power* in B or in P as a result of which A is able to exercise significant influence over the management of B.
- (6) (for the purposes of the calculations in (3) to (5)) the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.
- (a) *accepting deposits* (paragraph 1)
 - (b) *effecting contracts of insurance* (paragraph 2(1));
 - (c) *carrying out contracts of insurance* (paragraph 2(2));
 - (d) dealing in securities and contractually based investments as principal or agent (paragraph 3(1));
 - (e) *arranging (bringing about) deals in investments* (paragraph 4(1));
 - (f) *making arrangements with a view to transactions in investments* (paragraph 4(2));
 - (fa) operating a *multilateral trading facility* (paragraph 4A);
 - (fab) credit broking (paragraph 4B);
 - (fac) operating an electronic system in relation to lending (paragraph 4C);
 - (g) *managing investments* (paragraph 5);
 - (ga) debt adjusting (paragraph 5A);
 - (gb) debt-counselling (paragraph 5B);
 - (h) *safeguarding and administering investments* (paragraph 6);
 - (i) *advising on investments* (paragraph 7);
 - (j) *advising on syndicate participation at Lloyd's* (paragraph 8);

controlled activity

FCA

- (k) providing funeral plan contracts (paragraph 9);
- (l) providing qualifying credit (paragraph 10);
- (m) arranging qualifying credit etc. (paragraph 10A);
- (n) advising on qualifying credit etc. (paragraph 10B);
- (na) providing relevant consumer credit (paragraph 10BA);
- (nb) providing consumer hire (paragraph 10BB);
- (o) *entering into a home purchase plan* (paragraph 10C);
- (p) *making arrangements with a view to a home purchase plan* (paragraph 10D);
- (q) *advising on a home purchase plan* (paragraph 10E);
- (r) *entering into a home reversion plan* (paragraph 10F);
- (s) *making arrangements with a view to a home reversion plan* (paragraph 10G);
- (t) *advising on a home reversion plan* (paragraph 10H);
- (u) agreeing to carry on specified kinds of activity (paragraph 11) which are specified in paragraphs 3 to 10H (other than paragraph 4A) of Part 1 of Schedule 1 to the *Financial Promotion Order*.

controlled agreement

FCA **PRA**

(as defined in section 30 of the *Act* (Enforceability of agreements resulting from unlawful communications)) an agreement the making or performance of which by either party constitutes a *controlled activity*.

controlled function

FCA **PRA**

a function, relating to the carrying on of a *regulated activity* by a *firm*, which is specified by either the *FCA* (in the *table of FCA controlled functions*) or the *PRA* (in the *table of PRA controlled functions*), under section 59 of the *Act* (Approval for particular arrangements) .

controlled investment

FCA **PRA**

(A) In the *PRA Handbook*:

(in accordance with section 21(10) of the *Act* (Restrictions on financial promotion) and article 4 of the *Financial Promotion Order* (Definitions of controlled activities and controlled investments)) an *investment* specified in Part II of Schedule 1 to the *Financial Promotion Order* (Controlled investments).

(B) In the *FCA Handbook*:

(in accordance with section 21(10) of the *Act* (Restrictions on financial promotion) and article 4 of the *Financial Promotion Order* (Definitions of controlled activities and controlled investments)) an *investment* specified in Part II of Schedule 1 to the *Financial Promotion Order* (Controlled investments) (having regard to the effect of paragraph 4C (10) of that Schedule).

controlled undertaking

FCA **PRA**

any subsidiary undertaking within the meaning of the *Act* other than one falling within section 1162(4)(b) of the *Companies Act 2006* or section 420(2)(b) of the *Act* .

controller

FCA **PRA**

(A) In the *PRA Handbook*

(1) (in relation to a *firm* or other *undertaking* ("B"), other than a *non-directive firm*) a *person* ("A") who (whether acting alone or in concert):

(a) holds 10% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 10% or more of the *voting power* in B or in P; or

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2) (in relation to a *non-directive firm* ("B")) a *person* ("A") who (whether acting alone or in concert):

(a) holds 20% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 20% or more of the *voting power* in B or in P; or

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(3) for the purposes of calculations relating to (1) and (2), the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

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

(a) *shares* held for the sole purposes of clearing and settling within a short settlement cycle;

(b) *shares* held by a *custodian* or its nominee in its custodian capacity are disregarded, provided that the *custodian* or nominee is only able to exercise *voting power* attached to the *shares* in accordance with instructions given in writing;

(c) *shares* representing no more than 5% of the total *voting power* in B or P held by an *investment firm*, provided that:

(i) it holds the *shares* in the capacity of a *market maker* (as defined in article 4.1(8) of MIFID);

(ii) it is authorised by its *Home State regulator* under MIFID; and

(iii) it does not intervene in the management of B or P nor exerts any influence on B or P to buy the *shares* or back the share price;

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

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

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

(e) *shares* held by a *credit institution* or an *investment firm* are disregarded, provided that:

(i) the *shares* are held as a result of performing the *investment services* and activities of:

(A) underwriting share issues; or

(B) placing shares on a firm commitment basis in accordance with Annex I, section A.6 of MIFID; and

(ii) the *credit institution* or *investment firm*:

(A) does not exercise *voting power* represented by the *shares* or otherwise intervene in the management of the issuer; and

(B) retains the holding for a period of less than one year;

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

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

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

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

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

(A) its *parent undertaking*; or

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

(h) where an *investment firm* and its *parent undertaking* both hold *shares* or *voting power*, the *parent undertaking* may disregard holdings managed by the *investment firm* on a client by client basis and the *investment firm* may disregard holdings of the *parent undertaking*, provided that the *investment firm*:

(i) has permission to provide *portfolio management*;

(ii) exercises its *voting power* independently from the *parent undertaking*; and

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

(B) In the FCA Handbook

(1) (in relation to a *firm* or other *undertaking* ("B"), other than a *non-directive firm* or a firm within (2A)) a *person* ("A") who (whether acting alone or in concert):

(a) holds 10% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 10% or more of the *voting power* in B or in P; or

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2) (in relation to a *non-directive firm* ("B")), other than a firm within (2A)), a *person* ("A") who (whether acting alone or in concert):

(a) holds 20% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 20% or more of the *voting power* in B or in P; or

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2A) (in relation to a *firm* ("B") with *limited permission* where the only regulated activities (other than ones in relation to which sections 20(1) and (1A) and 23(1A) of the *Act* do not apply under section 39(1D) of the *Act*) that B carries on, or seeks to carry on, are relevant credit activities within article 6A of the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009) a *person* ("A") who (whether acting alone or in concert):

(a) holds 33% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 33% or more of the *voting power* in B or P; or

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(3) for the purposes of calculations relating to (1), (2) and (2A), the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

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

(a) *shares* held for the sole purposes of clearing and settling within a short settlement cycle;

(b) *shares* held by a *custodian* or its nominee in its custodian capacity are disregarded, provided that the *custodian* or nominee is only able to exercise *voting power* attached to the *shares* in accordance with instructions given in writing;

(c) *shares* representing no more than 5% of the total voting power in B or P held by an *investment firm*, provided that:

(i) it holds the *shares* in the capacity of a *market maker* (as defined in article 4.1(8) of MIFID);

(ii) it is authorised by its *Home State regulator* under MIFID; and

(iii) it does not intervene in the management of B or P nor exerts any influence on B or P to buy the *shares* or back the share price;

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

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

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

(e) *shares* held by a *credit institution* or an *investment firm* are disregarded, provided that:

(i) the *shares* are held as a result of performing the *investment services* and activities of:

(A) underwriting share issues; or

(B) placing shares on a firm commitment basis in accordance with Annex I, section A.6 of MIFID; and

(ii) the *credit institution* or *investment firm*:

(A) does not exercise *voting power* represented by the *shares* or otherwise intervene in the management of the issuer; and

(B) retains the holding for a period of less than one year;

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

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

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

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

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

(A) its *parent undertaking*; or

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

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| <p><i>conventional group</i> FCA PRA</p> | <p>(h) where an <i>investment firm</i> and its <i>parent undertaking</i> both hold <i>shares</i> or <i>voting power</i>, the <i>parent undertaking</i> may disregard holdings managed by the <i>investment firm</i> on a client by client basis and the <i>investment firm</i> may disregard holdings of the <i>parent undertaking</i>, provided that the <i>investment firm</i>:</p> <ul style="list-style-type: none"> (i) has permission to provide <i>portfolio management</i>; (ii) exercises its <i>voting power</i> independently from the <i>parent undertaking</i>; and (iii) may only exercise the <i>voting power</i> 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. |
| <p><i>conversion factor</i> FCA</p> | <p>a group of <i>undertakings</i> that consists of a <i>parent undertaking</i> and the rest of its <i>sub-group</i>.</p> <p>(A) In the PRA Handbook: (in accordance with Article 4(28) of the <i>Banking Consolidation Directive</i> (Definitions)) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.</p> <p>(B) In the FCA Handbook: (in accordance with Article 4(28) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.</p> |
| <p><i>convertible</i> FCA PRA</p> | <p>(A) In the PRA Handbook: (for the purposes of <i>BIPRU</i>) a <i>security</i> which gives the investor the right to convert the <i>security</i> into a <i>share</i> at an agreed price or on an agreed basis.</p> <p>(B) In the FCA Handbook: (for the purposes of <i>BIPRU</i> and <i>IFPRU</i>) a <i>security</i> which gives the investor the right to convert the <i>security</i> into a <i>share</i> at an agreed price or on an agreed basis.</p> |
| <p><i>convertible securities</i> FCA PRA</p> | <p>(in <i>LR</i> and <i>FEES</i>) a <i>security</i> which is:</p> <ul style="list-style-type: none"> (a) convertible into, or exchangeable for, other <i>securities</i>; or (b) accompanied by a <i>warrant</i> or <i>option</i> to subscribe for or purchase other <i>securities</i>. |
| <p><i>coordinator</i> FCA PRA</p> | <p>(in relation to a <i>financial conglomerate</i>) the <i>competent authority</i> which has been appointed, in accordance with Article 10 of the <i>Financial Groups Directive</i> (Competent authority responsible for exercising supplementary supervision (the coordinator)), as the competent authority which is responsible</p> |

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|---|--|
| <p>for the co-ordination and exercise of supplementary supervision of that <i>financial conglomerate</i>.</p> | |
| <p><i>co-ownership scheme</i> FCA PRA</p> | <p>(as defined in section 235A(2) of the <i>Act</i> (Contractual schemes)) a <i>collective investment scheme</i> which satisfies the conditions in section 235A(3) and which is authorised for the purposes of the <i>Act</i> by an <i>authorisation order</i>.</p> |
| <p><i>core concentration risk group counterparty</i> FCA</p> | <p>(in relation to a <i>firm</i>) a counterparty which is its <i>parent undertaking</i>, its <i>subsidiary undertaking</i> or a <i>subsidiary undertaking</i> of its <i>parent undertaking</i>, provided that (in each case) both the counterparty and the <i>firm</i> are:</p> <p>(a) included within the scope of consolidation on a full basis with respect to the same <i>UK consolidation group</i>; and</p> <p>(b) (where relevant) held by one or more intermediate <i>parent undertaking</i> or <i>financial holding company</i>, all of which are incorporated in the <i>United Kingdom</i>.</p> |
| <p><i>core market participant</i> FCA PRA</p> | <p>an entity of a type listed in ■ BIPRU 5.4.64 R (The financial collateral comprehensive method: Conditions for applying a 0% volatility adjustment).</p> |
| <p><i>core provision</i> FCA PRA</p> | <p>(as defined in section 316(3) of the <i>Act</i> (Direction by a regulator)) a provision of the <i>Act</i> mentioned in section 317 of the <i>Act</i> (The core provisions) which applies to the carrying on of an insurance market activity by a <i>member</i>, or the <i>members</i> of the <i>Society</i> taken together, if the <i>appropriate regulator</i> so directs.</p> |
| <p><i>core tier one capital</i> FCA PRA</p> | <p>an item of capital that is stated in stage A of the <i>capital resources table</i> (Core tier one capital) to be core tier one capital.</p> |
| <p><i>core UK group</i> FCA PRA</p> | <p>(A) In the PRA Handbook: has the meaning given in the <i>PRA Rulebook</i>: Large Exposures rules.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (in relation to a <i>BIPRU firm</i>) all <i>undertakings</i> which, in relation to the <i>firm</i>, satisfy the conditions set out in ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group).</p> <p>(2) (in relation to an <i>IFPRU investment firm</i>) all counterparties which:</p> <p>(a) are listed in the <i>firm's core UK group permission</i>;</p> <p>(b) satisfy the conditions in article 113(6) of the <i>EU CRR</i> (Calculation of risk-weighted exposure amounts: intragroup); and</p> <p>(c) (unless it is an <i>IFPRU limited-activity firm</i> or <i>IFPRU limited-licence firm</i>, or an <i>exempt IFPRU commodities firm</i> to which article 493(1) of the <i>EU CRR</i> (Transitional provision for large exposures) apply) for which <i>exposures</i> are exempted, under article 400(1)(f) of the <i>EU CRR</i> (Large exposures: exemptions), from the application of article 395(1) of the <i>EU CRR</i> (Limits to large exposures).</p> |
| <p><i>core UK group eligible capital</i> FCA PRA</p> | <p>(A) In the PRA Handbook has the meaning given in the <i>PRA Rulebook</i>: Large Exposure rules.</p> <p>(B) In the FCA Handbook</p> |

core UK group permission

FCA **PRA**

means the eligible capital in the *core UK group* calculated in line with **IFPRU 8.2.7 R**.

(A) In the PRA Handbook

has the meaning given in the *PRA Rulebook: Large Exposures rules*

(B) In the FCA Handbook

a permission given by the *FCA* under article 113(6) of the *EU CRR* (see **IFPRU 8.1.14 G** to **IFPRU 8.1.21 G**).

core UK group waiver

FCA **PRA**

(A) In the PRA Handbook:

a *waiver* that has the result of requiring a *firm* to apply:

(a) (in relation to the *credit risk capital requirement*) **BIPRU 3.2.25 R** (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a *firm* to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with **BIPRU 3.2.20 R** (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) (in relation to *large exposures*) **BIPRU 10.8A** (Intra-group exposures: core UK group), which in summary exempts all *exposures* between members of a *core UK group* from the limits described in **BIPRU 10.5** (Limits on exposures).

(B) In the FCA Handbook:

(in *BIPRU*) a *waiver* that has the result of requiring a *firm* to apply:

(a) (in relation to the *credit risk capital requirement*) **BIPRU 3.2.25 R** (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a *firm* to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with **BIPRU 3.2.20 R** (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) [deleted]

corporate

FCA **PRA**

(in relation to the *IRB approach* or the *standardised approach* to credit risk) a *person* an *exposure* to whom is a *corporate exposure*.

corporate exposure

FCA **PRA**

(1) (in relation to the *IRB approach*) an *exposure* falling into **BIPRU 4.3.2 R** (3) (IRB exposure classes).

(2) (in relation to the *standardised approach* to credit risk) an *exposure* falling into **BIPRU 3.2.9 R** (7) (Standardised approach to credit risk exposure classes).

corporate finance advisory firm

FCA **PRA**

a *firm* whose permission includes a *requirement* that the *firm* must not conduct *designated investment business* other than *corporate finance business*.

corporate finance business

FCA **PRA**

(a) *designated investment business* carried on by a *firm* with or for:

(i) any *issuer*, holder or owner of *designated investments*, if that business relates to the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those *investments*, or any related matter;

(ii) any *eligible counterparty* or *professional client*, or other *body corporate, partnership* or supranational organisation, if that business relates to the manner in which, or the terms on which, or the *persons* by whom, any business, activities or undertakings relating to it, or any *associate*, are to be financed, structured, managed, controlled, regulated or reported upon;

(iii) any *person* in connection with:

(A) a proposed or actual *takeover or related operation* by or on behalf of that *person*, or involving *investments* issued by that *person* (being a *body corporate*), its *holding company, subsidiary* or *associate*; or

(B) a merger, de-merger, reorganisation or reconstruction involving any *investments* issued by that *person* (being a *body corporate*), its holding company, subsidiary or *associate*;

(iv) any shareholder or prospective shareholder of a *body corporate* established or to be established for the purpose of effecting a *takeover or related operation*, where that business is in connection with that *takeover or related operation*;

(v) any *person* who, acting as a *principal* for his own account:

(A) is involved in negotiations or decisions relating to the commercial, financial or strategic intentions or requirements of a business or prospective business; or

(B) (provided he is acting otherwise than solely in his capacity as an investor) assists the interests of another *person* with or for whom the *firm*, or another *authorised person* or *overseas person*, is undertaking business as specified in (a)(i), (ii), (iii) or (iv), by himself undertaking all or part of any transactions involved in such business;

(vi) any *person* undertaking business with or for a *person* as specified in (a)(i), (ii), (iii), (iv) or (v) in respect of activities described in those sub-paragraphs;

(b) *designated investment business* carried on by a *firm* as a *principal* for its own account where such business:

(i) is in the course of, or arises out of, activities undertaken in accordance with (a); and

(ii) does not involve transactions with or for, or *advice on investments* to, any other *person* who is a *retail client* in respect of such business;

(c) *designated investment business* carried on by a *firm* as *principal* for its own account if such business:

(i) is in the course of, or arises out of:

(A) the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*, or any related matter; or

(B) a proposed or actual *takeover or related operation* by or on behalf of the *firm*, or involving *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; or

(C) a merger, de-merger, reorganisation or reconstruction involving any *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; and

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| <p><i>corporate finance contact</i></p> <p>FCA PRA</p> | <p>(ii) does not involve <i>advice on investments</i> to any <i>person</i> who is a <i>retail client</i> ;</p> <p>in this definition, "share warrants" and "debenture warrants" mean any <i>warrants</i> which relate to <i>shares</i> in the <i>firm</i> concerned or, as the case may be, <i>debentures</i> issued by the <i>firm</i>.</p> <p>(when a <i>firm</i> carries on <i>regulated activities</i> with or for a <i>person</i> in the course of or as a result of either carrying on <i>corporate finance business</i> with or for a <i>client</i>, or carrying on <i>corporate finance business</i> for the <i>firm's</i> own account) that <i>person</i> in connection with that <i>regulated activity</i> if:</p> <p>(a) the <i>firm</i> does not behave in a way towards that <i>person</i> which might reasonably be expected to lead that <i>person</i> to believe that he is being treated as a <i>client</i>; and</p> <p>(b) the <i>firm</i> clearly indicates to that <i>person</i> that it:</p> <p style="padding-left: 20px;">(i) is not acting for him; and</p> <p style="padding-left: 20px;">(ii) will not be responsible to him for providing protections afforded to <i>clients</i> of the <i>firm</i> or be advising him on the relevant transaction.</p> |
| <p><i>corporate governance rules</i></p> <p>FCA PRA</p> | <p>(in accordance with sections 73A(1) and 89O(1) of the <i>Act</i>) <i>rules</i> for the purpose of implementing, enabling the implementation of or dealing with matters arising out of or related to, any <i>EU</i> law obligation relating to the corporate governance of <i>issuers</i> who have requested or approved <i>admission to trading</i> of their securities and about corporate governance in relation to such <i>issuers</i> for the purpose of implementing, or dealing with matters arising out of or related to, any <i>EU</i> law obligation. The <i>corporate governance rules</i> are located in chapters 1B, 4 and 7 of <i>DTR</i>.</p> |
| <p><i>corporate member</i></p> <p>FCA PRA</p> | <p>a <i>member</i> that is a <i>body corporate</i> or a Scottish Limited partnership.</p> |
| <p><i>correlation trading portfolio</i></p> <p>FCA PRA</p> | <p>(in ■ BIPRU 7) a portfolio consisting of <i>securitisation positions</i> and nth-to-default credit derivatives that meet the criteria set out at ■ BIPRU 7.2.42A R, or other <i>positions</i> which may be included in accordance with ■ BIPRU 7.2.42B R.</p> |
| <p><i>cost of credit</i></p> <p>FCA</p> | <p>any costs, including interest, commission, taxes and any other kind of fees which are required to be paid by or on behalf of the <i>borrower</i> or a relative of the <i>borrower</i> in connection with the <i>credit agreement</i>, whether payable to the <i>lender</i> or to any other <i>person</i>, and which are known to the <i>lender</i>, except for notarial costs.</p> |
| <p><i>Council</i></p> <p>FCA PRA</p> | <p>the <i>governing body</i> of the <i>Society</i> constituted by section 3 of Lloyd's Act 1982.</p> |
| <p><i>countercyclical buffer rate</i></p> <p>FCA</p> | <p>(in accordance with article 128(7) of the <i>CRD</i> (Definitions)) the rate:</p> <p>(a) expressed as a percentage of <i>total risk exposure amount</i> set by the <i>UK countercyclical buffer authority</i> or an <i>EEA countercyclical buffer authority</i>; or</p> <p>(b) expressed in terms equivalent to a percentage of total risk exposure amount set by a <i>third-country countercyclical buffer authority</i>,</p> <p>that a <i>firm</i> must apply in order to calculate its <i>countercyclical capital buffer</i>.</p> |

countercyclical
capital buffer

FCA

(in accordance with article 128(2) of CRD (Definitions)) the amount of *common equity tier 1 capital* a firm must calculate in line with ■ IFPRU 10.3.

counterparty

FCA PRA

(A) In the PRA Handbook:

(1) (in UPRU) any *person* with or for whom a firm carries on *designated investment business* or an *ancillary activity*.

(2) (for the purposes of the rules relating to insurers in GENPRU and INSPRU) (in relation to an *insurer*, the *Society*, a *syndicate* or *member* ('A')):

(a) any one individual; or

(b) any one unincorporated body of *persons*; or

(c) any *company* which is not a member of a *group*; or

(d) any *group* of *companies* excluding:

(i) (for the purposes of ■ INSPRU 2.1) any *companies* within the *group* which are *subsidiary undertakings* of A and which fall within ■ GENPRU 1.3.43 R; and

(ii) (for all other purposes) any *companies* within the *group* which are *subsidiary undertakings* of A; or

(e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State, in which A, or any of its *subsidiary undertakings*, has made *investments* or against whom, or in respect of whom, it, or any of its *subsidiary undertakings*, has rights or obligations under a contract entered into by A or any of its *subsidiary undertakings*.

(3) (for the purposes of the rules relating to BIPRU firms in GENPRU and BIPRU and in relation to an *exposure* of a *person* ('A')) the counterparty with respect to that *exposure* or, if the context requires, another *person* in respect of whom, under that *exposure*, A is exposed to credit risk or the risk of loss if that *person* fails to meet its obligations, such as the issuer of the underlying *security* in relation to a *derivative* held by A.

(B) In the FCA Handbook:

(1) [deleted]

(2) (for the purposes of the rules relating to insurers in GENPRU and INSPRU) (in relation to an *insurer*, the *Society*, a *syndicate* or *member* ('A')):

(a) any one individual; or

(b) any one unincorporated body of *persons*; or

(c) any *company* which is not a member of a *group*; or

(d) any *group* of *companies* excluding:

(i) (for the purposes of ■ INSPRU 2.1) any *companies* within the *group* which are *subsidiary undertakings* of A and which fall within ■ GENPRU 1.3.43 R; and

(ii) (for all other purposes) any *companies* within the *group* which are *subsidiary undertakings* of A; or

(e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State, in which A, or any of its *subsidiary undertakings*, has made *investments* or against whom, or in respect of whom, it, or any of its *subsidiary*

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| <p><i>counterparty credit risk</i> FCA PRA</p> | <p><i>undertakings</i>, has rights or obligations under a contract entered into by A or any of its <i>subsidiary undertakings</i>.</p> <p>(3) (for the purposes of the <i>rules</i> relating to <i>BIPRU firms</i> in <i>GENPRU</i> and <i>BIPRU</i> and in relation to an <i>exposure</i> of a <i>person</i> ('A')) the counterparty with respect to that <i>exposure</i> or, if the context requires, another <i>person</i> in respect of whom, under that <i>exposure</i>, A is exposed to credit risk or the risk of loss if that <i>person</i> fails to meet its obligations, such as the issuer of the underlying <i>security</i> in relation to a <i>derivative</i> held by A.</p> <p>(A) In the PRA Handbook:</p> <p style="padding-left: 40px;">(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.</p> <p style="padding-left: 40px;">(2) (other than in (1)) has the meaning as used in the <i>EU CRR</i>.</p> <p>(B) In the FCA Handbook:</p> <p style="padding-left: 40px;">(1) (in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.</p> <p style="padding-left: 40px;">(2) (other than in (1)) has the meaning as used in the <i>EU CRR</i>.</p> |
| <p><i>counterparty risk</i> FCA</p> | <p>(in <i>COLL</i> and <i>FUND</i>) the risk of loss for a <i>UCITS</i> or an <i>AIF</i> resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow.</p> |
| <p><i>counterparty risk capital component</i> FCA PRA</p> | <p>the part of the <i>credit risk capital requirement</i> calculated in accordance with ■ <i>BIPRU 14.2.1 R</i> (Calculation of the counterparty risk capital component).</p> |
| <p><i>country of origin</i> FCA PRA</p> | <p>in relation to an <i>electronic commerce activity</i>, the <i>EEA State</i> in which the <i>establishment</i> from which the service in question is provided is situated.</p> |
| <p><i>coupon</i> FCA PRA</p> | <p>a dividend, interest payment or any similar payment.</p> |
| <p><i>covered bond</i> FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p style="padding-left: 40px;">(1) (in accordance with Article 52(4) of the <i>UCITS Directive</i> and except for the purposes of the <i>IRB approach</i> or the <i>standardised approach</i> to credit risk) a bond that is issued by a <i>credit institution</i> which has its registered office in an <i>EEA State</i> and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.</p> |

(2) (in accordance with point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds) and for the purposes of the IRB approach or the *standardised approach* to credit risk in *BIPRU*) a covered bond as defined in (1) collateralised in accordance with ■ *BIPRU* 3.4.107 R (Exposures in the form of covered bonds).

(3) (in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a bond in relation to which the claims attaching to that bond are guaranteed to be paid by an *owner* from an *asset pool* it owns.

(4) (in accordance with Article 22(4) of the *Third Non-Life Directive* and Article 24(4) of the *Consolidated Life Directive* and for the purposes of ■ *INSPRU* 2.1) a *debenture* that is issued by a *credit institution* which:

(a) has its head office in an *EEA State*; and

(b) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to the *debenture* and which, in the event of failure of the *issuer*, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(B) In the FCA Handbook:

(1) (in accordance with Article 52(4) of the *UCITS Directive* and except for the purposes of the *IRB approach* or the *standardised approach* to credit risk) a bond that is issued by a *credit institution* which has its registered office in an *EEA State* and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(2) (in accordance with point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds) and for the purposes of the IRB approach or the *standardised approach* to credit risk in *BIPRU*) a covered bond as defined in (1) collateralised in accordance with ■ *BIPRU* 3.4.107 R (Exposures in the form of covered bonds).

(3) (in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a bond in relation to which the claims attaching to that bond are guaranteed to be paid by an *owner* from an *asset pool* it owns.

(4) (in accordance with Article 22(4) of the *Third Non-Life Directive* and Article 24(4) of the *Consolidated Life Directive* and for the purposes of ■ *INSPRU* 2.1) a *debenture* that is issued by a *credit institution* which:

(a) has its head office in an *EEA State*; and

(b) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to

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| <p><i>CPI</i> FCA</p> | <p>the <i>debenture</i> and which, in the event of failure of the <i>issuer</i>, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.</p> <p>the Consumer Prices Index.</p> |
| <p><i>CRD</i> FCA PRA</p> | <p>(A) In the PRA Handbook: the <i>Capital Adequacy Directive</i> and the <i>Banking Consolidation Directive</i>.</p> <p>(B) In the FCA Handbook: (1) (in <i>GENPRU</i> (except ■ <i>GENPRU</i> 3) and <i>BIPRU</i> (except ■ <i>BIPRU</i> 12)) the <i>Capital Adequacy Directive</i> and the <i>Banking Consolidation Directive</i>. (2) (except in (1)) the Directive of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (No 2013/36/EU) and amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.</p> |
| <p><i>CRD bank</i> FCA PRA</p> | <p>(A) In the PRA Handbook: a <i>bank</i> which uses the <i>EU CRR</i> to measure the capital requirement on its trading book.</p> <p>(B) In the FCA Handbook: a <i>bank</i> which uses the <i>EU CRR</i> to measure the capital requirement on its trading book.</p> |
| <p><i>CRD credit institution</i> FCA PRA</p> | <p>(A) In the PRA Handbook: a <i>credit institution</i> that has its registered office (or, if it has no registered office, its head office) in an <i>EEA State</i>, excluding an <i>institution</i> to which the <i>CRD</i> does not apply under article 2 of the <i>CRD</i> (see also <i>full CRD credit institution</i>).</p> <p>(B) In the FCA Handbook: a <i>credit institution</i> that has its registered office (or, if it has no registered office, its head office) in an <i>EEA State</i>, excluding an <i>institution</i> to which the <i>CRD</i> does not apply under article 2 of the <i>CRD</i> (see also <i>full CRD credit institution</i>).</p> |
| <p><i>CRD financial instrument</i> FCA PRA</p> | <p>has the meaning set out in ■ <i>BIPRU</i> 1.2.7 R to ■ <i>BIPRU</i> 1.2.8 R (<i>CRD</i> financial instruments), which is in summary any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.</p> |
| <p><i>CRD full-scope firm</i> FCA</p> | <p>an investment firm as defined in article 4(1)(2) of the <i>EU CRR</i> that is subject to the requirements imposed by <i>MiFID</i> (or which would be subject to that Directive if its head office were in an <i>EEA State</i>) and that is not a <i>limited activity firm</i> or a <i>limited licence firm</i>.</p> |
| <p><i>CRD implementation measure</i> FCA PRA</p> | <p>(A) In the PRA Handbook: (in relation to an <i>person</i> and for the purposes of <i>GENPRU</i> and <i>BIPRU</i> (except in ■ <i>GENPRU</i> 3)), a provision of the <i>Banking Consolidation Directive</i> or the <i>Capital Adequacy Directive</i> and an <i>EEA State</i> other than the <i>United Kingdom</i>) a measure</p> |

implementing that provision of that Directive for that type of *person* in that *EEA State*.

(B) In the FCA Handbook:

(in relation to an *person* and for the purposes of *GENPRU* and *BIPRU* (except in ■ *GENPRU 3* and ■ *BIPRU 12*), a provision of the *Banking Consolidation Directive* or the *Capital Adequacy Directive* and an *EEA State* other than the *United Kingdom*) a measure implementing that provision of that Directive for that type of *person* in that *EEA State*.

CRED

FCA PRA

the Credit Unions sourcebook.

credit

FCA PRA

(A) In the PRA Handbook:

(1) (except in relation to a *class of contract of insurance*) any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit.

(2) (in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 14 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against risks of loss to the *persons* insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due.

(B) In the FCA Handbook:

(1) (except in relation to a *class of contract of insurance* and a *credit-related regulated activity*) any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit.

(2) (in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 14 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against risks of loss to the *persons* insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due.

(3) (in relation to a *credit-related regulated activity*) includes a cash loan and any other form of financial accommodation, but an item entering into the *total charge for credit* is not treated as credit even though time is allowed for its payment.

credit agreement

FCA

in accordance with article 60B of the *Regulated Activities Order*, an agreement between an *individual* ("A") and any other *person* ("B") under which B provides A with *credit* of any amount.

credit broker

FCA

a *person* that carries on an activity, by way of business, of the kind specified in article 36A of the *Regulated Activities Order*.

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credit broking

FCA

an activity of the kind specified in article 36A of the *Regulated Activities Order*.

*credit card
cheque*

FCA

a cheque (whether or not drawn on a banker) which, whenever used, will result in the provision of *credit* under a *credit-token agreement*, which does not include a cheque to be used only in connection with a current account.

*credit
enhancement*

FCA

(in accordance with Article 4(43) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a contractual arrangement whereby the credit quality of a *position* in a *securitisation* (within the meaning of paragraph (2) of the definition of *securitisation*) is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior *tranches* in the *securitisation* and other types of credit protection.

*credit
equalisation
provision*

FCA PRA

the provision required to be established by INSPRU 1.4.43R.

credit firm

FCA

a *firm* with *permission* to carry on a *credit-related regulated activity*.

*credit
information
agency*

FCA

a *person* who carries on by way of business one or more of the following activities specified in the *Regulated Activities Order*:

- (a) *credit broking* (article 36A);
- (b) *debt adjusting* (article 39D);
- (c) *debt counselling* (article 39E);
- (d) *debt collecting* (article 39F);
- (e) *debt administration* (article 39G);
- (f) *entering into a regulated credit agreement as lender* (article 60B(1) (disregarding the effect of article 60F));
- (g) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2) (disregarding the effect of article 60F));
- (h) *entering into a regulated consumer hire agreement as owner* (article 60N(1) (disregarding the effect of article 60P));
- (i) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2) (disregarding the effect of article 60P));
- (j) *providing credit references* (article 89B).

*credit
institution*

FCA PRA

(A) In the PRA Handbook:

- (1) (except in *REC*)
 - (a) has the meaning in article 4(1)(1) of the *EU CRR*; or
 - (b) [deleted]
 - (c) [deleted]
 - (d) [deleted]
- (2) (in *REC* and in *SUP 11* (Controllers and close links) and *SUP 16* (Reporting requirements)):
 - (a) a credit institution authorised under the *CRD*; or

(b) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*.

(3) (in relation to the definition of *electronic money issuer*) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of article 4(1)(17) of the *EU CRR* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with article 47 of the *CRD*.

(B) In the FCA Handbook:

(1) (except in *REC*):

(a) has the meaning in article 4(1)(1) of the *EU CRR*; or

(b) [deleted]

(c) [deleted]

(d) [deleted]

(2) (in *REC* and in *SUP 11* (Controllers and close links) and *SUP 16* (Reporting requirements)):

(a) a credit institution authorised under the *CRD*; or

(b) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*.

(3) (in relation to the definition of *electronic money issuer*) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of article 4(1)(17) of the *EU CRR* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with article 47 of the *CRD*.

credit limit

FCA

in accordance with article 60L of the *Regulated Activities Order*, in relation to *running-account credit*, as respects any period, the maximum debit balance which, under a *credit agreement*, is allowed to stand on the account during that period, disregarding any term of the agreement allowing that maximum to be exceeded on a temporary basis.

credit quality assessment scale

FCA PRA

the credit quality assessment scale:

(1) onto which the credit assessments of an export credit agency are mapped under the table in ■ BIPRU 3.4.9 R (Exposure for which a credit assessment by an export credit agency is recognised); or

(2) published by the *appropriate regulator* in accordance with the *Capital Requirements Regulations 2006* which determine:

(a) (in relation to an *eligible ECAI* whose recognition is for *risk weighting* purposes other than those in (2)(b)) with which of the *credit quality steps* set out in ■ BIPRU 3.4 (Risk weights under the standardised approach to credit risk) the relevant credit assessments of an *eligible ECAI* are to be associated; or

(b) (in relation to an *eligible ECAI* whose recognition is for *securitisation risk-weighting* purposes) with which of the *credit quality steps* set out in ■ BIPRU 9 (Securitisation) the relevant credit assessments of the *eligible ECAI* are to be associated.

credit quality step

FCA PRA

a credit quality step in a *credit quality assessment scale* as set out in ■ BIPRU 3.4 (Risk weights under the standardised approach to credit risk) and ■ BIPRU 9 (Securitisation).

| | |
|---|---|
| <p><i>credit reference agency</i></p> <p>FCA</p> | <p>a <i>person providing credit references</i>.</p> |
| <p><i>credit repair firm</i></p> <p>FCA</p> | <p>a <i>firm</i> which carries on the activity of <i>providing credit information services</i> with a view to securing or advising on the correction of or omission of anything from, or making of any modification of, information relevant to financial standing of an <i>individual</i> held by a <i>credit information agency</i> or to securing that the agency stops holding the information or does not provide it to another <i>person</i>.</p> |
| <p><i>credit risk capital component</i></p> <p>FCA PRA</p> | <p>the part of the <i>credit risk capital requirement</i> calculated in accordance with ■ BIPRU 3.1.5 R (Calculation of the credit risk capital component).</p> |
| <p><i>credit risk capital requirement</i></p> <p>FCA PRA</p> | <p>the part of the <i>capital resources requirement</i> of a <i>BIPRU firm</i> in respect of credit risk, calculated in accordance with ■ GENPRU 2.1.51 R (Calculation of the credit risk capital requirement).</p> |
| <p><i>credit risk mitigation</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p>(in accordance with Article 4(30) of the <i>Banking Consolidation Directive</i> (Definitions)) a technique used by an <i>undertaking</i> to reduce the credit risk associated with an <i>exposure</i> or <i>exposures</i> which the <i>undertaking</i> continues to hold.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (in <i>GENPRU</i> (except in ■ GENPRU 3) and <i>BIPRU</i> (except in ■ BIPRU 12)) (in accordance with Article 4(30) of the <i>Banking Consolidation Directive</i> (Definitions)) a technique used by an <i>undertaking</i> to reduce the credit risk associated with an <i>exposure</i> or <i>exposures</i> which the <i>undertaking</i> continues to hold.</p> <p>(2) (except in (1)) has the meaning in article 4(1)(58) of the <i>EU CRR</i>.</p> |
| <p><i>credit token</i></p> <p>FCA</p> | <p>a credit token is a card, check, voucher, coupon, stamp, form, booklet or other document or thing given to an <i>individual</i> by a <i>person</i> carrying on a <i>credit-related regulated activity</i> ("the provider"), who undertakes that:</p> <p>(a) on production of it (whether or not some other action is also required) the provider will supply <i>cash</i>, <i>goods</i> or services (or any of them) on <i>credit</i>; or</p> <p>(b) where, on the production of it to a third party (whether or not any other action is also required), the third party supplies <i>cash</i>, <i>goods</i> and services (or any of them), the provider will pay the third party for them (whether or not deducting any discount or commission), in return for <i>payment</i> to the provider by the <i>individual</i> and the provider shall, without prejudice to the definition of <i>credit</i>, be taken to provide <i>credit</i> drawn on whenever a third party supplies the <i>individual</i> with <i>cash</i>, <i>goods</i> or services; and</p> <p>the use of an object to operate a machine provided by the person giving the object or a third party shall be treated as the production of the object to that <i>person</i> or third party.</p> |
| <p><i>credit union</i></p> | <p>a body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act which is</p> |

FCA PRA

an *authorised person* or a body corporate registered under the Credit Unions (Northern Ireland) Order 1985 which is an *authorised person* or a body corporate registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a credit union which is an *authorised person*.

credit unions
day

(in relation to a *Great Britain credit union*) 1 July 2002 or (in relation to a *Northern Ireland credit union*) 31 March 2012.

FCA PRA

credit
valuation
adjustment

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty; and so that this adjustment:

FCA

- (a) reflects the market value of the credit risk due to any failure to perform on contractual agreements with a counterparty; and
- (b) may reflect the market value of the credit risk of the counterparty or the market value of the credit risk of both the *firm* and the counterparty.

credit-impaired
customer

a *customer* who:

FCA PRA

- (a) within the last two years has owed overdue payments, in an amount equivalent to three *months'* payments, on a mortgage or other loan (whether secured or unsecured), except where the amount overdue reached that level because of late payment caused by errors by a bank or other third party; or
- (b) has been the subject of one or more county court judgments, with a total value greater than £500, within the last three years; or
- (c) has been subject to an individual voluntary arrangement or bankruptcy order which was in force at any time within the last three years.

credit-related
regulated
activity

(in accordance with section 22 of the *Act* (the classes of activity and categories of investments)) any of the following activities specified in Part 2 or 3A of the *Regulated Activities Order* (Specified Activities):

FCA

- (a) *entering into a regulated credit agreement as lender* (article 60B(1));
- (b) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2));
- (c) *credit broking* (article 36A);
- (d) *debt adjusting* (article 39D(1) and (2));
- (e) *debt counselling* (article 39E(1) and (2));
- (f) *debt collecting* (article 39F(1) and (2));
- (g) *debt administration* (article 39G(1) and (2));
- (h) *entering into a regulated consumer hire agreement as owner* (article 60N(1));
- (i) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2));
- (j) *providing credit information services* (article 89A);
- (k) *providing credit references* (article 89B);
- (l) *operating an electronic system in relation to lending* (article 36H);
- (m) *agreeing to carry on a regulated activity* (article 64) so far as relevant to any of the activities in (a) to (l);

| | |
|--|--|
| <p><i>credit-sale agreement</i> FCA</p> | <p>which is carried on by way of business and relates to a <i>specified investment</i> applicable to that activity or, in the case of (j) and (k), relates to information about a <i>person's</i> financial standing.</p> |
| <p><i>credit-token agreement</i> FCA</p> | <p>an agreement for the sale of goods under which the purchase price, or part of it, is payable by instalments, but which is not a <i>conditional sale agreement</i> (see section 189 of the CCA).</p> |
| <p><i>credit-worthiness assessment</i> FCA</p> | <p>a <i>regulated credit agreement</i> for the provision of <i>credit</i> in connection with the use of a <i>credit token</i>.</p> |
| <p>CREDS FCA PRA</p> | <p>the assessment, including as to the affordability of credit by the customer , required by ■ CONC 5.2.1 R.</p> |
| <p>CREST FCA PRA</p> | <p>the Credit Unions sourcebook.</p> |
| <p>CRM eligibility conditions FCA PRA</p> | <p>(A) In the PRA Handbook: the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by CRESTCo Limited.</p> <p>(B) In the FCA Handbook: the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by Euroclear UK & Ireland Limited.</p> |
| <p>CRM minimum requirements FCA PRA</p> | <p>(1) (in relation to the <i>standardised approach</i> to credit risk), ■ BIPRU 5.3.1 R-■ BIPRU 5.3.2 R, ■ BIPRU 5.4.1 R-■ BIPRU 5.4.8 R, ■ BIPRU 5.5.1 R, ■ BIPRU 5.5.4 R, ■ BIPRU 5.5.8 R, ■ BIPRU 5.6.1 R and ■ BIPRU 5.7.1 R-■ BIPRU 5.7.4 R; or</p> <p>(2) (in relation to the <i>IRB approach</i>), the provisions in (1) and ■ BIPRU 4.4.83 R, ■ BIPRU 4.10-■ BIPRU 4.10.7 R, ■ BIPRU 4.10.9 R, ■ BIPRU 4.10.10 R-■ BIPRU 4.10.12 R, ■ BIPRU 4.10.14 R, ■ BIPRU 4.10.16 R, ■ BIPRU 4.10.19 R, and ■ BIPRU 4.10.38 R-■ BIPRU 4.10.39 R.</p> |
| <p>cross border services FCA PRA</p> | <p>(1) (in relation to a <i>UK firm</i>) services provided within an <i>EEA State</i> other than the <i>United Kingdom</i> under the freedom to provide services.</p> <p>(2) (in relation to an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>) services provided within the <i>United Kingdom</i> under the freedom to provide services.</p> |

cross product netting
FCA **PRA**
 (in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13** (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the inclusion of transactions of different product categories within the same *netting set* pursuant to the *rules* about cross-product netting set out in **■ BIPRU 13**.

Cross-Border Payments in Euro Regulations
FCA **PRA**
 the Cross-Border Payments in Euro Regulations 2010 (SI 2010/89).

cross-border UCITS merger
FCA **PRA**
 (in *COLL* and in accordance with article 2(1)(q) of the *UCITS Directive*) a *UCITS merger* of two or more *UCITS*:

- (a) at least two of which are established in different *EEA States*; or
- (b) established in the same *EEA State* into a newly constituted *UCITS* established in another *EEA State*;

but at least one of which is established in the *United Kingdom*.

cross-transaction
FCA **PRA**
 (a) a transaction by which a *person* matches, at the same price and on the same terms, the *buy* and *sell* orders of two or more *persons* for whom he is acting as agent;
 (b) a transaction to which only one *person* is a party, by which he purports to *sell* to and *buy* from himself.

CRR
FCA **PRA**
capital resources requirement.

CRR firm
FCA **PRA**
 (A) (in the *PRA Handbook*):
 for the purposes of *SYSC* means *UK banks, buildings society* and *investment firms* that are subject to the *EU CRR*.
 (B) (in the *FCA Handbook*)
 (for the purposes of *SYSC*) a *UK bank, building society* and an *investment firm* that is subject to the *EU CRR*.

CTF
FCA **PRA**
 (as defined in section 1(2) of the *Child Trust Funds Act 2004*) a child trust fund, that is, an account which:
 (1) is held by a child who is or has been an eligible child (as defined in section 2 of that Act);
 (2) satisfies the requirements imposed by or under the *Child Trust Funds Act 2004*; and
 (3) has been opened in accordance with the *Child Trust Funds Act 2004*.

CTF bank account
FCA **PRA**
 a bank account which fulfils the requirements of Regulation 11(5) of the *CTF Regulations*.

CTF provider
FCA **PRA**
 (in accordance with section 3(1) of the *Child Trust Funds Act 2004*) a *person* approved by *HM Revenue and Customs* in accordance with the *CTF Regulations*.

CTF
Regulations

FCA **PRA**

the Child Trust Funds Regulations 2004 (SI 2004/1450) .

CTF transfer

FCA **PRA**

a transaction resulting from a decision by a *customer*, made with or without advice from a *firm*, to transfer the *investments* (or their value) held in an existing *CTF* into another *CTF* whether or not provided by the same *CTF provider*.

currency class
unit

FCA **PRA**

(in *COLL*) a class of *unit* denominated in a currency that is not the *base currency* of the *authorised fund*, or if permitted, by **■ COLL 3.3.4 R (1)** (Currency class units: requirements).

current
account

FCA

(in **■ CONC App 1**) an account under which the customer may, by means of cheques or similar orders payable to the customer or to any other *person* or by any other means, obtain or have the use of money held or made available by the *person* with whom the account is kept and which records alterations in the financial relationship between the said *person* and the customer.

current
approved
person
approval

FCA **PRA**

(in relation to an *approved person* in relation to a particular *firm* and *controlled function* as at any particular time) an approval under section 59 of the *Act* (Approval for particular arrangements) given by the *FCA* or the *PRA* in relation to that *person* for the performance of that *controlled function* in relation to that *firm* that is in force at that time.

current
customer order

FCA **PRA**

- (a) a *customer order* to be *executed* immediately;
- (b) a *customer order* which is to be *executed* only on fulfilment of a condition, after the condition has been fulfilled.

current
exposure

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13** (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the larger of zero, or the market value of a transaction or portfolio of transactions within a *netting set* with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in bankruptcy.

current FCA
approved
person
approval

FCA **PRA**

a *current approved person approval* given by the *FCA*.

current market
value

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13.5** (CCR standardised method)) the net market value of the portfolio of transactions within the *netting set* with the counterparty; both positive and negative market values are used in computing *current market value*.

current PRA
approved
person
approval

FCA **PRA**

a *current approved person approval* given by the *PRA*.

custodian

FCA PRA

- (A) In the PRA Handbook:
- (a) an *approved bank*;
 - (b) an *approved depositary*;
 - (c) a member of a *recognised investment exchange*;
 - (d) a *firm* whose *permitted activities* include *safeguarding and administering investments*;
 - (e) a regulated *clearing firm*;
 - (f) where it is not feasible to use a *custodian* in (a) to (e), and there are reasonable grounds to show that a *person* outside the *United Kingdom*, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the *client* and in the *client's* best interest to use, that *person*.
- (B) In the FCA Handbook:
- (a) an *approved bank*;
 - (b) an *approved depositary*;
 - (c) a member of a *recognised investment exchange*;
 - (d) a *firm* whose *permitted activities* include *safeguarding and administering investments*;
 - (e) a regulated *clearing firm*;
 - (f) where it is not feasible to use a *custodian* in (a) to (e), and there are reasonable grounds to show that a *person* outside the *United Kingdom*, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the *client* and in the *client's* best interest to use, that *person*.

custody

FCA PRA

(in relation to *clients'* assets) *safeguarding and administering investments*.*custody asset*

FCA PRA

- (A) (in the FCA Handbook)
- (1) other than when *acting as trustee or depositary of an AIF*:
 - (a) a *designated investment* held for or on behalf of a *client*;
 - (b) any other asset which is or may be held with a *designated investment* held for, or on behalf of, a *client*.
 - (2) in relation to *acting as trustee or depositary of an AIF* in ■ CASS 6:
 - (a) an *AIF custodial asset* held by a *depositary* in line with ■ FUND 3.11.21 R (Depositary functions: safekeeping of financial instruments); or
 - (b) any other asset of an *AIF* in respect of which a *depositary* exercises safe-keeping functions in line with ■ FUND 3.11.23 R (Depositary functions: safekeeping of other assets).
- (B) (in the PRA Handbook)
- (a) a *designated investment* held for or on behalf of a *client*;
 - (b) any other asset which is or may be held with a *designated investment* held for, or on behalf of, a *client*.

*custody
chapter*

FCA PRA

■ CASS 6.

custody rules

FCA PRA

■ CASS 6.

customer

FCA PRA

(A) in the *PRA Handbook*:(1) (except in relation to *ICOBS*, ■ *MCOB 3* and ■ *CASS 5*) a *client* who is not an *eligible counterparty* for the relevant purposes .(2) (in relation to ■ *MCOB 3*) a *person* in (1) or a *person* who would be such a *person* if he were a *client*.(3) (in relation to *ICOBS*) a *person* who is a *policyholder*, or a prospective *policyholder* but (except in ■ *ICOBS 2* (general matters), and (in respect of that chapter) ■ *ICOBS 1* (application)) excluding a *policyholder* or prospective *policyholder* who does not make the arrangements preparatory to him concluding the *contract of insurance* .(4) (in relation to ■ *CASS 5*) a *client*.(B) in the *FCA Handbook*:(1) (except in relation to *ICOBS*, a *credit-related regulated activity*, ■ *MCOB 3* and ■ *CASS 5*) a *client* who is not an *eligible counterparty* for the relevant purposes.(2) (in relation to ■ *MCOB 3*) a *person* in (1) or a *person* who would be such a *person* if he were a *client*.(3) (in relation to *ICOBS*) a *person* who is a *policyholder*, or a prospective *policyholder* but (except in ■ *ICOBS 2* (general matters) and (in respect of that chapter) ■ *ICOBS 1* (application)) excluding a *policyholder* or prospective *policyholder* who does not make the arrangements preparatory to him concluding the *contract of insurance*.(4) (in relation to ■ *CASS 5*) a *client*.(5) (in relation to a *credit-related regulated activity*) an *individual* who enters, may enter or has entered into a *credit agreement* or a *consumer hire agreement*; and:(-a) (in relation to *consumer credit lending*) includes an *individual* who the *firm* treats as a *person* who is, or has been, the *borrower* under a *regulated credit agreement*;(-aa) (in relation to *consumer hiring*) includes an *individual* who the *firm* treats as a *person* who is, or has been, the *hirer* under a *regulated consumer hire agreement*;(a) (in relation to *credit broking*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;(b) (in relation to *operating an electronic system in relation to lending*) an *individual* who is, may be, has been or may have been the *borrower* under a *P2P agreement*;(c) (in relation to *debt adjusting*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;

(d) (in relation to *debt counselling*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;

(e) (in relation to *debt collecting*) a *person* within (i) to (iv) in relation to whom the *firm* takes steps to procure the payment of a debt due under a *credit agreement* or a *consumer hire agreement* or a *P2P agreement* (whether or not that *person* is a party to the *credit agreement* or *consumer hire agreement* or *P2P agreement*):

(i) an *individual* who is or has been the *borrower* under a *credit agreement*, or is or has been the *hirer* under a *consumer hire agreement*, or is or has been the *borrower* under a *P2P agreement*;

(ii) an *individual* who the *firm* treats as a *person* within (i);

(iii) a *person* providing a guarantee or indemnity under the agreement; and

(iv) a *person* to whom the rights and duties of a *person* within (iii) have passed by *assignment* or operation of law;

(f) (in relation to *debt administration*) a *person* within (i) to (iv) in relation to whom the *firm* takes steps to perform duties or exercise or enforce rights under a *credit agreement* on behalf of the *lender* or under a *consumer hire agreement* on behalf of the *owner* or under a *P2P agreement* on behalf of the *lender*:

(i) an *individual* who is or has been the *borrower* under a *credit agreement*, or is or has been the *hirer* under a *consumer hire agreement*, or is or has been the *borrower* under a *P2P agreement*;

(ii) an *individual* who the *firm* treats as a *person* within (i);

(iii) a *person* providing a guarantee or indemnity under the agreement; and

(iv) a *person* to whom the rights and duties of a *person* within (iii) have passed by *assignment* or operation of law;

(g) (in relation to *providing credit information services*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*; and

(h) (in relation to *providing credit references*) an *individual* about whom information relevant to the *individual's* financial standing is or was, may be or may have been held by the *credit reference agency*.

(in the *FCA Handbook*) *FCA controlled function* CF30 in Parts 1 and 2 of the table of *FCA controlled functions*, described more fully in ■ SUP 10A.10.7 R.

customer
function

FCA PRA

customer order

FCA PRA

PAGE
C77

(a) an order to a *firm* from a *customer* to *execute* a transaction as agent;

(b) any other order to a *firm* from a *customer* to *execute* a transaction in circumstances giving rise to duties similar to those arising on an order to *execute* a transaction as agent;

(c) a decision by a *firm* in the exercise of discretion to *execute* a transaction with or for a *customer*.

*customer-dealing
function*

FCA PRA

(in accordance with section 59(7A) of the *Act* (Approval for particular arrangements) in relation to the carrying on of a *regulated activity* by an *authorised person* ("A") a function that will involve the *person* performing it in dealing with:

- (a) customers of A; or
 - (b) property of customers of A;
- in a manner substantially connected with the carrying on of the activity.

| | |
|--|---|
| <p><i>damage to property</i> FCA PRA</p> | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 9 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of that Schedule (L and vehicles, Railway rolling stock, Aircraft, Ships and Goods in transit) relate) due to hail or frost or any other event (such as theft) other than those mentioned in paragraph 8 of that Schedule (Fire and natural forces).</p> |
| <p><i>data element</i> FCA PRA</p> | <p>A discrete fact or individual piece of information relating to a particular field within a <i>data item</i> required to be submitted to the <i>appropriate regulator</i> by a <i>firm</i> or other regulated entity.</p> |
| <p><i>data item</i> FCA PRA</p> | <p>One or more related <i>data elements</i> that are grouped together into a prescribed format and required to be submitted by a <i>firm</i> or other regulated entity under ■ SUP 16 or provisions referred to in ■ SUP 16.</p> |
| <p><i>data set</i> FCA PRA</p> | <p>One or more <i>data items</i> relating to the same <i>regulated activity</i>.</p> |
| <p><i>date of allotment</i> FCA PRA</p> | <p>the date on which amounts of the <i>relevant security</i> are allotted to subscribers or purchasers and, where there is an initial or preliminary allotment subject to confirmation, the date of that initial or preliminary allotment.</p> |
| <p><i>day</i> FCA PRA</p> | <p>a period of 24 hours beginning at midnight.</p> |
| <p>DCG FCA</p> | <p>the Office of Fair Trading's Debt Collection Guidance.</p> |
| <p><i>deal</i> FCA PRA</p> | <p>a <i>dealing</i> transaction.</p> |
| <p><i>deal on own account</i> FCA PRA</p> | <p>(A) In the PRA Handbook: (for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ BIPRU 1.1.23 R (Meaning of dealing on own account) which is in summary the service referred to in point 3 of Section A Annex I to <i>MiFID</i>, subject to the adjustments in ■ BIPRU 1.1.23 R (2) and ■ BIPRU 1.1.23 R (3) (Implementation of Article 5(2) of the <i>Capital Adequacy Directive</i>).</p> <p>(B) In the FCA Handbook:</p> <p>(1) (for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ BIPRU 1.1.23 R (Meaning of dealing on own account) which is in summary the service referred to in point 3 of Section A Annex I to <i>MiFID</i>, subject to the adjustments in ■ BIPRU 1.1.23 R (2) and ■ BIPRU 1.1.23 R (3) (Implementation of Article 5(2) of the <i>Capital Adequacy Directive</i>).</p> <p>(2) (other than in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ IFPRU 1.1.12 R (Meaning of dealing on own account) which is, in summary, the service referred to in point 3 of Section A of Annex I to <i>MiFID</i>, subject to the adjustments in ■ IFPRU 1.1.12 R (2) and ■ IFPRU 1.1.12 R (3) (Implementation of article 29(2) of <i>CRD</i>).</p> |
| <p><i>dealer</i></p> | <p>in relation to a <i>hire-purchase agreement</i>, <i>credit-sale agreement</i> or <i>conditional sale agreement</i> under which this <i>person</i> is not the <i>lender</i>, a <i>person</i> who sells or</p> |

FCA

proposes to sell *goods, land* or other things to the *lender* before they form the subject matter of any such agreements and, in relation to any other agreements, means a *supplier* or the *supplier's* agent.

dealing

FCA PRA

(1) (other than in ■ MAR 1 (The Code of Market Conduct)) (in accordance with paragraph 2 of Schedule 2 to the *Act* (*Regulated activities*) buying, selling, subscribing for or underwriting *investments* or offering or agreeing to do so, either as a *principal* or as an agent, including, in the case of an *investment* which is a *contract of insurance*, carrying out the contract.

(2) (in ■ MAR 1) (as defined as in section 130A(3) of the *Act*), in relation to an investment, means acquiring or disposing of the investment whether as principal or agent or directly or indirectly, and includes agreeing to acquire or dispose of the investment, and entering into and bringing to an end a contract creating it.

dealing day

FCA PRA

(in *COLL*) the period in a *business day* (in accordance with provisions of the *prospectus*) during which the *ACD* or the *operator* is open for business.

dealing in investments as agent

FCA PRA

the *regulated activity*, specified in article 21 of the *Regulated Activities Order* (Dealing in investments as agent), which is in summary: *buying, selling, subscribing for or underwriting designated investments, pure protection contracts* or *general insurance contracts* as agent.

dealing in investments as principal

FCA PRA

the *regulated activity*, specified in article 14 of the *Regulated Activities Order* (Dealing in investments as principal), which is in summary: *buying, selling, subscribing for or underwriting designated investments* as principal.

dealing on own account

FCA PRA

trading against proprietary capital resulting in the conclusion of transactions in one or more *financial instruments*.

[Note: article 4(1)(6) of *MIFID*]

dealing period

FCA PRA

(in *COLL*) the period between one *valuation point* and the next.

debenture

FCA PRA

the *investment*, specified in article 77 of the *Regulated Activities Order* (Instruments creating or acknowledging indebtedness), which is in summary: any of the following which are not *government and public securities*:

- (a) debentures;
- (b) debenture stock;
- (c) loan stock;
- (d) bonds;
- (e) certificates of deposit;
- (f) any other instrument creating or acknowledging indebtedness.

debt adjuster

FCA

a *person* who has, or ought to have, a *Part 4A permission* to carry on the *regulated activity of debt adjusting* and who negotiates with a *lender* on behalf of a *customer* the terms of discharge of a debt due under a *credit agreement* or a *consumer hire agreement*, or takes over the *customer's* obligations to discharge such debts in return for payments by the *customer*, or carries on any similar activity concerned with the liquidation of such a debt.

that are at all times fully secured against assets of the kind mentioned in BIPRU 12.7.2R(1) and (2);

(c) it must, for the purpose of condition (b), only count assets with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;

(d) it must, for the purpose of condition (b), ensure that if it invests in sight deposits with *credit institutions* of the kind mentioned in (b)(ii), no more than 20% of those deposits are held with any one body; and

(e) it must provide liquidity through same day settlement in respect of any request for redemption made at or before 1200 hours GMT or, as the case may be, BST.

*designated
multilateral
development
bank*

FCA PRA

Any of the following:

- (a) African Development Bank;
- (b) Asian Development Bank;
- (c) Council of Europe Development Bank;
- (d) European Bank for Reconstruction and Development;
- (e) European Investment Bank;
- (f) Inter-American Development Bank;
- (g) International Bank for Reconstruction and Development;
- (h) International Finance Corporation;
- (i) Islamic Development Bank; and
- (j) Nordic Investment Bank.

*designated
non-member*

FCA PRA

(in *REC*) (in relation to a *UK RIE*) a *person* in respect of whom action may be taken under the *default rules* of the *RIE* but who is not a *member* of the *RIE*.

*designated
professional
body*

FCA PRA

a professional body designated by the Treasury under section 326 of the *Act* (Designation of professional bodies) for the purposes of Part XX of the *Act* (Provision of Financial Services by Members of the Professions); the following professional bodies have been designated in the Financial Services and Markets Act 2000 (Designated Professional Bodies) Order 2001 (SI 2001/1226), the Financial Services and Markets Act 2000 (Designated Professional Bodies) (Amendment) Order 2004 (SI 2004/3352) and the Financial Services and Markets Act 2000 (Designated Professional Bodies) (Amendment) Order 2006 (SI 2006/58):

- (a) The Law Society of England & Wales;
- (b) The Law Society of Scotland;
- (c) The Law Society of Northern Ireland;
- (d) The Institute of Chartered Accountants in England and Wales;
- (e) The Institute of Chartered Accountants of Scotland;
- (f) The Institute of Chartered Accountants in Ireland;
- (g) The Association of Chartered Certified Accountants;
- (h) The Institute of Actuaries;
- (i) The Council for Licensed Conveyancers; and

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|--|---|
| <p><i>designated State or territory</i></p> <p>FCA PRA</p> | <p>(j) The Royal Institution of Chartered Surveyors.</p> <p>any <i>EEA State</i> (other than the <i>United Kingdom</i>), Australia, Canada or a province of Canada, Hong Kong, Singapore, South Africa, Switzerland, a State in the United States of America, the District of Columbia or Puerto Rico.</p> |
| <p><i>DGD claim</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p>a <i>claim</i>, in relation to a <i>protected deposit</i>, against a <i>CRD credit institution</i>, whether established in the <i>United Kingdom</i> or in another <i>EEA State</i>.</p> <p>(B) In the FCA Handbook:</p> <p>a <i>claim</i>, in relation to a <i>protected deposit</i>, against a <i>CRD credit institution</i>, whether established in the <i>United Kingdom</i> or in another <i>EEA State</i>.</p> |
| <p><i>dilution</i></p> <p>FCA PRA</p> | <p>(in <i>COLL</i>) the amount of <i>dealing</i> costs incurred, or expected to be incurred, by or for the account of a <i>single-priced authorised fund</i> to the extent that these costs may reasonably be expected to result, or have resulted, from the acquisition or disposal of <i>investments</i> by or for the account of the <i>single-priced authorised fund</i> as a consequence (whether or not immediate) of the increase or decrease in the cash resources of the <i>single-priced authorised fund</i> resulting from the <i>issue</i> or <i>cancellation</i> of <i>units</i> over a period;</p> <p>for the purposes of this definition, <i>dealing</i> costs include both the costs of <i>dealing</i> in an <i>investment</i>, professional fees incurred, or expected to be incurred, in relation to the acquisition or disposal of an immovable land, where there is a spread between the <i>buying</i> and selling prices of the <i>investment</i>, the indirect cost resulting from the differences between those prices .</p> |
| <p><i>dilution adjustment</i></p> <p>FCA PRA</p> | <p>an adjustment to the <i>price</i> of a <i>unit</i> determined by the <i>authorised fund manager</i> of a <i>single-priced authorised fund</i> , under ■ COLL 6.3.8 R (Dilution) for the purpose of reducing <i>dilution</i>.</p> |
| <p><i>dilution levy</i></p> <p>FCA PRA</p> | <p>a charge of such amount or at such rate as is determined by the <i>authorised fund manager</i> of a <i>single-priced authorised fund</i> to be made for the purpose of reducing the effect of <i>dilution</i>.</p> |
| <p><i>dilution risk</i></p> <p>FCA PRA</p> | <p>(in accordance with Article 4(24) of the <i>Banking Consolidation Directive</i> (Definitions)) the risk that an amount receivable is reduced through cash or non-cash credits to the obligor.</p> |
| <p><i>Diploma Directives</i></p> <p>FCA PRA</p> | <p>the First and Second Diploma Directives, that is:</p> <p>(a) the Council Directive of 21 December 1988 on a general system for the recognition of higher-education diplomas, awarded on completion of professional education and training of at least three years' duration (No 89/48/EEC);</p> <p>(b) the Council Directive of 18 June 1992 on a second general system for the recognition of professional education and training to supplement Directive 89/48/EEC (No 92/51/EEC).</p> |
| <p><i>direct deal</i></p> | <p>a <i>home finance transaction</i> that can only be obtained direct from a <i>home finance provider</i>, and where that <i>home finance provider</i> is not the selling <i>firm</i>.</p> |

*direct offer
financial
promotion*

FCA PRA

a *financial promotion* that contains:

- (a) an offer by the *firm* or another *person* to enter into a *controlled agreement* with any *person* who responds to the communication; or
- (b) an invitation to any *person* who responds to the communication to make an offer to the *firm* or another *person* to enter into a *controlled agreement*;

and which specifies the manner of response or includes a form by which any response may be made.

In relation to *MiFID* or *equivalent third country business* "controlled agreement" includes an agreement to carry on an *ancillary service*.

directed at

FCA PRA

a *financial promotion* is directed at *persons* if it is addressed to *persons* generally (for example where it is contained in a television broadcast or web site).

directed only at

FCA PRA

(a) If all the conditions set out in (c) are met, a communication is to be regarded as "directed only at" a certain *group* of *persons*.

(b) In any other case in which one or more of those conditions are met, that fact is to be taken into account in determining whether the communication is "directed only at" a certain *group* of *persons* (but a communication may still be regarded as so directed even if none of the conditions in (c) are met).

(c) The conditions are that:

- (i) the communication includes an indication of the description of *persons* to whom it is directed and an indication of the fact that the *investment* or service to which it relates is available only to such *persons*;
- (ii) the communication includes an indication that *persons* of any other description should not rely upon it;
- (iii) there are in place proper systems and procedures to prevent recipients other than *persons* to whom it is directed engaging in the investment activity, or participating in the *collective investment scheme*, to which the communication relates with the *person* directing the communication, a *close relative* of his or a member of the same *group*.

*directive
friendly society*

FCA PRA

a *friendly society* other than a *non-directive friendly society*.

director

FCA PRA

(1) (except in *COLL*, *DTR*, *LR* and *PR*) (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):

- (a) an unincorporated association;
- (b) a *body corporate*;
- (c) (in *SYSC*, ■ *MIPRU 2* (Insurance mediation activity: responsibility, knowledge, ability and good repute) and ■ *SUP 10* (Approved persons)) a *partnership*;
- (d) (in *SYSC* and ■ *SUP 10* (Approved persons)) a *sole trader*;

any *person* appointed to direct its affairs, including a *person* who is a member of its *governing body* and (in accordance with section 417(1) of the *Act*):

- (i) a *person* occupying in relation to it the position of a director (by whatever name called); and

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| <p><i>director function</i> FCA PRA</p> | <p>(ii) a <i>person</i> in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that body are accustomed to <i>act</i>.</p> <p>(2) (in <i>COLL</i>) a director of an <i>ICVC</i>, including (in accordance with regulation 2(1) of the <i>OEIC Regulations</i>) a <i>person</i> occupying in relation to the <i>ICVC</i> the position of director, by whatever name called.</p> <p>(3) (in <i>DTR</i>, <i>LR</i> and <i>PR</i>) (in accordance with section 417(1)(a) of the <i>Act</i>) a <i>person</i> occupying in relation to it the position of a director (by whatever name called) and, in relation to an <i>issuer</i> which is not a <i>body corporate</i>, a <i>person</i> with corresponding powers and duties.</p> <p>(1) (in the <i>FCA Handbook</i>) <i>FCA controlled functions</i> CF1 in Part 1 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.6.7 R and ■ SUP 10A.6.8 R.</p> <p>(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF1 in the <i>table of PRA controlled functions</i>, described more fully in ■ SUP 10B.6.1 R and ■ SUP 10B.6.2 R.</p> |
| <p><i>director of unincorporated association function</i> FCA PRA</p> | <p>(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF5 in Part 1 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.6.29 R.</p> <p>(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF5 in the <i>table of PRA controlled functions</i>, described more fully in ■ SUP 10B.6.15 R.</p> |
| <p><i>Disciplinary Tribunal</i> FCA PRA</p> | <p>a Tribunal appointed under Schedule 2 to Lloyd's Disciplinary Committees Byelaw (No 31 of 1996).</p> |
| <p><i>disclosable information</i> FCA PRA</p> | <p>any information which has to be disclosed in the market in accordance with any legal or regulatory requirement.</p> |
| <p><i>disclosure obligations</i> FCA PRA</p> | <p>(in <i>REC</i>) the initial, ongoing and ad hoc disclosure requirements contained in the <i>relevant articles</i> and given effect:</p> <p>(1) in the <i>United Kingdom</i> by Part 6 of the <i>Act</i> and Part 6 rules (within the meaning of section 73A of the <i>Act</i>); or</p> <p>(2) in another <i>EEA State</i> by legislation transposing the <i>relevant articles</i> in that State.</p> |
| <p><i>disclosure regulations</i> FCA</p> | <p>as the case may be, the Consumer Credit (Disclosure of Information) Regulations 2010, SI 2010/1013 or the Consumer Credit (Disclosure of Information) Regulations 2004, SI 2004/1481.</p> |
| <p><i>disclosure rules</i> FCA PRA</p> | <p>(in accordance with sections 73A(1) and 73A(3) of the <i>Act</i>) <i>rules</i> relating to the disclosure of information in respect of <i>financial instruments</i> which have been admitted to trading on a <i>regulated market</i> or for which a request for <i>admission to trading</i> on such a market has been made.</p> |
| <p><i>discounting</i> FCA PRA</p> | <p>discounting or deductions to take account of investment income as set out in paragraph 48 of the <i>insurance accounts rules</i>.</p> |

discretionary investment manager

FCA **PRA**

(in COBS and (in relation to *firm type*) in ■ SUP 16.10 (Confirmation of standing data)) a *person* who, acting only on behalf of a *client*, manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement.

discretionary pension benefit

FCA **PRA**

(A) In the PRA Handbook:

(in ■ SYSC 19A) enhanced pension benefits granted on a discretionary basis by a *firm* to an *employee* as part of that *employee's* variable *remuneration* package, but excluding accrued benefits granted to an *employee* under the terms of his company pension scheme.

[Note: article 4(49) of the *Banking Consolidation Directive*]

(B) In the FCA Handbook:

(1) (in ■ SYSC 19C) enhanced pension benefits granted on a discretionary basis by a *firm* to an *employee* as part of that *employee's* variable *remuneration* package, but excluding accrued benefits granted to an *employee* under the terms of his company pension scheme.

[Note: article 4(49) of the *Banking Consolidation Directive*]

(2) (in IFPRU and ■ SYSC 19A) has the meaning in article 4(1)(73) of the *EU CRR*.

DISP

FCA **PRA**

Dispute Resolution: the Complaints sourcebook.

distance contract

FCA **PRA**

any contract concerning financial services concluded between a *supplier* and a *consumer* under an organised distance sales or service provision scheme run by the *supplier* which, for the purpose of that contract, makes exclusive use (directly or through an intermediary) of one or more means of distance communication (that is, any means which, without the simultaneous physical presence of the *supplier* or intermediary and the *consumer*, may be used for the distance marketing of a service between those parties) up to and including the time at which the contract is concluded.

A contract is not a distance contract if:

(a) making, performing or marketing it does not constitute or form part of a *regulated activity*; or

(b) it is entered into on a strictly occasional basis outside a commercial structure dedicated to the conclusion of distance contracts; or

(c) a *consumer*, and an intermediary acting for a product provider, are simultaneously physically present at some stage before the conclusion of the contract; or

(d) it is entered into to comply with the requirement in Part 1 of the Pensions Act 2008 to automatically enrol or re-enrol employees into an *automatic enrolment scheme*.

[Note: recitals 15 and 18 to, and articles 2(a) and (e) of, the *Distance Marketing Directive*]

a *distance contract*, the making or performance of which constitutes, or is part of:

(a) *advising on a home purchase plan*;

(b) *arranging (bringing about) a home purchase plan*;

distance home purchase mediation contract

FCA **PRA**

Distance
Marketing
Directive

FCA PRA

- (c) *making arrangements with a view to a home purchase plan*; or
- (d) *agreeing to carry on a regulated activity* in (a) to (c).

The Directive of the Council and Parliament of 23 September 2002 on distance marketing of consumer financial services (No 2002/65/EC).

Distance
Marketing
Regulations

FCA PRA

The Financial Services (Distance Marketing) Regulations 2004 (SI 2004/2095).

distance
mortgage
mediation
contract

FCA PRA

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on regulated mortgage contracts*; or
- (b) *arranging (bringing about) regulated mortgage contracts*; or
- (c) *making arrangements with a view to regulated mortgage contracts*; or
- (d) *agreeing to carry on a regulated mortgage activity* in (a) to (c).

distance
regulated sale
and rent back
mediation
contract

FCA PRA

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on a regulated sale and rent back agreement*; or
- (b) *arranging (bringing about) a regulated sale and rent back agreement*; or
- (c) *making arrangements with a view to a regulated sale and rent back agreement*; or
- (d) *agreeing to carry on a regulated sale and rent back mediation activity* in (a) to (c).

distance selling
contract

FCA PRA

(in BCOBS) has the same meaning as "distance contract" in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).

distribution
account

FCA PRA

(in COLL) the account to which the amount of income of an *authorised fund* allocated to *classes of units* that distribute income must be transferred as at the end of each *annual accounting period* under ■ COLL 6.8.3 R (Income allocation and distribution) or ■ COLL 8.5.15 R (Income) .

distribution
channels

FCA PRA

a channel through which information is, or is likely to become, publicly available. Information which is "likely to become publicly available" means information to which a large number of *persons* have access.

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

distribution in
connection
with common
equity tier 1
capital

FCA

(in accordance with article 141(10) of CRD) includes:

- (a) a payment of cash dividends;
- (b) a distribution of fully or partly paid bonus *shares* or other capital instruments referred to in article 26(1)(a) of the *EU CRR* (Common equity tier 1 items);

(c) a redemption or purchase by a *firm* of its own *shares* or other capital instruments referred to in article 26(1)(a) of the *EU CRR* (Common equity tier 1 items);

(d) a repayment of amounts paid in connection with capital instruments referred to in article 26(1)(a) of the *EU CRR* (Common equity tier 1 items); and

(e) a distribution of items referred to in article 26(1)(b) to (e) of the *EU CRR* (Common equity tier 1 items).

distribution of exposures

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of market values that is generated by setting forecast instances of negative net market values equal to zero.

distribution of market values

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of net market values of transactions within a *netting set* for some future date (the forecasting horizon), given the realised market value of those transactions up to the present time.

DLG by default

FCA **PRA**

(A) In the PRA Handbook:

(in relation to a *UK ILAS BIPRU firm* (a *group liquidity reporting firm*) and any reporting period under ■ SUP 16 (Reporting requirements)) the *firm* and each *person* identified in accordance with the following:

(a) (in a case in which the *firm* is the only *UK ILAS BIPRU firm* in its *group*) that *person* meets any of the following conditions for any part of that period:

(i) that *person* provides material support to the *firm* against *liquidity risk*; or

(ii) that *person* is committed to provide such support or would be committed to do so if that *person* were able to provide it; or

(iii) the *firm* has reasonable grounds to believe that that *person* would supply such support if asked or would do so if it were able to provide it; or

(iv) the *firm* provides material support to that *person* against *liquidity risk*; or

(v) the *firm* is committed to provide such support to that *person* or would be committed to do so if the *firm* were able to provide it; or

(vi) the *firm* has reasonable grounds to believe that that *person* would expect the *firm* to supply such support if asked or that the *firm* would do so if it were able to provide it; or

(b) (in a case in which the *firm* is not the only *UK ILAS BIPRU firm* in its *group*):

- (i) each of those other *UK ILAS BIPRU firms*; and
- (ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other *UK ILAS BIPRU firms*, so that applying (b) to the *firm* and to each of those *UK ILAS BIPRU firms* results in their having the same *defined liquidity group*;
- (iii) no *DLG by default* exists where the group consists only of *UK ILAS BIPRU firms*.

The following provisions also apply for the purpose of this definition.

(c) A *person* is not a member of a firm's *DLG by default* unless it also satisfies one of the following conditions:

- (i) it is a member of the *firm's group*; or
- (ii) it is a *securitisation special purpose entity* or a *special purpose vehicle*; or
- (iii) it is an *undertaking* whose main purpose is to raise funds for the *firm* or for a *group* to which that *firm* belongs.

(ca) In the case of a *group liquidity reporting firm* that is within paragraph (a) of the definition of *UK lead regulated firm* (it is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*), paragraph (c)(i) of the definition of *DLG by default* is amended so that it only includes a member of the *firm's group* that falls into one of the following categories:

- (i) it is a *credit institution*; or
- (ii) it is an *investment firm* or *third country investment firm* authorised to *deal on own account*.

For these purposes:

- (iii) *credit institution* has the meaning used in ■ SUP 16 (Reporting requirements), namely either of the following:
 - (A) a credit institution authorised under the *CRD*; or
 - (B) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and
- (iv) a *person* is authorised to *deal on own account* if:

(A) it is a *firm* and its *permission* includes that activity; or

(B) it is an *EEA firm* and it is authorised by its *Home State regulator* to do that activity; or

(C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *person* has such an authorisation.

(d) *Group* has the meaning in paragraph (1) of the definition in the *Glossary* (the definition in section 421 of the *Act*).

(e) The conditions in (a) are satisfied even if the *firm* or *person* in question provides or is committed or expected to provide support for only part of the period. (f) In deciding for the purpose

(f) In deciding for the purpose of (a) or (b) whether the *firm* is the only *UK ILAS BIPRU firm* in its *group* and identifying which are the other *UK ILAS BIPRU firms* in its *group*, any *group* member that is a member of the *group* through no more than a *participation* is ignored.

(g) A *firm* has a *DLG by default* for a period even if it only has one during part of that period.

(h) Liquidity support may be supplied by or to the *firm* directly or indirectly.

(i) Support is material if it is material either by reference to the *person* giving it or by reference to the *person* receiving it.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 (Guidance on designated liquidity groups in ■ SUP 16.12).)

(B) In the FCA Handbook:

(in relation to a *UK ILAS BIPRU firm* (a *group liquidity reporting firm*) and any reporting period under ■ SUP 16 (Reporting requirements)) the *firm* and each *person* identified in accordance with the following:

(a) (in a case in which the *firm* is the only *UK ILAS BIPRU firm* in its *group*) that *person* meets any of the following conditions for any part of that period:

(i) that *person* provides material support to the *firm* against *liquidity risk*; or

(ii) that *person* is committed to provide such support or would be committed to do so if that *person* were able to provide it; or

(iii) the *firm* has reasonable grounds to believe that that *person* would supply such support if asked or would do so if it were able to provide it; or

(iv) the *firm* provides material support to that *person* against *liquidity risk*; or

(v) the *firm* is committed to provide such support to that *person* or would be committed to do so if the *firm* were able to provide it; or

(vi) the *firm* has reasonable grounds to believe that that *person* would expect the *firm* to supply such support if asked or that the *firm* would do so if it were able to provide it; or

(b) (in a case in which the *firm* is not the only UK ILAS BIPRU firm in its *group*):

(i) each of those other UK ILAS BIPRU firms; and

(ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other UK ILAS BIPRU firms, so that applying (b) to the *firm* and to each of those UK ILAS BIPRU firms results in their having the same *defined liquidity group*;

(iii) no *DLG by default* exists where the group consists only of UK ILAS BIPRU firms.

The following provisions also apply for the purpose of this definition.

(c) A *person* is not a member of a firm's *DLG by default* unless it also satisfies one of the following conditions:

(i) it is a member of the *firm's group*; or

(ii) it is a *securitisation special purpose entity* or a *special purpose vehicle*; or

(iii) it is an *undertaking* whose main purpose is to raise funds for the *firm* or for a *group* to which that *firm* belongs.

(ca) In the case of a *group liquidity reporting firm* that is within paragraph (a) of the definition of *UK lead regulated firm* (it is not part of a group that is subject to consolidated supervision by the FCA or the PRA or any other *regulatory body*), paragraph (c)(i) of the definition of *DLG by default* is amended so that it only includes a member of the *firm's group* that falls into one of the following categories:

(i) it is a *credit institution*; or

(ii) it is an *investment firm* or *third country investment firm* authorised to *deal on own account*.

For these purposes:

(iii) *credit institution* has the meaning used in ■ SUP 16 (Reporting requirements), namely either of the following:

(A) a credit institution authorised under the *CRD* or

(B) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and

(iv) a *person* is authorised to *deal on own account* if:

(A) it is a *firm* and its *permission* includes that activity; or

(B) it is an *EEA firm* and it is authorised by its *Home State regulator* to do that activity; or

(C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *person* has such an authorisation.

(d) *Group* has the meaning in paragraph (1) of the definition in the *Glossary* (the definition in section 421 of the *Act*).

(e) The conditions in (a) are satisfied even if the *firm* or *person* in question provides or is committed or expected to provide support for only part of the period. (f) In deciding for the purpose

(f) In deciding for the purpose of (a) or (b) whether the *firm* is the only *UK ILAS BIPRU firm* in its *group* and identifying which are the other *UK ILAS BIPRU firms* in its *group*, any *group* member that is a member of the group through no more than a *participation* is ignored.

(g) A *firm* has a *DLG by default* for a period even if it only has one during part of that period.

(h) Liquidity support may be supplied by or to the *firm* directly or indirectly.

(i) Support is material if it is material either by reference to the *person* giving it or by reference to the *person* receiving it.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 (Guidance on designated liquidity groups in ■ SUP 16.12).)

either of the following:

(a) a *DLG by modification (firm level)*; or

(b) a *non-UK DLG by modification (DLG level)*.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 (Guidance on designated liquidity groups in ■ SUP 16.12).)

(in relation to any reporting period under ■ SUP 16 (Reporting requirements) and a *UK ILAS BIPRU firm* that has an *intra-group liquidity modification* during

DLG by modification

FCA PRA

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DLG by modification (firm level)

FCA PRA

any part of that period (a *group liquidity reporting firm*) the *firm* and each *person* on whose liquidity support the *firm* can rely, under that *intra-group liquidity modification*, for any part of that period for the purpose of the *overall liquidity adequacy rule* (as the *overall liquidity adequacy rule* applies to the *firm* on a solo basis). A *firm* has a 'DLG by modification (firm level)' for a period even if it only has one during part of that period.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 (Guidance on designated liquidity groups in ■ SUP 16.12).)

DMG

FCA

the Office of Fair Trading's Debt Management (and credit repair services Guidance).

document

FCA PRA

any piece of recorded information, including (in accordance with section 417(1) of the *Act* (Interpretation)) information recorded in any form; in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form.

document
evidencing title

FCA PRA

any means of evidencing title whether in documentary form or otherwise.

document
viewing facility

FCA PRA

(in *LR*) a location identified on the *FCA* website where the public can inspect documents referred to in the *listing rules* as being documents to be made available at the document viewing facility.

domestic
UCITS merger

FCA PRA

(in *COLL* and in accordance with article 2(1)(r) of the *UCITS Directive*) a *UCITS merger* between two or more *UCITS schemes* in relation to which a *UCITS marketing notification* has been made in respect of at least one of the relevant *schemes*.

dormant
account

FCA PRA

has the meaning given in section 10 of the Dormant Bank and Building Society Accounts Act 2008, which is in summary an *account* that at a particular point in time:

(a) has been open throughout the period of 15 years ending at that time; and

(b) during that period no transactions have been carried out in relation to the *account* by or on the instructions of the holder of the *account*.

dormant
account fund
operator

FCA PRA

a *firm* with *permission* for operating a *dormant account fund*.

dormant
account funds

FCA PRA

has the meaning given in section 5(6) of the Dormant Bank and Building Society Accounts Act 2008, which is *money* paid to a *dormant account fund operator* by a *bank* or *building society* in respect of a *dormant account*.

drawdown
mortgage

FCA PRA

a *lifetime mortgage* contract where:

(a) the amount borrowed is paid by the *mortgage lender* to the *customer* in instalments during the life of the mortgage; and

drawdown pension

FCA PRA

(b) the size and frequency of the instalments are:

- (1) agreed between the *mortgage lender* and the *customer*; or
- (2) set by reference to an index or interest rate (such as the Official Bank Rate).

(as defined in paragraph 4 of Schedule 28 to the Finance Act 2004):

- (a) a *short-term annuity*; or
- (b) an *income withdrawal*.

drawn down capital

FCA PRA

(in ■ SUP 16, in the case of an *investment management firm* carrying out *venture capital business*) the total current value of contributions committed by investors under contractual agreement which has been invested by the *firm*.

DTR

FCA PRA

(A) In the PRA Handbook:

the Disclosure Rules and Transparency Rules sourcebook containing the *disclosure rules*, *transparency rules*, *corporate governance rules* and the *rules* relating to *primary information providers*.

(B) In the FCA Handbook:

the Disclosure Rules and Transparency Rules sourcebook containing the *disclosure rules*, *transparency rules*, *corporate governance rules* and the *rules* relating to *primary information providers*.

dual-priced authorised fund

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate *fund*), that is not a *single-priced authorised fund*.

durable medium

FCA PRA

(a) paper; or

(b) any instrument which enables the recipient to store information addressed personally to him in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored. In particular, *durable medium* covers floppy disks, CD-ROMs, DVDs and hard drives of personal computers on which electronic mail is stored, but it excludes Internet sites, unless such sites meet the criteria specified in the first sentence of this paragraph.

(in relation to *MiFID* or *equivalent third country business* or *collective portfolio management*, if the relevant *rule* implements the *MiFID implementing Directive*, the *UCITS Directive*, the *UCITS implementing Directive* or the *UCITS implementing Directive No 2*) the instrument used must be:

- (i) appropriate to the context in which the business is to be carried on; and
- (ii) specifically chosen by the recipient when offered the choice between that instrument and paper.

For the purposes of this definition, the provision of information by means of electronic communications shall be treated as appropriate to the context in which the business between the *firm* and the *client* is, or is to be, carried on if there is evidence that the *client* has regular access to the internet. The provision by the *client* of an e-mail address for the purposes of the carrying on of that business is sufficient.

[Note: article 2(f) and Recital 20 of the *Distance Marketing Directive*, article 2(12) of the *Insurance Mediation Directive*, articles 2(2), 3(1) and 3(3) of the *MiFID implementing Directive*, articles 75(2) and 81(1) of the *UCITS Directive*, article 20(3) of the *UCITS implementing Directive* and article 7 of the *UCITS implementing Directive No 2*]

early
amortisation
provision

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 100 of the *Banking Consolidation Directive* (Securitisation of revolving exposures) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation) a contractual clause which requires, on the occurrence of defined events, investors' positions to be redeemed prior to the originally stated maturity of the securities issued.

(B) In the FCA Handbook:

(1) (in *BIPRU*) (in accordance with Article 100 of the *Banking Consolidation Directive* (Securitisation of revolving exposures) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation) a contractual clause which requires, on the occurrence of defined events, investors' positions to be redeemed prior to the originally stated maturity of the securities issued.

(2) (except in (1)) has the meaning in article 242(14) of the *EU CRR*.

early
repayment
charge

FCA PRA

(in *MCOB* and *BSOCS*) a charge levied by the *mortgage lender* on the *customer* in the event that the amount of the loan is repaid in full or in part before a date or event specified in the contract.

ECA recipient

FCA PRA

a *person* who is a user of an *electronic commerce activity*.

ECAI

FCA PRA

(A) In the PRA Handbook:

an external credit assessment institution.

(B) In the FCA Handbook:

an external credit assessment institution, as defined in article 4(1)(98) of the *EU CRR*.

ECD
Regulations

FCA PRA

the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775).

E-Commerce
Directive

FCA PRA

the Council Directive of 8 June 2002 on legal aspects of *information society services*, in particular electronic commerce, in the Internal Market (No 2000/31/EC).

ECR

FCA PRA

enhanced capital requirement.

EE

FCA PRA

expected exposure.

EEA

FCA PRA

the *European Economic Area* (see also *EEA State*.)

EEA AIF

FCA PRA

an AIF, other than a UK AIF, which:

- (a) is authorised or registered in an *EEA State* under the applicable national law; or
- (b) is not authorised or registered in an *EEA State* but has its registered office or head office in an *EEA State*.

EEA AIFM

FCA PRA

an AIFM which has its registered office in an *EEA State* other than the UK.

EEA approved incoming information society service

FCA

an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* which has been approved in that state as meeting the standards set out in article 21 of the *TD* and article 12 of the *TD implementing Directive*.

EEA authorisation

FCA PRA

(in accordance with paragraph 6 of Schedule 3 to the *Act* (EEA Passport Rights)):

- (a) in relation to an *IMD insurance intermediary* or an *IMD reinsurance intermediary*, registration with its *Home State regulator* under article 3 of the *Insurance Mediation Directive*;
- (b) in relation to any other *EEA firm*, authorisation granted to an *EEA firm* by its *Home State regulator* for the purpose of the relevant *Single Market Directive* or the *auction regulation*.

EEA authorised electronic money institution

FCA PRA

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a *person* authorised in an *EEA State* other than the *United Kingdom* to issue *electronic money* and provide *payment services* in accordance with the *Electronic Money Directive*.

EEA authorised payment institution

FCA PRA

(a) (in accordance with regulation 2(1) of the *Payment Services Regulations*) a *person* authorised in an *EEA State* other than the *United Kingdom* to provide *payment services* in accordance with the *Payment Services Directive*; and

(b) (in accordance with paragraph 1 of Schedule 7 to the *Payment Services Regulations*) a firm which has its head office in Gibraltar, is authorised in Gibraltar to provide *payment services*, and has an entitlement corresponding to its passport right deriving from the *Payment Services Directive*, to establish a *branch* or provide services in the *United Kingdom*.

EEA bank

FCA PRA

(A) In the PRA Handbook:

an *incoming EEA firm* which is a *CRD credit institution*.

(B) In the FCA Handbook:

an *incoming EEA firm* which is a *CRD credit institution*.

EEA banking and investment group

PRA

a *banking and investment group* that satisfies one or more of the following conditions:

- (a) it is headed by:
 - (i) an *investment firm* or *credit institution* that is authorised and incorporated in an *EEA State*; or

| | |
|---|--|
| <p><i>EEA branch of an authorised electronic money institution</i></p> <p>FCA PRA</p> | <p>(ii) a <i>financial holding company</i> that has its head office in an <i>EEA State</i>; or</p> <p>(b) it has as a member an <i>investment firm</i> or <i>credit institution</i> that:</p> <p style="padding-left: 20px;">(i) is authorised and incorporated in an <i>EEA State</i>; and</p> <p style="padding-left: 20px;">(ii) is linked with another member that is in the <i>banking sector</i> or the <i>investment services sector</i> by a <i>consolidation Article 12(1) relationship</i>; or</p> <p>(c) it is otherwise required by <i>EEA prudential sectoral legislation</i> for the <i>banking sector</i> or the <i>investment services sector</i> (except Article 143 of the <i>Banking Consolidation Directive</i> (Third-country parent undertakings)) to be subject to consolidated supervision by a <i>competent authority</i>.</p> <p>(in accordance with regulation 2(1) of the <i>Electronic Money Regulations</i>) a branch established by an <i>authorised electronic money institution</i>, in the exercise of its <i>passport rights</i>, to issue <i>electronic money</i>, provide <i>payment services</i>, distribute or redeem <i>electronic money</i> or carry out other activities in accordance with the <i>Electronic Money Regulations</i> in an <i>EEA State</i> other than the <i>United Kingdom</i>.</p> |
| <p><i>EEA commodities market</i></p> <p>FCA PRA</p> | <p>a market that facilitates trading in <i>derivatives</i> relating to <i>commodities</i> (other than a market operated by an <i>RIE</i>) and which is operated by an entity that has its head office situated in the <i>EEA</i> and that is regulated as an exchange.</p> |
| <p><i>EEA countercyclical buffer authority</i></p> <p>FCA</p> | <p>(1) the authority or body of a <i>EEA State</i>, other than the <i>UK</i>, designated for the purpose of article 136 of <i>CRD</i> with responsibility for setting the <i>countercyclical buffer rate</i> for that <i>EEA State</i>; or</p> <p>(2) the European Central Bank when it carries out the task of setting a countercyclical buffer rate for an <i>EEA State</i> conferred on it by article 5(2) of Council Regulation (EU) No. 1024/2013, conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.</p> |
| <p><i>EEA financial conglomerate</i></p> <p>FCA PRA</p> | <p>a <i>financial conglomerate</i> that is of a type that falls under Article 5(2) of the <i>Financial Groups Directive</i> (Scope of supplementary supervision of <i>regulated entities</i> referred to in Article 1 of that Directive) which in summary means a <i>financial conglomerate</i>:</p> <p>(a) that is headed by an <i>EEA regulated entity</i>; or</p> <p>(b) in which the <i>parent undertaking</i> of an <i>EEA regulated entity</i> is a <i>mixed financial holding company</i> which has its head office in the <i>EEA</i>; or</p> <p>(c) in which an <i>EEA regulated entity</i> is linked with a member of the <i>financial conglomerate</i> in the <i>overall financial sector</i> by a <i>consolidation Article 12(1) relationship</i>.</p> |
| <p><i>EEA firm</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p>(in accordance with paragraph 5 of Schedule 3 to the <i>Act</i> (EEA Passport Rights)) any of the following, if it does not have its relevant office in the <i>United Kingdom</i>:</p> <p style="padding-left: 20px;">(a) an investment firm (as defined in article 4(1) of <i>MiFID</i>) which is authorised (within the meaning of article 5) by its <i>Home State regulator</i>;</p> <p style="padding-left: 20px;">(b) a <i>credit institution</i> (as defined in article 4(1)(1) of the <i>EU CRR</i>)</p> |

(c) a financial institution (as defined in article 4(1)(26) of the *EU CRR*) which is a subsidiary of the kind mentioned in article 34 of the *CRD* and which fulfils the conditions in articles 33 and 34;

(d) an undertaking pursuing the activity of direct insurance (within the meaning of article 2 of the Consolidated Life Directive (No. 2002/83/EC) or of Article 1 of the *First Non-Life Directive* (No. 73/239/EEC)) which has received authorisation under Article 4 of the Consolidated Life Directive or Article 6 of the *First Non-Life Directive* from its *Home State regulator*;

(e) an *IMD insurance intermediary* or *IMD reinsurance intermediary* (as defined in article 2 of the *IMD*) which has registered under article 3 of that directive with its *Home State regulator*;

(f) (from 1 July 2011) a *management company*;

(g) an *undertaking* pursuing the activity of reinsurance (within the meaning of article 1 of the *Reinsurance Directive*) which has received authorisation under article 3 of the *Reinsurance Directive* from its *Home State Regulator*;

(h) a *person* who has received authorisation under article 18 of the *auction regulation*;

(hh) an *AIFM* which is authorised (under article 6 of *AIFMD*) by its *Home State regulator*;

in this definition, relevant office means:

(i) in relation to a *firm* falling within sub-paragraph (e), which has a registered office, its registered office;

(ii) in relation to any other *firm* falling within any other paragraph, its head office.

(B) In the *FCA Handbook*:

(in accordance with paragraph 5 of Schedule 3 to the *Act* (EEA Passport Rights)) any of the following, if it does not have its relevant office in the *United Kingdom*:

(a) an investment firm (as defined in article 4(1) of *MiFID*) which is authorised (within the meaning of article 5) by its *Home State regulator*;

(b) a *credit institution* (as defined in article 4(1)(1) of the *EU CRR*)

(c) a financial institution (as defined in article 41(26) of the *EU CRR*) which is a subsidiary of the kind mentioned in article 34 of the *CRD* and which fulfils the conditions in articles 33 and 34;

(d) an undertaking pursuing the activity of direct insurance (within the meaning of article 2 of the Consolidated Life Directive (No. 2002/83/EC) or of Article 1 of the *First Non-Life Directive* (No. 73/239/EEC)) which has received authorisation under Article 4 of the Consolidated Life Directive or Article 6 of the *First Non-Life Directive* from its *Home State regulator*;

(e) an *IMD insurance intermediary* or *IMD reinsurance intermediary* (as defined in article 2 of the *IMD*) which has registered under article 3 of that directive with its *Home State regulator*;

(f) (from 1 July 2011) a *management company*;

(g) an *undertaking* pursuing the activity of reinsurance (within the meaning of article 1 of the *Reinsurance Directive*) which has received authorisation under article 3 of the *Reinsurance Directive* from its *Home State Regulator*;

(h) a *person* who has received authorisation under article 18 of the *auction regulation*;

(hh) an *AIFM* which is authorised (under article 6 of *AIFMD*) by its *Home State regulator*;

in this definition, relevant office means:

(i) in relation to a *firm* falling within sub-paragraph (e), which has a registered office, its registered office;

(ii) in relation to any other *firm* falling within any other paragraph, its head office.

EEA insurance parent undertaking

FCA PRA

an *insurance parent undertaking* that has its head office in the *United Kingdom* or another *EEA State*.

EEA insurer

FCA PRA

an *insurer*, other than a *pure reinsurer* or a *non-directive insurer*, whose head office is in any *EEA State* except the *United Kingdom* and which has received *authorisation* under article 6 of the *First Life Directive* or article 4 of the *Consolidated Life Directive* or article 6 of the *First Non-Life Directive* from its *Home State Regulator*.

EEA ISPV

FCA PRA

an *ISPV* (including a *UK ISPV*) whose head office is in any *EEA State* and which has received *authorisation* pursuant to article 46 of the *Reinsurance Directive* from its *Home State Regulator*.

EEA key investor information document

FCA PRA

a *document* that:

(a) relates to an *EEA UCITS scheme*;

(b) complies with the requirements of the *KII Regulation*; and

(c) is provided in a language stipulated by article 94(1)(b) of the *UCITS Directive*.

EEA market operator

FCA PRA

(in *REC*) a *person* who is a *market operator* whose *home state* is an *EEA State* other than the *United Kingdom*.

EEA MCR

FCA PRA

the *MCR* in relation to business carried on in all *EEA States*, taken together, calculated by a *UK-deposit insurer* in accordance with *INSRU 1.5.46R*.

EEA MiFID investment firm

a *MiFID investment firm* whose *Home State* is not the *United Kingdom*.

FCA PRA

EEA parent
financial
holding
company

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 4(17) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) a *parent financial holding company in a Member State* which is not a *subsidiary undertaking* of an *institution* authorised in any *EEA State* or of another *financial holding company* or *mixed financial holding company* established in any *EEA State*.

(B) In the FCA Handbook:

(1) (in accordance with Article 4(17) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) for the purpose of *GENPRU* (except ■ *GENPRU 3*) and *BIPRU* (except in ■ *BIPRU 12*) a *parent financial holding company in a Member State* which is not a *subsidiary undertaking* of an *institution* authorised in any *EEA State* or of another *financial holding company* or *mixed financial holding company* established in any *EEA State*.

(2) (except in (1)) has the meaning as given to EU parent financial holding company in article 4(1)(31) of the *EU CRR*.

EEA parent
institution

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 4(16) of the *Banking Consolidation Directive* and Article 2 of the *Capital Adequacy Directive* (Definitions)) a *parent institution in a Member State* which is not a *subsidiary undertaking* of another *institution* authorised in any *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in any *EEA State*.

(B) In the FCA Handbook:

(1) (in accordance with Article 4(16) of the *Banking Consolidation Directive* and Article 2 of the *Capital Adequacy Directive* (Definitions)) for the purpose of *BIPRU* (except ■ *BIPRU 12*) a *parent institution in a Member State* which is not a *subsidiary undertaking* of another *institution* authorised in any *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in any *EEA State*.

(2) (except in (1)) has the meaning as given to EU parent mixed financial holding company in article 4(1)(33) of the *EU CRR*.

EEA parent
mixed financial
holding
company

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 4(17a) of the *Banking Consolidation Directive* (Definitions)) a *parent mixed financial holding company in a Member State* which is not a *subsidiary undertaking* of an *institution* authorised in any *EEA State* or of another *financial holding company* or *mixed financial holding company* established in any *EEA State*.

(B) In the FCA Handbook:

(1) (in accordance with Article 4(17a) of the *Banking Consolidation Directive* (Definitions)) for the purpose of *GENPRU* (except ■ *GENPRU 3*) and *BIPRU* (except in ■ *BIPRU 12*) a *parent mixed financial holding company in a Member State* which is not a *subsidiary undertaking* of an *institution* authorised in any *EEA State* or of another *financial holding company* or *mixed financial holding company* established in any *EEA State*.

(2) (except in (1)) has the meaning as given to EU parent mixed financial holding company in article 4(1)(33) of the *EU CRR*.

EEA Passport Rights Regulations

FCA PRA

the Financial Services and Markets Act 2000 (EEA Passport Rights) Regulations 2001 (SI 2001/2511).

EEA prudential sectoral legislation

FCA PRA

(A) In the PRA Handbook:

(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 *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 *First Non-Life Directive*, the *Consolidated Life Directive* and the *Insurance Groups Directive*.

(B) In the FCA Handbook:

(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 *First Non-Life Directive*, the *Consolidated Life Directive* and the *Insurance Groups Directive*.

EEA pure reinsurer

FCA PRA

a *reinsurance undertaking* (other than an *ISPV*) whose head office is in any *EEA State* except the *United Kingdom* and which has received (or is deemed to have received) authorisation under article 3 of the *Reinsurance Directive* from its *Home State Regulator*.

EEA registered tied agent

FCA PRA

a *tied agent* of a *UK MiFID investment firm* that is not an *appointed representative* and would have been an *FCA registered tied agent* but for the fact that it does business in an *EEA State* that permits *investment firms* authorised by the *competent authority* of that state to appoint *tied agents*.

EEA regulated entity

FCA PRA

a *regulated entity* that is an *EEA firm* or a *UK firm*.

EEA regulator

FCA PRA

(1) a *competent authority* for the purposes of any of the *Single Market Directives* or the *auction regulation*.

(2) (in ■ DEPP 7) (as defined in section 131FA of the *Act*) the *competent authority* of an *EEA State* other than the *United Kingdom* for the purposes of the *short selling regulation*.

EEA right

FCA PRA

(in accordance with paragraph 7 of Schedule 3 to the *Act* (EEA Passport Rights)) the entitlement of a *person* to establish a *branch* or provide services in an *EEA State* other than that in which he has his relevant office:

(a) in accordance with the *Treaty* as applied in the *European Economic Area*; and

| | |
|--|--|
| <p>(b) subject to the conditions of the relevant <i>Single Market Directive</i> or the <i>auction regulation</i>.</p> | <p>(b) subject to the conditions of the relevant <i>Single Market Directive</i> or the <i>auction regulation</i>.</p> |
| <p>in this definition, relevant office means:</p> | <p>in this definition, relevant office means:</p> |
| <p>(i) in relation to a <i>person</i> who has a registered office and whose entitlement is subject to the conditions of the <i>Insurance Mediation Directive</i>, his registered office; and</p> | <p>(i) in relation to a <i>person</i> who has a registered office and whose entitlement is subject to the conditions of the <i>Insurance Mediation Directive</i>, his registered office; and</p> |
| <p>(ii) in relation to any other <i>person</i>, his head office.</p> | <p>(ii) in relation to any other <i>person</i>, his head office.</p> |
| <p><i>EEA simplified prospectus</i> FCA PRA</p> | <p>a marketing <i>document</i> which meets the requirements of Article 28 of the UCITS Directive (No 85/611/EEC) (as at 30 June 2011).</p> |
| <p><i>EEA simplified prospectus scheme</i> FCA PRA</p> | <p>an <i>EEA UCITS scheme</i> which is a <i>recognised scheme</i> under section 264 of the <i>Act</i> (Schemes constituted in other EEA States) and which is permitted by the laws and regulations of its <i>Home State</i> to market its <i>units</i> on the basis of an <i>EEA simplified prospectus</i>.</p> |
| <p><i>EEA State</i> FCA PRA</p> | <p>(in accordance with Schedule 1 to the Interpretation Act 1978), in relation to any time -</p> <p>(a) a state which at that time is a member State; or</p> <p>(b) any other state which is at that time a party to the EEA agreement.</p> <p>[Note: Current non-member State parties to the EEA agreement are Norway, Iceland and Lichtenstein. Where the context requires, references to an <i>EEA State</i> include references to Gibraltar as appropriate].</p> |
| <p><i>EEA territorial scope rule</i> FCA PRA</p> | <p>■ COBS 1 Annex 1, Part 2 paragraph 1(1) (which provides that the territorial scope of COBS is modified to the extent necessary to be compatible with European law).</p> |
| <p><i>EEA tied agent</i> FCA PRA</p> | <p>a <i>tied agent</i> who is an <i>FCA registered tied agent</i> or an <i>EEA registered tied agent</i>.</p> |
| <p><i>EEA UCITS management company</i> FCA PRA</p> | <p>any <i>incoming EEA firm</i> that is a <i>management company</i>.</p> |
| <p><i>EEA UCITS scheme</i> FCA PRA</p> | <p>a <i>collective investment scheme</i> established in accordance with the <i>UCITS Directive</i> in an <i>EEA State</i> other than the <i>United Kingdom</i>.</p> |
| <p><i>EEA-deposit insurer</i> FCA PRA</p> | <p>a <i>non-EEA insurer</i> that has made a deposit in an <i>EEA State</i> (other than the <i>United Kingdom</i>) under article 23 of the <i>First Non-Life Directive</i> (as amended) in accordance with article 26 of that Directive or under article 51 of the <i>Consolidated Life Directive</i> in accordance with article 56 of that Directive.</p> |
| <p><i>effecting contracts of insurance</i></p> | <p>the <i>regulated activity</i>, specified in article 10(1) of the <i>Regulated Activities Order</i> (Effecting and carrying out contracts of insurance), of effecting a <i>contract of insurance</i> as principal.</p> |

FCA PRA

effective EE

effective expected exposure.

FCA PRA

effective EPE

effective expected positive exposure.

FCA PRA

effective
expected
exposure

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions) and as at a specific date) the maximum *expected exposure* that occurs at that date or any prior date; alternatively, it may be defined for a specific date as the greater of the *expected exposure* at that date, or the effective *exposure* at the previous date.

FCA PRA

effective
expected
positive
exposure

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13) the weighted average over time of *effective expected exposure* over the first year, or, if all the contracts within the *netting set* mature before one year, over the time period of the longest maturity contract in the *netting set*, where the weights are the proportion that an individual *expected exposure* represents of the entire time interval.

FCA

effective
maturity

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions), for the purpose of the *CCR internal model method* and with respect to a *netting set* with maturity greater than one year) the ratio of the sum of *expected exposure* over the life of the transactions in the *netting set* discounted at the risk-free rate of return divided by the sum of *expected exposure* over one year in a *netting set* discounted at the risk-free rate; this effective maturity may be adjusted to reflect *rollover risk* by replacing *expected exposure* with *effective expected exposure* for forecasting horizons under one year.

FCA PRA

efficient
portfolio
management

(in COLL and in accordance with article 11 of the *UCITS eligible assets Directive*) techniques and instruments which relate to *transferable securities* and *approved money-market instruments* and which fulfil the following criteria:

FCA PRA

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims:
 - (i) reduction of risk;
 - (ii) reduction of cost;
 - (iii) generation of additional capital or income for the *scheme* with a risk level which is consistent with the risk profile of the *scheme* and the risk diversification rules laid down in COLL.

EG

the Enforcement Guide.

FCA PRA

PAGE
E9

EIS

Enterprise Investment Scheme.

FCA PRA

EIS fund

an arrangement, specified in paragraph 2 of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 (SI

FCA PRA

| | |
|---|---|
| <p>2001/1062), which is in summary: an arrangement in relation to <i>EIS shares</i> that would have been a <i>collective investment scheme</i> if the scheme arrangements had not provided that:</p> <p style="margin-left: 40px;">(a) the <i>operator</i> will, so far as practicable, make investments which, subject to each participant's individual circumstances, qualify for relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988; and</p> <p style="margin-left: 40px;">(b) the minimum subscription to the arrangements by each participant must be not less than £2,000.</p> | <p>2001/1062), which is in summary: an arrangement in relation to <i>EIS shares</i> that would have been a <i>collective investment scheme</i> if the scheme arrangements had not provided that:</p> <p style="margin-left: 40px;">(a) the <i>operator</i> will, so far as practicable, make investments which, subject to each participant's individual circumstances, qualify for relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988; and</p> <p style="margin-left: 40px;">(b) the minimum subscription to the arrangements by each participant must be not less than £2,000.</p> |
| <p><i>EIS managed portfolio</i> FCA PRA</p> | <p>a managed portfolio which is, or is to be, invested wholly or mainly in <i>EIS shares</i>.</p> |
| <p><i>EIS manager</i> FCA PRA</p> | <p>(a) (in relation to an <i>EIS managed portfolio</i>) the investment manager;</p> <p>(b) (in relation to an <i>EIS fund</i>) the manager of the fund.</p> |
| <p><i>EIS particulars</i> FCA PRA</p> | <p>a <i>document</i> containing particulars of an <i>Enterprise Investment Scheme</i>.</p> |
| <p><i>EIS share</i> FCA PRA</p> | <p>a <i>share</i> in respect of which the beneficial owner may, subject to his individual circumstances, be qualified, or has been qualified, for relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988.</p> |
| <p><i>EIS subscription</i> FCA PRA</p> | <p>any <i>money</i> which is subscribed:</p> <p style="margin-left: 40px;">(a) in the case of an <i>EIS managed portfolio</i>, by the <i>client</i> of the <i>EIS manager</i> whose portfolio it is;</p> <p style="margin-left: 40px;">(b) in the case of an <i>EIS fund</i>, by the participants in the <i>EIS</i>.</p> |
| <p><i>EL</i> FCA PRA</p> | <p><i>expected loss</i>.</p> |
| <p><i>Electing Participants Order</i> FCA PRA</p> | <p>the Financial Services and Markets Act 2000 (Compensation Scheme: Electing Participants) Regulations 2001 (SI 2001/1783).</p> |
| <p><i>Electing Participants Regulations</i> FCA PRA</p> | <p>the Financial Services and Markets Act 2000 (Compensation Scheme: Electing Participants) Regulations 2001 (SI 2001/1783).</p> |
| <p><i>elective eligible counterparty</i> FCA PRA</p> | <p>a <i>client</i> categorised as an elective eligible counterparty in accordance with ■ COBS 3.6 (Eligible counterparties).</p> |
| <p><i>elective professional client</i></p> | <p>a <i>client</i> categorised as an elective professional client in accordance with ■ COBS 3.5 (Professional clients).</p> |

FCA PRA

electricity

FCA PRA

(a) electricity in any form, including electricity as deliverable through the *Balancing and Settlement Code*;

(b) any right that relates to electricity, for example the right under a contract or otherwise to require a person to take any action in relation to electricity, including:

(i) supplying electricity to any person or accepting supply of electricity; or

(ii) providing any information or notice in relation to electricity; or

(iii) making any payment in relation to the supply or nonsupply, or acceptance or non-acceptance of supply, of electricity.

electronic
commerce
activity

FCA PRA

an activity which:

(a) consists of the provision of an *information society service* from an *establishment* in an *EEA State*; and

(b) is, or but for article 72A (Information society services) of the *Regulated Activities Order* (Information society services) (and irrespective of the effect of article 72 of that Order (Overseas persons)) would be, a *regulated activity*.

electronic
commerce
activity
direction

FCA PRA

a direction made, or proposed to be made, by the *FCA* under regulation 6 of the *ECD Regulations*.

electronic
commerce
communication

FCA PRA

(in accordance with article 6 of the *Financial Promotion Order*) a communication, the making of which constitutes the provision of an *information society service*.

electronic
communication

FCA PRA

has the meaning given in section 15(1) of the Electronic Communications Act 2000.

electronic
means

FCA PRA

are means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means.

electronic
money

FCA PRA

electronically (including magnetically) stored monetary value as represented by a claim on the *electronic money issuer* which is:

(a) issued on receipt of funds for the purpose of making payment transactions as defined in Article 4(5) of the *Payment Services Directive*; and

(b) accepted by a *person* other than the *electronic money issuer*;

but does not include:

(c) monetary value stored on instruments that can be used to acquire goods or services only:

Electronic Money Directive

FCA PRA

electronic money institution

FCA PRA

electronic money issuer

FCA PRA

- (i) in or on the *electronic money issuer's* premises; or
- (ii) under a commercial agreement with the *electronic money issuer*, either within a limited network of service providers or for a limited range of goods or services; or

(d) monetary value that is used to make payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the payment service user and the supplier of the goods and services.

Directive 2009/110/EC of the European Parliament and of the Council of 16th September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions, amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) an *authorised electronic money institution* or a *small electronic money institution*.

(1) (except in *DISP*) any of the following *persons* when they issue *electronic money*:

- (a) *authorised electronic money institutions*;
- (b) *small electronic money institutions*;
- (c) *EEA authorised electronic money institutions*;
- (d) *credit institutions*;
- (e) the Post Office Limited;
- (f) the Bank of England, the European Central Bank and the national central banks of *EEA States* other than the United Kingdom, when not acting in their capacity as a monetary authority or other public authority;
- (g) government departments and local authorities when acting in their capacity as public authorities;
- (h) *credit unions*;
- (i) municipal banks;
- (j) the National Savings Bank.

[Note: article 2(3) of the *Electronic Money Directive*]

(2) (in *DISP* and ■ FEES 5.5A) as in (1) but:

- (a) excluding *credit institutions*, *credit unions* and municipal banks; and
- (b) including a *person* who meets the conditions set out in regulation 75(1) or regulation 76(1) of the *Electronic Money Regulations*.

Electronic Money Regulations

FCA PRA

the Electronic Money Regulations 2011 (SI 2011/99).

electronic SCV rules

FCA PRA

(in COMP) ■ COMP 17.2.1 R(2), ■ COMP 17.2.3 R(3) and ■ COMP 17.2.5 R, the application of which is determined by ■ COMP 17.1 and ■ COMP 17.2.7 R.

eligible

FCA PRA

(in COLL) (in relation to a *securities* or a *derivatives* market) a market that satisfies the requirements in ■ COLL 5.2.10 R (Eligible markets: requirements) in relation to schemes falling under ■ COLL 5 .

eligible capital

FCA

has the meaning in article 4(1)(71) of the EU CRR.

eligible claimant

FCA PRA

a *person* who is eligible to bring a *claim* for compensation under ■ COMP 4.2.1 R.

eligible complainant

FCA PRA

a *person* eligible to have a *complaint* considered under the *Financial Ombudsman Service*, as defined in ■ DISP 2.7 (Is the complainant eligible?).

eligible counterparty

FCA PRA

(1) (for the purposes other than those set out in (2)) (in accordance with ■ COBS 3.6.1 R) a *client* that is either a *per se eligible counterparty* or an *elective eligible counterparty*.

(2) (for the purposes of PRIN, in relation to activities other than *designated investment business*) a *client* categorised as an *eligible counterparty* in accordance with ■ PRIN 1 Annex 1 R.

eligible counterparty business

FCA PRA

the following services and activities carried on by a *firm*:

(a) *dealing on own account, execution of orders on behalf of clients* or reception and transmission of orders; or

(b) any *ancillary service* directly related to a service or activity referred to in (a); or

(c) *arranging* in relation to business which is not *MiFID or equivalent third country firm business*;

but only to the extent that the service or activity is carried on with or for an *eligible counterparty*.

eligible ECAI

FCA PRA

(A) In the PRA Handbook:

an *ECAI*:

(a) (for *exposure risk weighting* purposes other than those in (b)) recognised by the *appropriate regulator* under regulation 22 of the *Capital Requirements Regulations 2006* (Recognition for exposure risk-weighting purposes); or

(b) (for *securitisation risk weighting* purposes) recognised by the *appropriate regulator* under regulation 23 of the *Capital Requirements Regulations 2006* (Recognition for securitisation risk-weighting purposes).

| | |
|---|--|
| <p><i>eligible institution</i> FCA</p> | <p>(B) In the FCA Handbook: an <i>ECAI</i>:</p> <p>(a) (for <i>exposure risk weighting</i> purposes other than those in (b)) recognised by the <i>appropriate regulator</i> under regulation 22 of the <i>Capital Requirements Regulations 2006</i> (Recognition for exposure risk-weighting purposes); or</p> <p>(b) (for <i>securitisation risk weighting</i> purposes) recognised by the <i>appropriate regulator</i> under regulation 23 of the <i>Capital Requirements Regulations 2006</i> (Recognition for securitisation risk-weighting purposes).</p> <p>(c) (in ■ BIPRU 12) that is listed in the first row in the table set out in BIPRU 12 Annex 1R.</p> |
| <p><i>eligible LLP members' capital</i> FCA PRA</p> | <p>(in <i>COLL</i>):</p> <p>(a) a <i>CRD credit institution</i> authorised by its <i>Home State regulator</i>;</p> <p>(b) an <i>MiFID investment firm</i> authorised by its <i>Home State regulator</i>.</p> <p>members' capital of a <i>limited liability partnership</i> that meets the conditions in <i>IPRU(INV)</i> Annex A or, for a <i>BIPRU firm</i>, the requirements of ■ GENPRU 2.2.94 R (Core tier one capital: Eligible LLP members' capital).</p> |
| <p><i>eligible partnership capital</i> FCA PRA</p> | <p>(in relation to a <i>BIPRU firm</i>) has the meaning in ■ GENPRU 2.2.93 R.</p> |
| <p><i>EMIR</i> FCA PRA</p> | <p>Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories, sometimes referred to as the "European Markets Infrastructure Regulation".</p> |
| <p><i>EMIR L2 Regulation</i> FCA</p> | <p>Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP.</p> |
| <p><i>EMIR requirements</i> FCA</p> | <p>requirements imposed under <i>EMIR</i> and any regulation made under it.</p> |
| <p><i>EMIR technical standards on OTC derivatives</i> FCA</p> | <p>means "Commission Delegated Regulation (EU) 149/2013 of 19 December 2012 supplementing <i>EMIR</i> with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a central counterparty".</p> |
| <p><i>emissions allowance</i> FCA PRA</p> | <p>an 'allowance', within the meaning of article 3(a) of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.</p> |

emissions auction product

FCA **PRA**

the *investment* specified in article 82A of the *Regulated Activities Order* (Greenhouse gas *emissions allowances*), which is in summary an *emissions allowance* offered for sale on an *auction platform* as a *financial instrument* or a *two-day emissions spot*.

employee

FCA **PRA**

(1) (for all purposes except those in (2)) an individual:

(a) who is employed or appointed by a *person* in connection with that *person's* business, whether under a contract of service or for services or otherwise; or

(b) whose services, under an arrangement between that *person* and a third party, are placed at the disposal and under the control of that *person*;

but excluding an *appointed representative* or a *tied agent* of that *person*.

(2) (for the purposes of:

(a) ■ COBS 11.7 (Personal account dealing);

(aa) ■ GEN 4 (Statutory status disclosure);

(ab) ■ GEN 6.1 (Payment of financial penalties);

(b) ■ SUP 12 (Appointed representatives); and

(c) *TC*)

an individual:

(i) within (1); or

(ii) who is:

(A) an *appointed representative* or, where applicable, a *tied agent* of the *person* referred to in (1); or

(B) employed or appointed by an *appointed representative* or, where applicable, a *tied agent* of that *person*, whether under a contract of service or for services or otherwise, in connection with the business of the *appointed representative* or *tied agent* for which that *person* has accepted responsibility.

a *person* that gives advice, or provides services to, an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* provided, or to be provided, by the employer for the benefit of its employees.

employee benefit consultant

FCA **PRA**

has the same meaning as in section 1166 of the Companies Act 2006.

employees' share scheme

FCA **PRA**

PAGE
E15

employers' liability insurance

FCA **PRA**

a *contract of insurance* against risks of the *persons* insured incurring liabilities to their employees.

EMPS

FCA PRA

the Handbook Guide for energy market participants.

endowment
assurance

FCA PRA

a *life policy* which pays a sum of *money* on the survival of the life assured to a specific date or on his earlier death.

energy

FCA PRA

coal, *electricity*, *natural gas* (or any by-product or form of any of them) , *oil* or *biofuel*.energy
collective
investment
scheme

FCA PRA

a *collective investment scheme*, the property of which consists only of *energy*, energy investments, *emissions allowances* , *tradable renewable energy credits* or cash awaiting investment.energy
investment

FCA PRA

any of the following:

- (a) a *unit* in an *energy collective investment scheme*;
- (b) an *option* to acquire or dispose of an *energy investment*;
- (c) a *future* or a *contract for differences* where the commodity or property of any other description in question is:
 - (i) *energy*; or
 - (ii) an *energy investment*; or
 - (iii) an *emissions allowance* ; or
 - (iv) a *tradable renewable energy credit*;
- (d) a *contract for differences* where the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of any of (c)(i) to (iv) (including any prices or charges in respect of imbalances under the *Network Code* or the *Balancing and Settlement Code*);
- (e) a *weather derivative*;
- (f) an *emissions allowance*, if it is a *specified investment*;
- (g) a *tradable renewable energy credit*, if it is a *specified investment*;
- (h) *rights to or interests in investments* in (a)-(g).

energy market
activity

FCA PRA

(A) In the PRA Handbook:

- (a) any *regulated activity* other than *bidding in emissions auctions* in relation to an *energy investment* or to *energy*, or in relation to a *biomass investment* or *biomass* that is ancillary to activities related to *energy investments* or *energy*, which:
 - (i) is the *executing* of *own account transactions* on any *recognised investment exchange* or *designated investment exchange*; or
 - (ii) if it is not the *executing* of *transactions* on such exchanges, is performed in connection with or for persons who are not *retail clients*;

(b) *establishing, operating or winding up a collective investment scheme* which is an *energy collective investment scheme* in which *retail clients* do not participate.

(B) In the FCA Handbook:

(a) any *regulated activity* other than *bidding in emissions auctions* in relation to an *energy investment* or to *energy*, or in relation to a *biomass investment* or *biomass* that is ancillary to activities related to *energy investments* or *energy*, which:

(i) is the *executing of own account transactions* on any *recognised investment exchange* or *designated investment exchange*; or

(ii) if it is not the *executing of transactions* on such exchanges, is performed in connection with or for persons who are not *retail clients*;

(b) [deleted]

(A) In the PRA Handbook:

a firm:

(a) whose permission:

(i) includes a *requirement* that the firm must not carry on any *designated investment business* other than *energy market activity*;

(ii) does not include a *requirement* that it comply with ■ IPRUINV link 5 (Investment management firms) or 13 (Personal investment firms); and

(b) which is not an *authorised professional firm, bank, BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society, credit union, friendly society, ICVC, insurer, MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or *exempt IFPRU commodities firm*), *media firm, oil market participant, service company, insurance intermediary, home finance administrator, home finance provider, incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

(B) In the FCA Handbook:

a firm:

(a) whose permission:

(i) includes a *requirement* that the firm must not carry on any *designated investment business* other than *energy market activity*;

(ii) does not include a *requirement* that it comply with ■ IPRUINV link 5 (Investment management firms) or 13 (Personal investment firms); and

(b) which is not an *authorised professional firm, bank, BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society, credit union, friendly society, ICVC, insurer, MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or

energy market
participant

FCA PRA

engage in investment activity

FCA **PRA**

enhanced capital requirement

FCA **PRA**

entering as provider into a funeral plan contract

FCA **PRA**

entering into a home finance transaction

FCA **PRA**

entering into a home purchase plan

FCA **PRA**

entering into a home reversion plan

FCA **PRA**

entering into a regulated consumer hire agreement as owner

FCA

entering into a regulated credit agreement as lender

FCA

exempt IFPRU commodities firm), media firm, oil market participant, service company, insurance intermediary, home finance administrator, home finance provider, incoming EEA firm (without a top-up permission), or incoming Treaty firm (without a top-up permission).

(as defined in section 21(8) of the Act) (Restrictions on financial promotion)):

(a) enter or offer to enter into an agreement the making or performance of which by either party constitutes a *controlled activity*; or

(b) exercise any rights conferred by a *controlled investment* to acquire, dispose of, underwrite or convert a *controlled investment*.

(1) (in relation to a *firm* carrying on *general insurance business*) the amount calculated in accordance with INSPRU 1.1.72CR.

(2) (in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that a *firm* must hold as set out in GENPRU 2.1.38R.

the *regulated activity*, specified in article 59 of the *Regulated Activities Order* (Funeral plan contracts) which comes into force on 1 January 2002, of entering as provider into a *funeral plan contract*.

any of the *regulated activities* of *entering into a regulated mortgage contract*, *entering into a home purchase plan*, *entering into a home reversion plan* or *entering into a regulated sale and rent back agreement*.

the *regulated activity*, specified in article 63F(1) of the *Regulated Activities Order*, which is in summary: entering into a *home purchase plan* as provider.

the *regulated activity*, specified in article 63B(1) of the *Regulated Activities Order*, which is in summary: entering into a *home reversion plan* as provider, or acquiring any obligations or rights (including his interest in land) of the plan provider under a *home reversion plan* entered into by him on or after 6 April 2007.

the *regulated activity* specified in article 60N(1) of the *Regulated Activities Order*.

the *regulated activity* specified in article 60B(1) of the *Regulated Activities Order*.

entering into a regulated mortgage contract

FCA **PRA**

the *regulated activity*, specified in article 61(1) of the *Regulated Activities Order*, which is in summary: entering into a *regulated mortgage contract* as lender.

entering into a regulated sale and rent back agreement

FCA **PRA**

the *regulated activity*, specified in article 63J(1) of the *Regulated Activities Order*, which is in summary entering into a *regulated sale and rent back agreement* as an agreement provider, including acquiring any obligations or rights of the agreement provider, including the agreement provider's interest in land or interests under one or more such *agreements*.

Enterprise Investment Scheme

FCA **PRA**

an arrangement which is an *EIS managed portfolio* or an *EIS fund*.

Enterprise Zone Property Unit Trust

PRA

an *unregulated collective investment scheme* of which the underlying assets are industrial and commercial buildings in an Enterprise Zone in accordance with section 749(2) of the Finance Act 1980.

EPE

FCA **PRA**

expected positive exposure.

equalisation provision

FCA **PRA**

a provision required to be established under the *rules* in INSPRU 1.4 .

equity

FCA **PRA**

(A) In the PRA Handbook:
(for the purposes of **■** BIPRU 7) a *share*.

(B) In the FCA Handbook:
(for the purposes of **■** BIPRU 7 and **■** IFPRU 6) a *share*.

equity exposure

FCA **PRA**

(in relation to the *IRB approach*) an exposure falling into the *IRB exposure class* referred to in **■** BIPRU 4.3.2 R (5) (equity exposures).

equity market adjustment ratio

FCA **PRA**

(1) (in relation to the *resilience capital requirement*) has the meaning set out in INSPRU 3.1.19R.
(2) (in relation to the *market risk* scenario for the *risk capital margin* of a *with-profits fund*) has the meaning set out in INSPRU 1.3.71R.

equity PRR

FCA PRA

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) but so that:

(a) the *equity PRR* excludes the part of the *market risk capital requirement* calculated under ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives); and

(b) in relation to a particular *position*, it means the portion of the overall *equity PRR* attributable to that *position*.

equity release activity

FCA PRA

any *regulated mortgage activity* carried on in relation to a *lifetime mortgage*, or a *reversion activity*.

equity release adviser

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for:

(a) *advising on regulated mortgage contracts* (when carried on in relation to a *lifetime mortgage*); or

(b) *advising on a home reversion plan*.

equity release arranger

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for *arranging* a:

(a) *regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or

(b) *home reversion plan*.

equity release intermediary

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) to carry on *equity release mediation activity*.

equity release mediation activity

FCA PRA

any of the *regulated activities* of:

(a) *arranging a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*;

(b) *advising on a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*; or

(c) *agreeing to carry on a regulated activity* in (a) or (b).

equity release provider

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for:

(a) *entering into a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or

(b) *entering into a home reversion plan*.

equity release transaction

FCA PRA

a *lifetime mortgage* or a *home reversion plan*.

equity security

FCA PRA

(1) (in *LR*) *equity shares* and *securities* convertible into *equity shares*; and

(2) (in *PR*) (as defined in Article 2.1(b) of the *prospectus directive*) shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer.

| | |
|---|---|
| <p><i>equity share</i> FCA PRA</p> | <p><i>shares</i> comprised in a <i>company's equity share capital</i>.</p> |
| <p><i>equity share capital</i> FCA PRA</p> | <p>(for a <i>company</i>), its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.</p> |
| <p><i>equity stake</i> FCA PRA</p> | <p>(in relation to a <i>company</i>) any kind of equity stake in that <i>company</i>, including <i>shares</i> in it (including non-voting and non-equity <i>shares</i>, <i>debt securities</i> that are convertible or exchangeable into such <i>shares</i>, a call <i>option</i> on such <i>shares</i> or an in-the-money put <i>option</i> on such <i>shares</i>, but excluding a <i>contract for differences</i> or other <i>investment</i> that provides merely an economic exposure to movement in the price of the company's shares).</p> |
| <p><i>equivalent</i> FCA PRA</p> | <p>see <i>commission equivalent</i>.</p> |
| <p><i>equivalent business of a third country investment firm</i> FCA PRA</p> | <p>the business of a <i>third country investment firm</i> carried on from an establishment in the <i>United Kingdom</i> that would be <i>MiFID business</i> if that firm were a <i>MiFID investment firm</i>.</p> |
| <p><i>equivalent document</i> FCA PRA</p> | <p>(in <i>LR</i> and <i>FEES</i>) a document containing information equivalent to a <i>prospectus</i> for the purposes of ■ PR 1.2.2 R (2) or ■ (3) or ■ PR 1.2.3 R (3) or ■ (4).</p> |
| <p><i>ESMA</i> FCA PRA</p> | <p>European Securities and Markets Authority.</p> |
| <p><i>ESMA AIFMD key concepts guidelines</i> FCA</p> | <p><i>ESMA's</i> guidelines on key concepts of the <i>AIFMD</i>.</p> |
| <p><i>ESMA recommendations</i></p> | <p>the recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 published by the European Securities and Markets Authority (ESMA/2011/81).</p> |
| <p><i>established</i> FCA PRA</p> | <p>(in accordance with article 4(1)(j) <i>AIFMD</i>):</p> <ul style="list-style-type: none"> (a) for <i>AIFMs</i>, 'having its registered office in'; (b) for <i>AIFs</i>, 'being authorised or registered in' or, if the <i>AIF</i> is not authorised or registered, 'having its registered office in'; or (c) for <i>depositaries</i>, 'having its registered office or branch in'. |
| <p><i>established surplus</i> FCA PRA</p> | <p>has the meaning in ■ IPRU-INS 3.3(4).</p> |

establishing, operating or winding up a collective investment scheme

FCA **PRA**

the *regulated activity*, specified in article 51(1)(a) or 51ZE of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of establishing, operating or winding up a *collective investment scheme*.

establishing, operating or winding up a personal pension scheme

FCA **PRA**

the *regulated activity*, specified in article 52(b) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *personal pension scheme*.

establishing, operating or winding up a regulated collective investment scheme

FCA **PRA**

establishing, operating or winding up a collective investment scheme if the scheme is a *regulated collective investment scheme*.

establishing, operating or winding up a stakeholder pension scheme

FCA **PRA**

the *regulated activity*, specified in article 52 (a) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *stakeholder pension scheme*.

establishing, operating or winding up an unregulated collective investment scheme

FCA **PRA**

establishing, operating or winding up a collective investment scheme if the scheme is an *unregulated collective investment scheme*.

establishment

FCA **PRA**

(in relation to an *information society service*) the place at which the provider of the service effectively pursues an economic activity for an indefinite period; in this definition:

(a) the presence or use in a particular place of equipment or other technical means of providing an *information society service* does not, of itself, constitute that place as an establishment; and

(b) where it is unclear from which of a number of establishments a particular *information society service* is provided, that service is to be regarded as provided from the establishment where the provider has the centre of his activities relating to the service.

establishment conditions

FCA **PRA**

(in relation to the establishment of a *branch* in the *United Kingdom*) the conditions specified in paragraph 13 of Schedule 3 to the *Act* (EEA Passport Rights), which are that:

- (a) if the *firm* falls within paragraph (a), (b), (c), (d) or (f) in the definition of "*EEA firm*":
 - (i)...
- (b) if the *firm* falls within paragraph (e) in the definition of "*EEA firm*":
 - (i) the *EEA firm* has given its *Home State regulator* notice of its intention to establish a *branch* in the *United Kingdom*;
 - (ii) the *FCA* or *PRA* (as the case may be) has received notice ("a regulator's notice") from the firm's Home State regulator that the firm intends to establish a *branch* in the *United Kingdom*;
 - (iii) the *EEA firm's* Home State regulator has informed it that the regulator's notice has been sent to the *FCA* or *PRA* (as the case may be) ; and
 - (iv) one *month* has elapsed beginning with the date on which the *EEA firm's* Home State regulator informed the *firm* that it had sent the regulator's notice to the *FCA* or *PRA* (as the case may be) .
- (c) the *EEA firm* has been informed of the *applicable provisions* or two *months* have elapsed beginning with the date when the *FCA* or *PRA* (as the case may be) received the consent notice.

establishment costs

FCA **PRA**

- (1) (in **FEES 6**) the costs of establishing the *compensation scheme*.
- (2) (in **FEES 5**) the costs of establishing the *Financial Ombudsman Service*.

EU

FCA **PRA**

the European Union, being the Union established by the Treaty on European Union signed at Maastricht on 7 February 1992 (as amended).

EU Cross-Border Regulation

FCA **PRA**

Regulation (EC) No. 924/2009 of the European Parliament and of the Council on cross-border payments in the European Community.

EU CRR

FCA **PRA**

- (A) (In the *PRA Handbook*)
Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012.
- (B) (In the *FCA Handbook*)
Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012.

European Economic Area

FCA **PRA**

the area established by the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being and which consists of the *EEA States*.

EuSEF manager

the manager of a qualifying social entrepreneurship fund (as defined in the *EuSEF Regulation*) that is registered in accordance with article 15 of the *EuSEF Regulation*.

FCA

EuSEF regulation

Regulation (EU) No 346/2013 of the European Parliament and the Council of 17 April 2013 on European social entrepreneurship funds.

FCA

EuVECA manager

the manager of a qualifying venture capital fund (as defined in the *EuVECA Regulation*) that is registered in accordance with article 14 of the *EuVECA Regulation*.

FCA

EuVECA regulation

Regulation (EU) No 345/2013 of the European Parliament and the Council of 17 April 2013 on European venture capital funds.

FCA

evidential provision

a *rule*, contravention of which does not give rise to any of the consequences provided for by other provisions of the *Act*; and which provides, in accordance with section 138C of the *Act*, that:

FCA PRA

(a) contravention may be relied on as tending to establish contravention of such other *rule* as may be specified; or

(b) compliance may be relied on as tending to establish compliance with such other *rule* as may be specified; or

(c) both (a) and (b).

excepted contract

(in *BCOBS*) has the same meaning as in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).

FCA PRA

excess LLP members' drawings

the amount by which the aggregate of the amounts withdrawn by a *limited liability partnership's* members exceeds the profits of that *firm*, as calculated in accordance with *IPRU(INV)* Annex A 2.5R (Limited liability partnership excess drawings).

FCA PRA

excess spread

(for the purposes of ■ *BIPRU 9* (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) finance charge collections and other fee income received in respect of the *securitised exposures* net of costs and expenses.

FCA PRA

excess surplus

a *firm* will have an excess surplus in a *with-profits fund* if, and to the extent that:

FCA PRA

(a) the *regulatory surplus* (or, in the case of a *realistic basis life firm*, the excess of *realistic value of assets* over *realistic value of liabilities*) in that *with-profits fund*; and

(b) any other financial resources applied to, or expected to be applied to, that *with-profits fund*;

exceed:

(c) the amount required to meet the higher of any regulatory capital requirement or the *firm's individual capital assessment* (at the *firm's* own risk appetite) for existing business; and

| | |
|---|---|
| <p>(d) any further amount necessary to support the new business plans of that <i>with-profits fund</i>.</p> | |
| <p><i>excess trading book position</i> FCA PRA</p> | <p>has the meaning in ■ GENPRU 2.2.264 R (Deductions from total capital: Excess trading book position).</p> |
| <p><i>exchange traded</i> FCA PRA</p> | <p>(in IPRU(INV) 13) listed or traded on a <i>recognised</i> or <i>designated investment exchange</i>.</p> |
| <p><i>exchange traded fund</i></p> | <p>[deleted]</p> |
| <p><i>exchange traded product</i> FCA</p> | <p>any of the following <i>investments</i>:</p> <p>(a) a <i>unit</i> or <i>share</i> in an <i>open-ended investment company</i>, a <i>debt security</i> or a <i>contract for differences</i> which meets all of the following criteria:</p> <p style="margin-left: 20px;">(i) it is admitted to trading on a <i>regulated market</i> or a market operated by a <i>ROIE</i>;</p> <p style="margin-left: 20px;">(ii) it is created and redeemed in response to demand from investors or arbitrage opportunities arising from the difference in price from the <i>unit</i>, <i>share</i>, <i>debt security</i> or <i>contract for differences</i> and the price of the underlying asset(s) it seeks to track;</p> <p style="margin-left: 20px;">(iii) it aims to closely simulate the performance of a specified index or other benchmark (relating to any assets such as <i>shares</i>, <i>debentures</i>, <i>commodities</i> or currencies), whether or not the simulated performance is delta 1, inverse, leveraged, achieved by physical replication or synthetically through <i>derivatives</i>.</p> <p>(b) a senior, unsubordinated <i>debt security</i> traded on a <i>regulated market</i> or a market operated by a <i>ROIE</i> featuring no periodic coupon payments and whose return tracks the performance of a specific index or other benchmark (relating to any assets such as <i>shares</i>, <i>debentures</i>, <i>commodities</i> or currencies), minus applicable fees, whether or not featuring delta 1, inverse or leveraged exposure to the index or other benchmark being tracked.</p> |
| <p><i>excluded communication</i> FCA PRA</p> | <p>the following types of <i>financial promotion</i> (a <i>firm</i> may rely on more than one of the paragraphs in relation to the same <i>financial promotion</i>):</p> <p>(a) a <i>financial promotion</i> that would benefit from an exemption in the <i>Financial Promotion Order</i> if it were <i>communicated</i> by an <i>unauthorised person</i>, or which originates outside the <i>United Kingdom</i> and is not capable of having an effect in the <i>United Kingdom</i> (within the meaning of s.21(3) of the <i>Act</i>);</p> <p>(b) a <i>financial promotion</i> from outside the <i>United Kingdom</i> that would be exempt under articles 30, 31, 32 or 33 of the <i>Financial Promotion Order</i> (Overseas communicators) if the office from which the <i>financial promotion</i> is <i>communicated</i> were a separate <i>unauthorised person</i>;</p> <p>(c) a <i>financial promotion</i> that is subject to, or exempted from, the <i>Takeover Code</i> or to the requirements relating to takeovers or related operations in another <i>EEA State</i>;</p> <p>(d) a personal quotation or illustration form;</p> <p>(e) a "one-off" <i>financial promotion</i> that is not a <i>cold call</i>. If the conditions set out in (i) to (iii), below, are satisfied, a <i>financial promotion</i> is "one-off".</p> |

If not, the fact that any one or more of these conditions is met is to be taken into account in determining if a *financial promotion* is "one-off". However, a *financial promotion* may be regarded as "one-off" even if none of the conditions are met. The conditions are that:

(i) the *financial promotion* is *communicated* only to one recipient or only to one group of recipients in the expectation that they would engage in any investment activity jointly;

(ii) the identity of the product or service to which the *financial promotion* relates has been determined having regard to the particular circumstances of the recipient;

(iii) the *financial promotion* is not part of an organised marketing campaign; or

(f) a communication that is exempted by the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001.

excluded material

FCA **PRA**

(in relation to access to *appropriate regulator* material) (as defined in section 394(7) of the *Act* (Access to FCA or PRA material)) material which:

(a) has been intercepted in obedience to a warrant issued under any enactment relating to the interception of communications; or

(b) indicates that such a warrant has been issued or that material has been intercepted in obedience to such a warrant; or

(c) is a *protected item*.

excluded security

FCA

any of the following *investments*:

(a) a *security* whereby the issuer's ability to fulfil its payment obligations to the investor, or the *investment* returns received in connection with the *security*, are wholly or predominantly linked to, contingent on, highly sensitive to or dependent on, the performance of or changes in the value of *shares*, *debentures* or *government and public securities*, whether or not such performance or changes in value are measured directly or via a market index or indices, and provided the relevant *shares* and *debentures* are not themselves issued by *special purpose vehicles*;

(b) a *covered bond*;

(c) a *security* issued by an *investment trust*;

(d) a *share* in a *company* resident outside the *EEA*, where that *company* would qualify for approval as an *investment trust* by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 if resident in the *United Kingdom*;

(e) a *share* in a *venture capital trust*;

(f) a *share* in a *company* to which Part 12 of the Corporation Tax Act 2010 (Real Estate Investment Trusts) applies or a member of a group to which that Part applies;

(g) an *exchange traded product*.;

(h) a *security* issued by a *regulated collective investment scheme* other than a *qualified investor scheme*.

execute

FCA **PRA**

(in relation to a transaction) carry into effect or perform the transaction, whether as *principal* or as agent, including instructing another *person* to execute the transaction.

execution criteria

FCA PRA

(A) In the PRA Handbook:

the criteria set out in ■ COBS 11.2.6 R, that is:

- (a) the characteristics of the *client* including the categorisation of the *client* as retail or professional;
- (b) the characteristics of the *client* order;
- (c) the characteristics of *financial instruments* that are the subject of that order;
- (d) the characteristics of the *execution venues* to which that order can be directed; and
- (e) for a *management company*, the objectives, investment policy and risks specific to the *UCITS scheme* or *EEA UCITS scheme*, as indicated in its *prospectus* or *instrument constituting the scheme*.

(B) In the FCA Handbook:

the criteria set out in ■ COBS 11.2.6 R, that is:

- (a) the characteristics of the *client* including the categorisation of the *client* as retail or professional;
- (b) the characteristics of the *client* order;
- (c) the characteristics of *financial instruments* that are the subject of that order;
- (d) the characteristics of the *execution venues* to which that order can be directed; and
- (e) for a *management company*, the objectives, investment policy and risks specific to the *UCITS scheme* or *EEA UCITS scheme*, as indicated in its *prospectus* or *instrument constituting the fund*.

execution factors

FCA PRA

price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

execution of orders on behalf of clients

FCA PRA

acting to conclude agreements to buy or sell one or more *financial instruments* on behalf of *clients*.[Note: article 4 (1)(5) of *MiFID*]*execution venue*

FCA PRA

for the purposes of the provisions relating to best execution in ■ COBS 11.2 and in *COLL*, execution venue means a *regulated market*, an *MTF*, a *systematic internaliser*, or a *market maker* or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.[Note: article 44(1) of the *MiFID implementing Directive*]*execution-only sale*

FCA PRA

- (a) a *home finance transaction* entered into by a *firm* with, or arranged by a *firm* for, a *customer*; or
- (b) a variation of an existing *home finance transaction* entered into by a *firm* with, or arranged by a *firm* for, a *customer*;

where the *firm* does not give *advice on home finance transactions* to that particular *customer*, or where the *customer* has rejected such *advice* given by the *firm*.

| | |
|--|--|
| <p><i>execution-only transaction</i></p> <p>FCA PRA</p> | <p>a transaction <i>executed</i> by a <i>firm</i> upon the specific instructions of a <i>client</i> where the <i>firm</i> does not give <i>advice on investments</i> relating to the merits of the transaction and in relation to which the <i>rules</i> on assessment of appropriateness (■ COBS 10) do not apply .</p> |
| <p><i>executive procedures</i></p> <p>FCA PRA</p> | <p>the procedures relating to the giving of warning notices, decision notices and <i>supervisory notices</i> that are described in ■ DEPP 4 (Decisions by <i>FCA</i> staff under executive procedures) .</p> |
| <p><i>exempt activity</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>recognised body</i>) any <i>regulated activity</i> in respect of which the body is exempt from the <i>general prohibition</i> as a result of section 285(2) or (3) of the <i>Act</i> (Exemption for recognised investment exchanges and clearing houses).</p> |
| <p><i>exempt BIPRU commodities firm</i></p> <p>FCA PRA</p> | <p>a <i>BIPRU firm</i> to which the exemption in ■ BIPRU TP 15.6R (Exemption for a BIPRU firm whose main business relates to commodities) applies.</p> |
| <p><i>exempt CAD firm</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p>(1) (except in <i>SYSC</i> and <i>IPRU(INV)</i>) has the meaning set out ■ BIPRU 1.1.16 R (Types of investment firm: exempt CAD firm) which is in summary an <i>investment firm</i> that satisfies certain specified conditions.</p> <p>(2) (in <i>SYSC</i> and <i>IPRU(INV)</i>) a <i>firm</i> in (1) whose head office (or, if it has a registered office, that office) is in the United Kingdom.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (except in <i>SYSC</i> and <i>IPRU(INV)</i>) a firm as defined in article 4(1)(2)(c) of the <i>EU CRR</i> that is authorised to provide only one or more the following <i>investment services</i>:</p> <p style="margin-left: 40px;">(a) investment advice;</p> <p style="margin-left: 40px;">(b) receive and transmit orders from investors as referred to in Section A of Annex I of <i>MiFID</i>).</p> <p>(2) (in <i>SYSC</i> and <i>IPRU(INV)</i>) a <i>firm</i> in (1) whose head office (or, if it has a registered office, that office) is in the United Kingdom.</p> |
| <p><i>exempt full scope BIPRU investment firm</i></p> <p>PRA</p> | <p>a <i>full scope BIPRU investment firm</i> falling into BIPRU 12.1.4R.</p> |
| <p><i>exempt full scope IFPRU investment firm</i></p> <p>FCA</p> | <p>a <i>full-scope IFPRU investment firm</i> falling into BIPRU 12.1.4R.</p> |
| <p><i>exempt IFPRU commodities firm</i></p> <p>FCA</p> | <p>an <i>IFPRU investment firm</i> which falls within the meaning in articles 493(1) and 498(1) of the <i>EU CRR</i>.</p> |

exempt insurance intermediary

FCA **PRA**

an *insurance intermediary*:

(a) whose *Part 4A permission* is limited to or includes *insurance mediation activity*;

(b) which, in relation to *insurance mediation activity* (but disregarding *money* or other assets held in relation to other activities) either:

(i) does not hold any *client money* or other *client* assets in any form; or

(ii) holds *client money* as trustee under a statutory trust imposed by **■** CASS 5.3 (statutory trust) but does not otherwise hold *client money*; and

(c) which (when aggregating the amount calculated in accordance with **■** CASS 5.5.65 R) does not in relation to *insurance mediation activity* hold *client money* in excess of £30,000 at any time during a *financial year*.

exempt person

FCA **PRA**

(1) (as defined in section 417(1) of the *Act* (Definitions)) (in relation to a *regulated activity*) a *person* who is exempt from the *general prohibition* in respect of that activity as a result of:

(a) the *Exemption Order*; or

(b) being an *appointed representative*; or

(c) section 285(2) or (3) of the *Act* (Exemption for recognised investment exchanges and clearing houses) ;

and

(2) a *person* who is exempt from the general prohibition as a result of section 312A(2) of the *Act*.

exempt professional firm

FCA **PRA**

a *person* to whom, under section 327 of the *Act*, the *general prohibition* does not apply; guidance is given in **■** PROF 2.1 (Exempt *regulated activities*).

exempt regulated activity

FCA **PRA**

(as defined in section 325(2) of the *Act* (FCA's general duty)) a *regulated activity* which may, as a result of Part XX of the *Act* (Provision of Financial Services by Members of the Professions), be carried on by *members* of a profession which is supervised and regulated by a *designated professional body* without breaching the *general prohibition*.

Exemption Order

FCA **PRA**

the Financial Services and Markets Act 2000 (Exemption) Order 2001 (SI 2001/1201).

exercise notice

FCA **PRA**

(in *LR*) (in relation to *securitised derivatives*), a document that notifies the *issuer* of a holder's intention to exercise its rights under the *securitised derivative*.

exercise price

FCA **PRA**

(in *LR*) (in relation to *securitised derivatives*), the price stipulated by the *issuer* at which the holder can buy or sell the *underlying instrument* from or to the *issuer*.

exercise time

FCA **PRA**

(in *LR*) (in relation to *securitised derivatives*), the time stipulated by the *issuer* by which the holder must exercise their rights.

exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement

FCA

the *regulated activity* specified in article 60B(2) of the *Regulated Activities Order*.

exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement

FCA

the *regulated activity* specified in article 60N(2) of the *Regulated Activities Order*.

expected exposure

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13** (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the average of the distribution of *exposures* at any particular future date before the longest maturity transaction in the *netting set* matures.

expected loss

FCA PRA

(in accordance with Article 4(29) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach* and the *standardised approach* to credit risk) the ratio of the amount expected to be lost on an *exposure* from a potential *default* of a counterparty or dilution over a one year period to the amount outstanding at default.

expected positive exposure

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13** (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the weighted average over time of *expected exposures* where the weights are the proportion that an individual *expected exposures* represents of the entire time interval; when calculating the minimum capital requirement, the average is taken over the first year or, if all the contracts within the *netting set* mature before one year, over the time period of the longest-maturity contract in the *netting set*.

expiration date

FCA PRA

(in *LR*) (in relation to *securitised derivatives*), the date stipulated by the *issuer* on which the holder's rights in respect of the *securitised derivative* ends.

exposure

FCA PRA

(A) In the PRA Handbook:

(1) (in relation to a *firm* but subject to (2) and (3)) the maximum loss which the firm might suffer if:

- (a) a counterparty or a group of connected counterparties fail to meet their obligations; or
- (b) it realises assets or off-balance sheet positions

(2) (in accordance with Article 77 of the *Banking Consolidation Directive* and for the purposes of the calculation of the *credit risk capital component* and the *counterparty risk capital component* (including ■ BIPRU 3 (Standardised credit risk), ■ BIPRU 4 (The IRB approach), ■ BIPRU 5 (Credit risk mitigation), ■ BIPRU 9 (Securitisation) or for the purposes of the calculation of the credit risk capital requirement in ■ MIPRU 4.2 (Capital resources requirement)) an asset or off-balance sheet item.

(3) (for the purposes of ■ BIPRU 10 (Large exposures requirements)) has the meaning in ■ BIPRU 10.2 (Identification of exposures and recognition of credit risk mitigation).

(B) In the FCA Handbook:

(1) (in relation to a *firm* but subject to (2) and (3)) the maximum loss which the firm might suffer if:

(a) a counterparty or a group of connected counterparties fail to meet their obligations; or

(b) it realises assets or off-balance sheet positions

(2) (in accordance with Article 77 of the *Banking Consolidation Directive* and for the purposes of the calculation of the *credit risk capital component* and the *counterparty risk capital component* (including ■ BIPRU 3 (Standardised credit risk), ■ BIPRU 4 (The IRB approach), ■ BIPRU 5 (Credit risk mitigation), ■ BIPRU 9 (Securitisation) or for the purposes of the calculation of the credit risk capital requirement in ■ MIPRU 4.2 (Capital resources requirement)) an asset or off-balance sheet item.

(3) [delete]

(4) (in *IFPRU* and to calculate *own funds requirements* under Part Three Title II (credit risk and counterparty credit risk)) has the meaning in article 5(1) of the *EU CRR*.

(5) (in ■ *IFPRU* 8.2 (Large exposures) for the purpose of Part Four ((Large exposures) of the *EU CRR*) has the meaning in article 389 of the *EU CRR* (Large exposures: definitions).

ex-section 43 firm

FCA PRA

a *firm* that was a listed institution, as defined in section 43 of the Financial Services Act 1986, immediately before *commencement*.

ex-section 43 lead regulated firm

FCA PRA

an *ex-section 43 firm* for which the *FSA* (in its capacity as the regulatory body under section 43 of the Financial Services Act 1986) was lead regulator for financial supervision purposes, and that was subject to the *section 43 capital requirements*, immediately before *commencement*.

external AIFM

FCA

(in accordance with regulation 4(3)(a) of the *AIFMD UK regulation*) an *AIFM* appointed by, or on behalf of, an *AIF* and which, through that appointment, is responsible for managing the *AIF*.

external management company

FCA PRA

(in *LR* and *PR*) has the meaning in ■ *PR* 5.5.3A R.

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| <i>external valuer</i> FCA | a person who performs the valuation function described in article 19 of the AIFMD in respect of an AIF managed by a <i>full-scope UK AIFM</i> , and is not the AIFM of that AIF. |
| <i>extraction</i> FCA PRA | (in relation to <i>mineral companies</i>), includes mining, production, quarrying or similar activities and the reworking of mine tailings or waste dumps. |
| <i>extraordinary resolution</i> FCA PRA | (in <i>COLL</i>) a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution at a general meeting or (as the case may be) <i>class meeting</i> of holders, of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given. |
| EZPUT PRA | <i>Enterprise Zone Property Unit Trust.</i> |

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|--|---|
| <p><i>Financial Ombudsman Service</i></p> <p>FCA PRA</p> | <p>where the conditions in Articles 38(3) and (4) of the <i>MiFID Regulation</i> are met.</p> <p>[Note: article 4(1)(17) and section C of Annex I to <i>MiFID</i> and articles 38 and 39 of the <i>MiFID Regulation</i>]</p> <p>(2) (in ■ MAR 1 and ■ MAR 2, ■ DTR 1, ■ 2 and ■ 3 and otherwise where used in relation to the <i>Market Abuse Directive</i>) (as defined in Article 5 of the <i>Prescribed Markets and Qualifying Investments Order</i> and Article 1(3) of the <i>Market Abuse Directive</i>, and which consequently carries the same meaning in the <i>Buy-back and Stabilisation Regulation</i>):</p> <p>(3) (in <i>IFPRU</i>) has the meaning in article 4(50) of the <i>EU CRR</i>.</p> |
| <p><i>Financial Ombudsman Service Limited</i></p> <p>FCA PRA</p> | <p>the scheme provided under Part XVI of the <i>Act</i> (The Ombudsman Scheme) under which certain disputes may be resolved quickly and with minimum formality by an independent <i>person</i>.</p> |
| <p><i>Financial Policy Committee</i></p> <p>FCA</p> | <p>the <i>body corporate</i> established by the <i>FSA</i> under paragraph 2(1) of Schedule 17 to the <i>Act</i> (The Scheme Operator) (as originally enacted) to administer the <i>Financial Ombudsman Service</i>.</p> |
| <p><i>financial promotion</i></p> <p>FCA PRA</p> | <p>The sub-committee of the court of directors of the Bank of England, established by Part 1A of the Bank of England Act 1998 to contribute to the Bank of England's Financial Stability Objective and, subject to that, to support the economic policy of the Government.</p> |
| <p><i>financial promotion Order</i></p> <p>FCA PRA</p> | <p>(1) an invitation or inducement to <i>engage in investment activity</i> that is communicated in the course of business;</p> <p>[Note: section 21 of the <i>Act</i> (Restrictions on financial promotion)]</p> <p>(2) (in relation to ■ COBS 3.2.1 R (3), ■ COBS 4.3.1 R, ■ COBS 4.5.8 R and ■ COBS 4.7.1 R) (in addition to (1)) a marketing communication within the meaning of <i>MiFID</i> made by a <i>firm</i> in connection with its <i>MiFID</i> or <i>equivalent third country business</i>.</p> |
| <p><i>financial promotion rules</i></p> <p>FCA</p> | <p>the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529).</p> |
| <p><i>financial promotion rules</i></p> <p>FCA</p> | <p>(1) (in relation to <i>COBS</i>) any or all of the <i>rules</i> in ■ COBS 4 that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> <p>(2) (in relation to <i>ICOBS</i>) ■ ICOBS 2.2.</p> <p>(3) (in relation to <i>MCOB</i>) ■ MCOB 3.</p> <p>(4) (in relation to <i>BCOBS</i>) all or any of the <i>rules</i> in ■ BCOBS 2 that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> <p>(5) (in relation to <i>CONC</i>) any or all of the <i>rules</i> in ■ CONC 3, that impose requirements in relation to a <i>financial promotion</i> but only to the extent that they apply to a <i>financial promotion</i>.</p> |

financial resources

FCA PRA

(in UPRU) the financial resources calculated in accordance with ■ UPRU 2.2.1 R (Financial resources) that a *UCITS firm* needs to meet its *financial resources requirement*.

financial resources requirement

FCA PRA

(in UPRU) has the meaning given in ■ UPRU 2.1.2 R.

financial return

FCA PRA

(in UPRU) means *annual financial return*, *quarterly financial return* or *monthly financial return* as the case may be.

financial sector

FCA PRA

(1) (subject to (2)) one of the *banking sector*, the *insurance sector* or the *investment services sector*.

(2) (for the purposes of the definition of *financial conglomerate* and for any other provision of GENPRU 3 that treats the *banking sector* and the *investment services sector* as one) one of the *banking and investment services sector* or the *insurance sector*.

financial sector entity

FCA

has the meaning in article 4(1)(27) of the *EU CRR*.

Financial Services Compensation Scheme Limited

FCA PRA

the *body corporate* established by the *FSA* under section 212 of the *Act* (The scheme manager) (as originally enacted) to administer the *compensation scheme*.

Financial Services Register

FCA PRA

the public record, as required by section 347 of the *Act* (The public record), regulation 4 of the *Payment Services Regulations* (The register of certain payment service providers) and regulation 4 of the *Electronic Money Regulations*, of every:

(a) *authorised person*

(aa) *authorised payment institution* and its *EEA branches*;

(ab) *small payment institution*;

(ac) *agent* of an *authorised payment institution* or *small payment institution*;

(aca) *authorised electronic money institution* and an *EEA branch* of an *authorised electronic money institution*;

(acb) *small electronic money institution*;

(acc) *agent* of an *authorised electronic money institution* or *small electronic money institution*;

(ad) *credit union*, municipal bank and the National Savings Bank where such persons provide a *payment service*; or issue *electronic money*;

(b) *AUT*;

(c) *ICVC*;

| | |
|--|---|
| | <p>(ca) ACS;</p> <p>(d) <i>recognised scheme</i>;</p> <p>(e) <i>recognised investment exchange</i>;</p> <p>(f) [deleted]</p> <p>(g) individual to whom a <i>prohibition order</i> relates;</p> <p>(h) <i>approved person</i>; and</p> <p>(i) <i>person</i> within such other class (if any) as the FCA may determine; except as provided by any transitional provisions.</p> |
| <p><i>financial stability information power</i></p> <p>FCA PRA</p> | <p>the PRA's power under section 165A of the Act (PRA's power to require information: financial stability) which, in summary, is a power to require a <i>person</i> to provide information or documents relevant to the stability of one or more aspects of the UK financial system.</p> |
| <p><i>financial stability information requirement</i></p> <p>FCA PRA</p> | <p>a requirement imposed on a <i>person</i> by the PRA using the <i>financial stability information power</i> or the <i>overseas financial stability information power</i>.</p> |
| <p><i>financial year</i></p> <p>FCA PRA</p> | <p>(1) (in DISP and ■ FEES 5) the 12 months ending with 31 March.</p> <p>(3) (in GENPRU and INSPRU) the period at the end of which the balance of the accounts of the <i>insurer</i> is struck, or, if no balance is struck, the calendar year.</p> |
| <p><i>financial year in question</i></p> <p>FCA PRA</p> | <p>(for the purposes of INSPRU 1.1 and of the definition of <i>non-directive insurer</i>) the last <i>financial year</i> to end before the date on which the latest accounts of the <i>insurer</i> are required to be deposited with the <i>appropriate regulator</i> ; the preceding <i>financial year</i> and previous <i>financial years</i> are construed accordingly.</p> |
| <p><i>financing cost amount</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>share</i>, <i>debenture</i> or other investment in, or external contribution to the capital of, a <i>firm</i>) an amount that represents a reasonable estimate of the part of the <i>coupon</i> on that instrument that reflects the cost of financing generally but excludes costs reflecting factors relating to the issuer, guarantor or other person to whom the instrument creates an exposure.</p> |
| <p>FINMAR</p> <p>FCA PRA</p> | <p>the Financial Stability and Market Confidence sourcebook.</p> |
| <p>FINREP firm</p> <p>FCA PRA</p> | <p>(A) (In the PRA Handbook)</p> <p>a <i>credit institution</i> or <i>investment firm</i> subject to the EU CRR that is also subject to article 4 of Regulation (EC) No 1606/2002; or</p> <p>a <i>credit institution</i> other than one referred to in Article 4 of Regulation (EC) No 1606/2002 that prepares its consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in article 6(2) of that Regulation.</p> <p>[Note: article 99 of the EU CRR]</p> <p>(B) in the FCA Handbook)</p> |

fire and natural
forces

FCA PRA

firm

FCA PRA

(a) a *credit institution* or *investment firm* subject to the *EU CRR* that is also subject to article 4 of Regulation (EC) No 1606/2002; or

(b) a *credit institution* other than one referred to in article 4 of Regulation (EC) No 1606/2002 that prepares its consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in article 6(2) of that Regulation.

[Note: article 99 of the *EU CRR*]

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 8 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of Part I of Schedule 1 to the *Regulated Activities Order* (Land vehicles; railway rolling stock; aircraft; ships; goods in transit) relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence.

(A) In the *PRA Handbook*:

(1) in the *FCA Handbook*, an *authorised person*, but not a *professional firm* unless it is an *authorised professional firm* (see also ■ GEN 2.2.18 R for the position of an authorised partnership or unincorporated association which is dissolved).

(1A) in the *PRA Handbook*, a *PRA-authorised person*.

(2) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(3) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, former *firms* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(4) (in ■ DISP 2 and ■ 3) includes, as a result of the *insurance market direction* given in ■ DISP 2.1.7 D under section 316 of the *Act* (Direction by a regulator), *members* of the *Society of Lloyd's*.

(5) (in ■ FEES 3, ■ FEES 4, ■ FEES 5 and ■ FEES 7) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with ■ FEES 3.1.1A R, ■ FEES 4.1.1A R, ■ FEES 5.1.1A R and ■ FEES 7.1.1 R.

(6) (in *CONRED*):

(a) an *authorised person*; or

(b) a *person* who was an *authorised person* when the relevant activity took place but has since ceased to be one.

(B) In the *FCA Handbook*:

(1) in the *FCA Handbook*, an *authorised person*, but not a *professional firm* unless it is an *authorised professional firm* (see also ■ GEN 2.2.18 R for the position of an authorised partnership or unincorporated association which is dissolved).

(1A) in the *PRA Handbook*, a *PRA-authorised person*.

(2) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(3) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, former *firms* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(4) (in ■ DISP 2 and ■ 3) includes, as a result of the *insurance market direction* given in ■ DISP 2.1.7 D under section 316 of the *Act* (Direction by a regulator), *members* of the *Society* of Lloyd's.

(5) (in ■ FEES 3, ■ FEES 4, ■ FEES 5 and ■ FEES 7) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with ■ FEES 3.1.1A R, ■ FEES 4.1.1A R, ■ FEES 5.1.1A R and ■ FEES 7.1.1 R.

(6) (in CONRED):

(a) an *authorised person*; or

(b) a *person* who was an *authorised person* when the relevant activity took place but has since ceased to be one.

(7) (in ■ DISP 2 and ■ 3) includes, in accordance with the transitional provisions in article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and *relevant new credit-related complaints*.

firm in run-off

FCA PRA

a *firm* whose *Part 4A permission* has been varied so as to remove the *regulated activity* of *effecting contracts of insurance*.

firm type

FCA PRA

one of a list of firm types set out in ■ SUP 16 Annex 17 used for the purposes of checking and correcting *standing data* under ■ SUP 16.10.4 R.

firm-specific liquidity stress

FCA PRA

(in relation to a *firm* and any reporting obligations under ■ SUP 16 (Reporting requirements)):

(a) (in the case of reporting obligations on a solo basis (including on the basis of the *firm's UK branch*) the *firm* failing to meet, not complying with or being in breach of:

(i) the liquidity resources requirement calculated by that *firm* as adequate in its current *Individual Liquidity Adequacy Assessment* or *Individual Liquidity Systems Assessment*; or

(ii) the level of its liquid assets buffer advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iii) its funding profile advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iv) the *overall liquidity adequacy rule*; or

(v) BIPRU 12.2.8R (*ILAS BIPRU firm* adequate buffer of high quality, unencumbered assets) or BIPRU 12.2.11R (liquid assets buffer is at least equal to the *simplified buffer requirement*); or

(vi) the *simplified buffer requirement* (taking into account ■ BIPRU TP 29 (Liquid assets buffer scalar: simplified ILAS BIPRU firms) unless this has been superseded by *individual liquidity guidance* that it has accepted; or

(vii) any requirement imposed by or under the *regulatory system* under which the *firm* must hold a specified level of liquidity resources;

or it being likely that the *firm* will do so;

First Life Directive

FCA PRA

(b) (in the case of reporting obligations with respect to the *firm* and a group of other *persons*) has the same meaning as in (a) except that references to any *rule* or other requirement, *Individual Liquidity Adequacy Assessment*, *Individual Liquidity Systems Assessment* or *individual liquidity guidance* are to any such thing so far as it applies to the *firm* and that group considered together.

the Council Directive of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance (No 79/267/EEC).

First Non-Life Directive

FCA PRA

the Council Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life insurance (No 73/239/EEC).

FIT

FCA PRA

the part of the *Handbook* in High Level Standards which has the title the Fit and Proper test for Approved Persons.

fixed overheads requirement

FCA PRA

(A) In the PRA Handbook:

(1) (except in ■ IPRU(INV)) and for the purposes of *GENPRU* (except in ■ *GENPRU* 3) and *BIPRU* (except in ■ *BIPRU* 12)) the part of the *capital resources requirement* calculated in accordance with ■ *GENPRU* 2.1.53 R (Calculation of the fixed overheads requirement).

(2) (in ■ IPRU(INV)) the part of the *own funds* requirement calculated in accordance with ■ IPRU(INV) 11.3.3R (Fixed overheads requirement).

(B) In the FCA Handbook:

(1) (except in ■ IPRU(INV)) and for the purposes of *GENPRU* (except ■ *GENPRU* 3 and *BIPRU* (except ■ *BIPRU* 12)) the part of the *capital resources requirement* calculated in accordance with ■ *GENPRU* 2.1.53 R (Calculation of the fixed overheads requirement).

(2) (in ■ IPRU(INV)) the part of the *own funds* requirement calculated in accordance with ■ IPRU(INV) 11.3.3R (Fixed overheads requirement).

fixed-sum credit

FCA

(1) (except in *CONC*) (in accordance with section 10(1)(b) of the Consumer Credit Act 1974) any facility under a contract, other than *running-account credit*, by which the *customer* is enabled to receive credit (whether in one amount or by instalments).

(2) (in *CONC*) a facility under a *credit agreement* whereby the *borrower* is enabled to receive *credit* (whether in one amount or by instalments) but which is not *running-account credit*.

flat rate benefits business friendly society

FCA PRA

a *friendly society* whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions of members are determined on a flat rate basis.

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| <p><i>foreign currency</i></p> <p>FCA PRA</p> | <p>(in <i>GENPRU</i> and <i>BIPRU</i>) (in relation to a <i>firm</i>) any currency other than the <i>base currency</i>.</p> |
| <p><i>foreign currency PRR</i></p> <p>FCA PRA</p> | <p>the part of the <i>market risk capital requirement</i> calculated in accordance with ■ <i>BIPRU 7.5</i> (Foreign currency PRR) or, in relation to a particular position, the portion of the overall <i>foreign currency PRR</i> attributable to that <i>position</i>.</p> |
| <p><i>foreign law contract</i></p> <p>FCA PRA</p> | <p>any contract other than a contract:</p> <p>(a) governed by the laws of any part of the <i>United Kingdom</i>; and</p> <p>(b) whose parties agree to the exclusive jurisdiction of the courts of any part of the <i>United Kingdom</i>.</p> |
| <p><i>former member</i></p> <p>FCA PRA</p> | <p>a <i>person</i> who has ceased to be a <i>member</i>, whether by resignation or otherwise, in accordance with Lloyd's Act 1982 and any <i>byelaw</i> made under it.</p> |
| <p><i>former Ombudsman</i></p> <p>FCA PRA</p> | <p>an ombudsman, arbitrator or independent investigator appointed under a <i>former scheme</i>.</p> |
| <p><i>former scheme</i></p> <p>FCA PRA</p> | <p>(1) (except in relation to a <i>relevant transitional complaint</i>) any of the following:</p> <p>(a) the <i>Banking Ombudsman scheme</i>;</p> <p>(b) the <i>Building Societies Ombudsman scheme</i>;</p> <p>(c) the <i>FSA scheme</i>;</p> <p>(d) the <i>IMRO scheme</i>;</p> <p>(e) the <i>Insurance Ombudsman scheme</i>;</p> <p>(f) the <i>Personal Insurance Arbitration Service</i>;</p> <p>(g) the PIA Ombudsman scheme;</p> <p>(h) the <i>SFA scheme</i>;</p> <p>(2) (in relation to a <i>relevant transitional complaint</i>)</p> <p>(a) the <i>GISC facility</i>; or</p> <p>(b) the <i>MCAS scheme</i>.</p> |
| <p><i>former underwriting member</i></p> <p>FCA PRA</p> | <p>(as defined in section 324(1) of the <i>Act</i> (Interpretation of Part XIX: Lloyd's)) a <i>person</i> ceasing to be an <i>underwriting member</i> on, or at any time after, 24 December 1996.</p> |
| <p><i>forward</i></p> <p>FCA PRA</p> | <p>a contract to buy or sell where the date for settlement has been agreed as a particular date in the future but excluding a <i>future</i>.</p> |
| <p><i>forward price</i></p> <p>FCA PRA</p> | <p>(in relation to <i>units</i>) a <i>price</i> calculated by reference to the <i>valuation point</i> next following the <i>authorised fund manager's</i> agreement to <i>sell</i> or, as the case may be, to redeem the <i>units</i> in question.</p> |

forward rate agreement

FCA **PRA**

an agreement under which one party agrees to pay another an amount of interest based on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount but under which no commitment is made by either party to lend or borrow the principal amount.

FOS Ltd

FCA **PRA**

Financial Ombudsman Service Limited.

foundation IRB approach

FCA **PRA**

one of the following:

(a) (in relation to the *sovereign, institutional and corporate IRB exposure class*) the approach under the *IRB approach*, described in ■ BIPRU 4.4 (The IRB approach: Exposures to corporates, institutions and sovereigns) under which a *firm* uses the values for *LGD* and *conversion factors* set out in ■ BIPRU 4.4 rather than supplying its own estimates;

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

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

Fourth Company Law Directive

FCA **PRA**

Council Directive 78/660/EEC on the annual accounts of certain types of companies as amended by, amongst other instruments, Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006.

FRA

FCA **PRA**

forward rate agreement.

framework contract

FCA **PRA**

(in accordance with regulation 2(1) of the *Payment Services Regulations*) a contract for *payment services* which governs the future execution of individual and successive payment transactions and which may contain the obligation and conditions for setting up a payment account.

[Note: article 4(12) of the *Payment Services Directive*]

free delivery

FCA

(for the purposes of *BIPRU*) a transaction of the type set out in ■ BIPRU 14.4.2 R (Requirement to hold capital resources with respect to free deliveries) which, in summary, is a transaction under which a *person*:

(a) has paid for *securities, foreign currencies* or *commodities* before receiving them or it has delivered *securities, foreign currencies* or *commodities* before receiving payment for them; and

(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

friendly society

FCA **PRA**

an *incorporated friendly society* or a *registered friendly society*.

front end loaded

FCA **PRA**

(in relation to an *investment*) one where deductions for *charges* and expenses are loaded disproportionately on the early years.

| | |
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| <p>FSA FCA PRA</p> | <p>the Financial Services Authority.</p> |
| <p>FSA scheme FCA PRA</p> | <p>the <i>former scheme</i> operated by the FSA under paragraph 4 of Schedule 7 to the Financial Services Act 1986 for the investigation of complaints arising out of the conduct of investment business.</p> |
| <p>FSAVC FCA PRA</p> | <p>an arrangement which allows a member of an <i>occupational pension scheme</i> to make AVCs to a private <i>pension policy</i> or <i>pension contract</i>, where the policy or contract is separate from, but associated with, an <i>occupational pension scheme</i> which is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.</p> |
| <p>FSB <i>Compensation Standards</i> FCA PRA</p> | <p>the Implementation Standards for Principles for Sound Compensation Practices issued by the Financial Stability Board on 25 September 2009.</p> |
| <p>FSCS FCA PRA</p> | <p><i>Financial Services Compensation Scheme Limited.</i></p> |
| <p><i>full CRD credit institution</i> FCA PRA</p> | <p>(A) In the PRA Handbook a <i>CRD credit institution</i> that falls within paragraph (1)(a) of the definition of <i>credit institution</i></p> |
| <p><i>full credit institution</i> FCA PRA</p> | <p>(B) In the FCA Handbook an <i>undertaking</i> whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account and that has its registered office (or, if it has no registered office, its head office) in an <i>EEA state</i>, excluding an institution to which <i>CRD</i> does not apply under article 2 of <i>CRD</i>.</p> |
| <p><i>full credit institution</i> FCA PRA</p> | <p>a <i>credit institution</i> that falls within paragraph (1) (a) of the definition of <i>credit institution</i>.</p> |
| <p><i>full scope BIPRU investment firm</i> PRA</p> | <p>has the meaning in BIPRU ■ BIPRU 1.1.17 R (Types of BIPRU investment firm) which is in summary a <i>CAD full scope firm</i> that satisfies the following conditions: (a) it is a <i>firm</i>; and (b) its head office is in the <i>United Kingdom</i> and it is not otherwise excluded from the definition of <i>BIPRU firm</i> under ■ BIPRU 1.1.17 R (Exclusion of certain types of firm from the definition of BIPRU firm).</p> |
| <p><i>full-scope EEA AIFM</i> FCA</p> | <p>an <i>EEA AIFM</i> which is authorised by its <i>Home State</i> in accordance with article 6(1) of <i>AIFMD</i>.</p> |
| <p><i>full-scope IFPRU investment firm</i> FCA</p> | <p>a <i>CRD full-scope firm</i> that is an <i>IFPRU investment firm</i>.</p> |

full-scope UK AIFM

FCA **PRA**

a UK AIFM which:

- (a) is not a *small AIFM*; or
- (b) is a *small AIFM* but has opted in to AIFMD in accordance with article 3(4) of AIFMD.

fund

FCA **PRA**

an AIF or a *collective investment scheme*.

fund application rules

FCA **PRA**

(in *COLL* and *SUP*) the rules set out in ■ [COLL 12.3.5 R](#) (*COLL* fund rules under the management company passport: the fund application rules) that relate to the constitution and functioning of a *UCITS scheme* and that an *EEA UCITS management company* must comply with when acting as the *operator* of the *UCITS scheme*, whether from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*, as required by article 19(3) of the *UCITS Directive*.

fund of alternative investment funds

FCA **PRA**

a *non-UCITS retail scheme*, or a *sub-fund* of a *non-UCITS retail scheme* which is an *umbrella* whose *authorised fund manager* operates, or proposes to operate, it in accordance with the investment and borrowing powers in ■ [COLL 5.7](#) (Investment powers and borrowing limits for *NURS* operating as *FAIFs*).

funded credit protection

FCA

(in accordance with Article 4(31) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the right of the *undertaking*, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the *exposure* to, or to replace it with, the amount of the difference between the amount of the *exposure* and the amount of a claim on the *undertaking*.

funds at Lloyd's

FCA **PRA**

assets (not being *syndicate assets*) provided by or on behalf of a *member* to meet the liabilities arising from the *member's insurance business* at Lloyd's which are held in a *Lloyd's trust fund* and managed by the *Society* as trustee.

funds under management

FCA

(1) (in *UPRU*)

(a) *collective investment schemes* other than *OEICs managed* by the *firm* including *schemes* where it has delegated the management function but excluding *schemes* that it is *managing* as delegate; and

(b) *OEICs* for which the *firm* is the designated management company.

(2) (in ■ [IPRU\(INV\)](#)) *funds* managed by the *firm*, calculated as the sum of the absolute value of all assets of all *funds* managed by the *firm*, including assets acquired through the use of leverage and, for such purpose, derivative instruments shall be converted into their equivalent positions in the underlying assets using the conversion methodologies in article 10 of the *AIFMD level 2 regulation* and valued on the basis of that equivalent position. This includes *funds* where the *firm* has delegated the management function but excludes *funds* that it is *managing* as a delegate.

funds under management requirement

FCA

(1) (in ■ IPRU(INV) 11) an amount of *own funds* that a *collective portfolio management firm* must hold under ■ IPRU(INV) 11.3.2R (Funds under management requirement).

[deleted]

funeral plan contract

FCA PRA

the *investment*, specified in articles 59(2), 60 and 87 of the *Regulated Activities Order* which come into force on 1 January 2002, which is in summary: rights under a contract under which:

(a) a *person* ("the customer") makes one or more payments to another *person* ("the provider"); and

(b) the provider undertakes to provide, or secure that another *person* provides, a funeral in the *United Kingdom* for the customer (or some other *person* who is living at the date when the contract is entered into) on his death;

unless, at the time of entering into the contract, the customer and the provider intend or expect the funeral to occur within one month; but excluding certain contracts under which sums paid will be applied towards a *contract of insurance* or will be held on trust.

future

FCA PRA

the *investment*, specified in article 84 of the *Regulated Activities Order* (Futures), which is in summary: rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed on when the contract is made.

future arrangements

FCA

in relation to a *borrower-lender agreement* or a *borrower-lender-supplier agreement*, a *credit agreement* is entered into in contemplation of future arrangements between a *lender* and a *supplier* if it is entered into in the expectation that arrangements will subsequently be made between the *lender* (or the *lender's associate*) and the *supplier* (or the *supplier's associate*) for the supply of *cash*, *goods* or *services* to be *financed* by the *credit agreement* unless the arrangements are:

(a) for the making, in circumstances specified in the *credit agreement*, of payments to the *supplier* by the *lender* ("L") and L indicates that L is willing to make, in such circumstances, payments of the kind to *suppliers* generally; or

(b) for the electronic transfer of funds from a current account held with an *authorised person* with *permission to accept deposits*.

future policy-related liabilities

FCA PRA

(in relation to a *with-profits fund*) the future policy-related liabilities of the *with-profits fund* calculated in accordance with the *rules* in ■ PRU 7.4.137 R to ■ PRU 7.4.189 G.

habitual residence

FCA PRA

(a) if the *policyholder* is an individual, the address given by the *policyholder* as his residence if it reasonably appears to be a residential address and there is no evidence to the contrary;

(b) if the *policyholder* is not an individual or a *group* of individuals, the State in which the *policyholder* has its place of establishment, or, if it has more than one, its relevant place of establishment;

(c) in respect of the variation of a *life policy*, or the purchase of a *pension annuity* related to a *life policy*, unless there is evidence to the contrary, the habitual residence of the *policyholder* at the date on which the *policyholder* signed the proposal for the *life policy*.

half-yearly accounting period

FCA PRA

(in COLL) a period determined in accordance with ■ COLL 6.8.2 R (2) (Accounting periods).

Handbook

FCA PRA

the *FCA Handbook* or the *PRA Handbook* as appropriate.

headline information

FCA

the headline codes and headline categories for use with the announcement of *regulated information* that are listed in ■ DTR 8 Annex 2.

hedging set

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a group of *risk positions* from the transactions within a single *netting set* for which only their balance is relevant for determining the *exposure* value under the *CCR standardised method*.

high earner

FCA PRA

(in SYSC and SUP) an *employee* whose total annual *remuneration* is EUR 1 million or more per year or its equivalent in another currency determined by reference to the conversion rate applicable to the corresponding High Earners Report under ■ SUP 16.

high net worth illustration

FCA PRA

an *illustration* for a *regulated mortgage contract* to a *high net worth mortgage customer*.

high net worth mortgage customer

FCA PRA

a *customer* with an annual net income of no less than £300,000 or net assets of no less than £3,000,000, or whose obligations are guaranteed by a person with an income or assets of such amount.

high net worth offer document

FCA PRA

an *offer document* for a *regulated mortgage contract* to a *high net worth mortgage customer*.

high-cost short-term credit

FCA

a *regulated credit agreement* :

(a) which is a *borrower-lender agreement* or a *P2P agreement*;

(b) in relation to which the *APR* is equal to or exceeds 100%;

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| <p><i>higher lending charge</i> FCA PRA</p> | <p>(c) either:</p> <p>(i) in relation to which a <i>financial promotion</i> indicates (by express words or otherwise) that the <i>credit</i> is to be provided for any period up to a maximum of 12 months or otherwise indicates (by express words or otherwise) that the <i>credit</i> is to be provided for a short term; or</p> <p>(ii) under which the <i>credit</i> is due to be repaid or substantially repaid within a maximum of 12 months of the date on which the <i>credit</i> is advanced;</p> <p>(d) which is not secured by a mortgage, charge or pledge; and</p> <p>(e) which is not:</p> <p>(i) a <i>credit agreement</i> in relation to which the lender is a <i>community finance organisation</i>; or</p> <p>(ii) a <i>home credit loan agreement</i>, a <i>bill of sale loan agreement</i> or a <i>borrower-lender agreement</i> enabling a <i>borrower</i> to overdraw on a current account or arising where the holder of a current account overdraws on the account without a pre-arranged overdraft or exceeds a pre-arranged overdraft limit.</p> <p>a fee charged by a <i>mortgage lender</i> (under a <i>regulated mortgage contract</i>) where the amount borrowed exceeds a given percentage of the value of the property.</p> |
| <p><i>higher rate of return</i> FCA PRA</p> | <p>(in COBS) the higher rate of return described in paragraph 2.3 of the <i>projection rules</i> (■ COBS 13 Annex 2).</p> |
| <p><i>higher stage of capital</i> FCA PRA</p> | <p>(with respect to a particular item of capital in the capital resources table) a stage in the <i>capital resources table</i> above that in which that item of capital appears.</p> |
| <p><i>higher volatility fund</i> FCA PRA</p> | <p>(a) a <i>regulated collective investment scheme</i> which is:</p> <p>(i) a <i>scheme</i> where the investment policies which the <i>operator</i> adopts, or proposes to adopt, mean that, as a result of making investments in <i>warrants</i> or <i>derivatives</i>, or through borrowing that is not temporary in nature, movements in the <i>price of units</i> are likely to be significantly amplified; or</p> <p>(ii) an <i>umbrella</i> with a <i>sub-fund</i> that would fall within (i) if that sub-fund were a separate <i>scheme</i>; or</p> <p>(b) an <i>authorised fund dedicated to units</i> in:</p> <p>(i) a number of <i>regulated collective investment schemes</i>; or</p> <p>(ii) <i>sub-funds</i> of one or more <i>umbrellas</i> that are <i>regulated collective investment schemes</i>;</p> <p>any one of which falls within (a).</p> |
| <p><i>hire-purchase agreement</i> FCA</p> | <p>in accordance with article 60L of the <i>Regulated Activities Order</i>, an agreement:</p> <p>(a) which is not a <i>conditional sale agreement</i>;</p> <p>(b) under which <i>goods</i> are bailed or, in Scotland, hired to a <i>person</i> ("P") in return for periodical payments by P; and</p> |

(c) the property in the *goods* will pass to P if the terms of the agreement are complied with and one or more of the following occurs:

- (i) the exercise by P of an option to purchase the *goods*;
- (ii) the doing by any party to the agreement of any other act specified in the agreement; or
- (iii) the happening of any event specified in the agreement

hirer

FCA

a *person* to whom *goods* are bailed or, in Scotland, hired under a *consumer hire agreement*, or a *person* to whom the rights and duties of a *hirer* under a *consumer hire agreement* have passed by assignment or operation of law.

historic price

FCA PRA

a *price* calculated by reference to the *valuation point* immediately preceding the *authorised fund manager's* agreement to *sell* or, as the case may be, to redeem the *units* in question.

HMRC
allocated CTF

FCA PRA

a CTF opened in accordance with regulation 6 of the *CTF Regulations*.

holder

FCA PRA

(a) (in relation to a *unit* in an *authorised fund*):

- (i) the *shareholder*; or
- (ii) the *unitholder*;

(b) (in relation to a *unit* in any other *collective investment scheme*):

- (i) the *person* who is entered in the *register* of the *scheme* as the *holder* of that *unit*; or
- (ii) the bearer of a *bearer certificate* representing that *unit*.

holding company

FCA PRA

(as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary" etc) (in relation to another *body corporate* ("S")) a *body corporate* which:

- (a) holds a majority of the voting rights in S; or
- (b) is a member of S and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member of S and controls alone, under an agreement with other shareholders and members, a majority of the voting rights in S.

Holloway policy special application conditions

FCA PRA

conditions that will be met by a *firm* where:

(a) in the case of a *firm* which underwrites *Holloway sickness policies*:

- (i) all of the *Holloway sickness policies* of a particular type underwritten by the *firm* show a projected maturity value of not more than 20% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of ■ COBS 13.1.1 R (2); except that no more than 5% of the relevant *Holloway sickness policies* underwritten by the *firm* may show a projected maturity value of between 20% and 25% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of ■ COBS 13.1.1 R (2);
- (ii) the *firm* conducts a regular assessment to determine whether the relevant *Holloway sickness policies* meet the conditions in (i) and, if such an assessment indicates that the conditions in (i) may no longer be met, takes any steps necessary to ensure that the relevant *Holloway*

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| <p><i>sickness policies</i> will meet the conditions in (i) within three months of the relevant assessment having been carried out; and</p> <p>(iii) the assessment in (ii) is carried out at least annually and on a more frequent basis if a change is made to the projection rates or pricing of the relevant <i>Holloway sickness policies</i>;</p> <p>(b) in the case of an intermediary who makes a <i>personal recommendation</i> to a <i>retail client</i> in relation to a <i>Holloway sickness policy</i>, the intermediary has received a written notification from the <i>firm</i> which underwrites the policy confirming that the conditions in (a) have been met.</p> | <p><i>sickness policies</i> will meet the conditions in (i) within three months of the relevant assessment having been carried out; and</p> <p>(iii) the assessment in (ii) is carried out at least annually and on a more frequent basis if a change is made to the projection rates or pricing of the relevant <i>Holloway sickness policies</i>;</p> <p>(b) in the case of an intermediary who makes a <i>personal recommendation</i> to a <i>retail client</i> in relation to a <i>Holloway sickness policy</i>, the intermediary has received a written notification from the <i>firm</i> which underwrites the policy confirming that the conditions in (a) have been met.</p> |
| <p><i>Holloway sickness policy</i></p> <p>FCA PRA</p> | <p>a <i>long-term insurance contract</i> offered or effected by a <i>friendly society</i> under the Holloway system, providing <i>permanent health</i> benefits and, in addition, investment benefits, where the investment benefits:</p> <p>(a) are derived from surpluses accrued by the <i>friendly society</i> and apportioned to <i>policyholders</i>; and</p> <p>(b) are payable to <i>policyholders</i> at maturity, on retirement, on death, or as otherwise specified by contractual provisions or individual society rules.</p> |
| <p><i>home credit loan agreement</i></p> <p>FCA</p> | <p>a <i>regulated credit agreement</i> which is a <i>borrower-lender agreement</i> and which either:</p> <p>(a) provides that all or most of the sums payable by the <i>customer</i> are to be collected by, or on behalf of, the <i>lender</i> at the <i>customer's</i> home or at the home of a natural person who makes payment to the <i>lender</i> on the <i>customer's</i> behalf (or, in either case, to be so collected if the <i>customer</i> so wishes); or</p> <p>(b) at the time the agreement is entered into, the <i>customer</i> could reasonably expect, from representations made by, or on behalf of, the <i>lender</i> at or before that time, that all or most of the sums payable would be so collected (or, in either case, would be collected as specified in (a) if the <i>customer</i> so wished).</p> |
| <p><i>home finance activity</i></p> <p>FCA PRA</p> | <p>any <i>home finance mediation activity</i>, <i>home finance providing activity</i> or <i>administering a home finance transaction</i>.</p> |
| <p><i>home finance administration</i></p> <p>FCA PRA</p> | <p>any of the <i>regulated activities</i> of:</p> <p>(a) <i>administering a regulated mortgage contract</i>;</p> <p>(b) <i>administering a home purchase plan</i>;</p> <p>(c) <i>administering a home reversion plan</i>;</p> <p>(cc) <i>administering a regulated sale and rent back agreement</i>; or</p> <p>(d) <i>agreeing to carry on a regulated activity</i> in (a) to (cc).</p> |
| <p><i>home finance administrator</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a home finance transaction</i>.</p> |
| <p><i>home finance adviser</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home finance transaction</i>.</p> |

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| <p><i>home finance arranger</i></p> <p>FCA PRA</p> | <p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home finance transaction</i>.</p> |
| <p><i>home finance intermediary</i></p> <p>FCA PRA</p> | <p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>home finance mediation activity</i>.</p> |
| <p><i>home finance mediation activity</i></p> <p>FCA PRA</p> | <p>any <i>mortgage mediation activity</i>, <i>home purchase mediation activity</i>, <i>reversion mediation activity</i> or <i>regulated sale and rent back mediation activity</i>.</p> |
| <p><i>home finance provider</i></p> <p>FCA PRA</p> | <p>a firm with <i>permission</i> (or which ought to have <i>permission</i>) for <i>entering into a home finance transaction</i>.</p> |
| <p><i>home finance providing activity</i></p> <p>FCA PRA</p> | <p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> (a) <i>entering into a regulated mortgage contract</i>; (aa) <i>entering into a regulated sale and rent back agreement</i>; (b) <i>entering into a home purchase plan</i>; (c) <i>entering into a home reversion plan</i>; or (d) <i>agreeing to carry on a regulated activity</i> in (a) to (c). |
| <p><i>home finance transaction</i></p> <p>FCA PRA</p> | <p>a <i>regulated mortgage contract</i>, <i>home purchase plan</i>, <i>home reversion plan</i> or <i>regulated sale and rent back agreement</i>.</p> |
| <p><i>home financing</i></p> <p>FCA PRA</p> | <p>any <i>home finance providing activity</i>.</p> |
| <p><i>Home Member State</i></p> <p>FCA PRA</p> | <p>(in DTR; PR and LR) <i>Home State</i>.</p> |
| <p><i>home purchase activity</i></p> <p>FCA PRA</p> | <p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> (a) <i>arranging (bringing about) a home purchase plan</i> (article 25C(1)); (b) <i>making arrangements with a view to a home purchase plan</i> (article 25C(2)); (c) <i>advising on a home purchase plan</i> (article 53C); (d) <i>entering into a home purchase plan</i> (article 63F(1)); (e) <i>administering a home purchase plan</i> (article 63F(2)); or (f) <i>agreeing to carry on a regulated activity</i> in (a) to (e) (article 64). |

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| <p><i>home purchase administrator</i></p> <p>FCA PRA</p> | <p>a <i>firm with permission</i> (or which ought to have <i>permission</i>) for <i>administering a home purchase plan</i>.</p> |
| <p><i>home purchase adviser</i></p> <p>FCA PRA</p> | <p>a <i>firm with permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home purchase plan</i>.</p> |
| <p><i>home purchase arranger</i></p> <p>FCA PRA</p> | <p>a <i>firm with permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home purchase plan</i>.</p> |
| <p><i>home purchase intermediary</i></p> <p>FCA PRA</p> | <p>a <i>firm with permission</i> (or which ought to have <i>permission</i>) to carry on a <i>home purchase mediation activity</i>.</p> |
| <p><i>home purchase mediation activity</i></p> <p>FCA PRA</p> | <p>any of the following <i>regulated activities</i>:</p> <ul style="list-style-type: none"> (a) <i>arranging (bringing about) a home purchase plan</i> (article 25C(1)); (b) <i>making arrangements with a view to a home purchase plan</i> (article 25C(2)); (c) <i>advising on a home purchase plan</i> (article 53C); or (d) <i>agreeing to carry on a regulated activity</i> in (a) to (c) (article 64). |
| <p><i>home purchase plan</i></p> <p>FCA PRA</p> | <p>(in accordance with article 63F(3) of the <i>Regulated Activities Order</i>) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:</p> <ul style="list-style-type: none"> (a) the arrangement is one under which a <i>person</i> (the 'home purchase provider') buys a <i>qualifying interest in land</i> or an undivided share of a <i>qualifying interest in land</i>; (b) where an undivided share of a <i>qualifying interest in land</i> is bought, the interest is held on trust for the home purchase provider and the individual or trustees in (c) as beneficial tenants in common; (c) the arrangement provides for the obligation of an individual or trustees (the <i>home purchaser</i>) to buy the interest bought by the home purchase provider during the course of or at the end of a specified period; and (d) the <i>home purchaser</i> (if he is an individual) or an individual who is a beneficiary of the trust (if the <i>home purchaser</i> is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling during that period and intends to do so; <p>in this definition "related person" means:</p> <ul style="list-style-type: none"> (A) that <i>person's</i> spouse or civil partner; (B) a <i>person</i> (whether or not of the opposite sex) whose relationship with that <i>person</i> has the characteristics of the relationship between husband and wife; or (C) that <i>person's</i> parent, brother, sister, child, grandparent or grandchild. |
| <p><i>home purchase provider</i></p> | <p>a <i>firm with permission</i> (or which ought to have <i>permission</i>) for <i>entering into a home purchase plan</i>.</p> |

FCA PRA

home purchaser

FCA PRA

the individual (or trustees), specified in article 63F(3) of the *Regulated Activities Order*, who in summary:

(a) is (or are) obliged under a *home purchase plan* to buy the interest in land bought by the home purchase provider (as defined in article 63F(3) of the *Regulated Activities Order*) over the course of or at the end of a specified period; and

(b)

(i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or

(ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).

home reversion plan

FCA PRA

(in accordance with article 63B(3) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:

(a) the arrangement is one under which a *person* (the *reversion provider*) buys all or part of a *qualifying interest in land* from an individual or trustees (the *reversion occupier*);

(b) the *reversion occupier* (if he is an individual) or an individual who is a beneficiary of the trust (if the *reversion occupier* is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; and

(c) the arrangement specifies that the entitlement to occupy will end on the occurrence of one or more of:

(i) a *person* in (b) becoming a resident of a care home;

(ii) a *person* in (b) dying; or

(iii) the end of a specified period of at least twenty years from the date the *reversion occupier* entered into the arrangement;

in this definition "related person" means:

(A) that *person's* spouse or civil partner;

(B) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or

(C) that *person's* parent, brother, sister, child, grandparent or grandchild.

(A) In the PRA Handbook:

(1) (in relation to a *credit institution*) the *EEA State* in which the *credit institution* has been authorised in accordance with the *CRD*.

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

(a) if the *investment firm* is a natural *person*, the *EEA State* in which his head office is situated;

(b) if the *investment firm* is a legal *person*, the *EEA State* in which its registered office is situated; or

(c) if the *investment firm* has, under its national law, no registered office, the *EEA State* in which its head office is situated.

Home State

FCA PRA

[Note: article 4(1)(20) of *MiFID*]

(3) (in relation to a *UCITS management company*) the *EEA State* in which the management company's registered office is situated;

(4) (in relation to an *insurance undertaking* with an *EEA right*) the *EEA State* in which the registered office of the *insurance undertaking* is situated.

(5) (in relation to an *IMD insurance intermediary* or an *IMD reinsurance intermediary*):

(a) where the *insurance intermediary* is a natural person, the *EEA State* in which his residence is situated and in which he carries on business;

(b) where the *insurance intermediary* is a legal person, the *EEA State* in which its registered office is situated or, if under its national law it has no registered office, the *EEA State* in which its head office is situated.

(6) (except in *REC*) (in relation to a market) the *EEA State* in which the registered office of the body which provides training facilities is situated or, if under its national law it has no registered office, the *EEA State* in which that body's head office is situated.

(7) (in relation to a *Treaty firm*) the *EEA State* in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the *Act* (Treaty Rights).

(8) (in *LR* and *PR*) (as defined in section 102C of the *Act*) in relation to an issuer of *transferable securities*, the *EEA State* which is the "home Member State" for the purposes of the *prospectus directive* (which is to be determined in accordance with Article 2.1(m) of that directive).

(9) (in *DTR*)

(a) in the case of an *issuer of debt securities* the denomination per unit of which is less than EUR 1 000 or an *issuer of shares*:

(i) where the *issuer* is incorporated in the *EEA*, the *EEA State* in which it has its registered office;

(ii) where the *issuer* is incorporated in a third country, the *EEA State* referred to in point (iii) of article 2(1)(m) of Directive 2003/71/EC.

The definition of *Home State* shall be applicable to debt securities in a currency other than Euro, provided that the value of such denomination per unit is, at the date of the issue, less than EUR 1 000, unless it is nearly equivalent to EUR 1 000;

(b) for an *issuer* not covered by (a), the *EEA State* chosen by the *issuer* from among the *EEA States* in which the *issuer* has its registered office and those *EEA States* which have admitted its securities to trading on a *regulated market* on their territory. The issuer may choose only one *EEA State* as its *Home Member State*. Its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any *regulated market* in the *EEA*;

(10) (in relation to a *UCITS*) the *EEA State* in which the unit trust, common fund or investment company is established and authorised under article 5 of the *UCITS Directive*.

(11) (in *REC*) in relation to an *EEA market operator*, the *EEA State* in which it has its registered office, or if it has no registered office, its head office.

(12) (in relation to a person who has received authorisation under article 18 of the *auction regulation*) the *EEA state* in which the person is established and authorised under the *auction regulation*.

(13) (for an *AIF*) the *EEA State* in which:

(a) the *AIF* is authorised or registered under applicable national law; or

(b) if the *AIF* is neither authorised nor registered in an *EEA State*, the *EEA State* in which the *AIF* has its registered office and/or head office.

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

(14) (for an *AIFM*) the *EEA State* in which the *AIFM* has its registered office.

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

(B) In the FCA Handbook:

(1) (in relation to a *credit institution*) the *EEA State* in which the *credit institution* has been authorised in accordance with the *CRD*.

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

(a) if the *investment firm* is a natural *person*, the *EEA State* in which his head office is situated;

(b) if the *investment firm* is a legal *person*, the *EEA State* in which its registered office is situated; or

(c) if the *investment firm* has, under its national law, no registered office, the *EEA State* in which its head office is situated.

[Note: article 4(1)(20) of *MiFID*]

(3) (in relation to a *UCITS management company*) the *EEA State* in which the management company's registered office is situated;

(4) (in relation to an *insurance undertaking* with an *EEA right*) the *EEA State* in which the registered office of the *insurance undertaking* is situated.

(5) (in relation to an *IMD insurance intermediary* or an *IMD reinsurance intermediary*):

(a) where the *insurance intermediary* is a natural *person*, the *EEA State* in which his residence is situated and in which he carries on business;

(b) where the *insurance intermediary* is a legal *person*, the *EEA State* in which its registered office is situated or, if under its national law it has no registered office, the *EEA State* in which its head office is situated.

(6) (except in *REC*) (in relation to a market) the *EEA State* in which the registered office of the body which provides training facilities is situated or, if under its national law it has no registered office, the *EEA State* in which that body's head office is situated.

(7) (in relation to a *Treaty firm*) the *EEA State* in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the *Act* (Treaty Rights).

(8) (in *LR* and *PR*) (as defined in section 102C of the *Act*) in relation to an issuer of *transferable securities*, the *EEA State* which is the "home Member State" for the purposes of the *prospectus directive* (which is to be determined in accordance with Article 2.1(m) of that directive).

(9) (in *DTR*)

(a) in the case of an *issuer* of debt *securities* the denomination per unit of which is less than EUR 1 000 or an *issuer* of *shares*:

(i) where the *issuer* is incorporated in the *EEA*, the *EEA State* in which it has its registered office;

(ii) where the *issuer* is incorporated in a third country, the *EEA State* referred to in point (iii) of article 2(1)(m) of Directive 2003/71/EC.

The definition of *Home State* shall be applicable to debt securities in a currency other than Euro, provided that the value of such denomination per unit is, at the date of the issue, less than EUR 1 000, unless it is nearly equivalent to EUR 1 000;

(b) for an *issuer* not covered by (a), the *EEA State* chosen by the *issuer* from among the *EEA States* in which the *issuer* has its registered office and those *EEA States* which have admitted its securities to trading on a *regulated market* on their territory. The issuer may choose only one *EEA State* as its *Home Member State*. Its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any *regulated market* in the *EEA*;

(10) (in relation to a *UCITS*) the *EEA State* in which the unit trust, common fund or investment company is established and authorised under article 5 of the *UCITS Directive*.

(11) (in *REC*) in relation to an *EEA market operator*, the *EEA State* in which it has its registered office, or if it has no registered office, its head office.

(12) (in relation to a person who has received authorisation under article 18 of the *auction regulation*) the *EEA state* in which the person is established and authorised under the *auction regulation*.

(13) (for an *AIF*) the *EEA State* in which:

(a) the *AIF* is authorised or registered under applicable national law; or

(b) if the *AIF* is neither authorised nor registered in an *EEA State*, the *EEA State* in which the *AIF* has its registered office and/or head office.

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

(14) (for an *AIFM*) the *EEA State* in which the *AIFM* has its registered office.

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

Home State authorisation

FCA **PRA**

(as defined in paragraph 3(1)(a) of Schedule 4 to the *Act* (Treaty Rights)) authorisation of a *firm* under the law of its *Home State* to carry on a *regulated activity*.

Home State regulator

FCA **PRA**

(1) (in relation to an *EEA firm*) (as defined in paragraph 9 of Schedule 3 to the *Act* (EEA Passport Rights)) the *competent authority* (under the relevant *Single Market Directive* or the *auction regulation*) of an *EEA State* (other than the *United Kingdom*) in relation to the *EEA firm* concerned.

(2) (in relation to a *UK firm* or *UCITS scheme*) the *FCA* or *PRA* as the case may be.

(3) (in relation to a *Treaty firm*) (as defined in paragraph 1 of Schedule 4 to the *Act* (Treaty Rights)) the competent authority of the *firm's Home State* for the purpose of its *Home State authorisation*.

(4) (in *REC*) the competent authority (within the meaning of Article (4)(1)(22) of *MiFID*) of the *EEA State* which is the *Home State* in relation to the *EEA market operator* concerned.

(5) (in relation to an *EEA UCITS scheme*) the *competent authority* of the *EEA State* in which the *scheme* is authorised.

home territory

FCA **PRA**

(in relation to an *overseas investment exchange*) the country or territory in which its head office is situated.

Host Member State

FCA **PRA**

(in *PR* and *LR*) *Host State*.

Host State

FCA **PRA**

(1) (in *LR* and *PR*) as defined in Article 2.1(n) of the *Prospectus Directive*) the *EEA State* where an offer to the public is made or *admission to trading* is sought, when different from the *Home State*.

(2) (except in *LR* and *PR* and except in relation to *MiFID*) the *EEA State* in which an *EEA firm*, a *UK firm*, or a *Treaty firm* is exercising an *EEA right* or *Treaty right* to establish a *branch* or provide *cross border services*.

(3) (in relation to *MiFID*) the *EEA State*, other than the *Home State*, in which an *investment firm* has a branch or performs *investment services and/or activities* or the *EEA State* in which a *regulated market* provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same *EEA State*.

(4) (in relation to the *UCITS Directive*) the *EEA State*, other than the *UCITS Home State*, in which *units* of a *UCITS* are marketed in accordance with a notification made under article 93 of that directive.

(5) (for an *AIFM*) means:

(a) an *EEA state*, other than the *Home State*, in which an *EEA AIFM* or *UK AIFM* manages *EEA AIFs* or *UK AIFs*; or

(b) an *EEA state*, other than the *Home State*, in which an *EEA AIFM* or *UK AIFM* markets *units* or *shares* of an *EEA AIF* or *UK AIF*;

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

[Note: article 4(1)(21) of *MiFID*]

Host State regulator

(1) (in relation to an *EEA firm* or a *Treaty firm* exercising an *EEA right* or *Treaty right* in the *United Kingdom*) the *FCA* or *PRA* as the case may be.

FCA PRA

(2) (in relation to a *UK firm*) (as defined in paragraph 11 of Schedule 3 to the *Act* (EEA Passport Rights)) the *competent authority* (under the relevant *Single Market Directive* or the *auction regulation*) of an *EEA State* (other than the *United Kingdom*) in relation to a *UK firm's* exercise of *EEA rights* there.

(3) (in *REC* in relation to a *UK RIE*) the competent authority (within the meaning of Article (4)(1)(22) of MiFID) of the *EEA State* in which the *UK RIE* intends to make, or has made, arrangements to facilitate access to, or use of, a *regulated market* or a *multilateral trading facility* operated by the *UK RIE*.

(4) (in relation to an *EEA UCITS scheme* which is a *recognised scheme*) the *FCA*.

(5) (in relation to a *UCITS* that is the subject of a notification in accordance with article 93 of the *UCITS Directive*) the *competent authority* of an *EEA State* (other than the *United Kingdom*) in which *units* of the *UCITS* may be marketed to the public.

hybrid capital

FCA PRA

an item of capital that is stated in ■ GENPRU 2.2 as eligible for inclusion at stage B1, B2 or C of the calculation in the *capital resources table*.

hypothetical profit and loss figure

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *business day*) the *profit and loss figure* that would have occurred for that *business day* if the portfolio on which the *VaR number* for that *business day* is based remained unchanged, as more fully defined in ■ BIPRU 7.10.111 R (Backtesting: Hypothetical profit and loss).

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| <p><i>initial commitment</i></p> <p>FCA PRA</p> | <p>included in stage B of the <i>capital resources table</i> (Perpetual non-cumulative preference shares);</p> <p>(5) (in the case of an <i>institution</i> that is an <i>EEA firm</i>) capital resources calculated in accordance with the <i>CRD implementation measures</i> of its <i>Home State</i> for Article 4 of the <i>Capital Adequacy Directive</i> (Definition of initial capital) or Article 9 of the <i>Banking Consolidation Directive</i> (Initial capital requirements);</p> <p>(6) (for the purposes of the definition of <i>dealing on own account</i> in <i>BIPRU</i> and in the case of an <i>undertaking</i> not falling within (3) or (4)) <i>capital resources</i> calculated in accordance with (3) and paragraphs (3) and (4) of the definition of <i>capital resources</i></p> <p>(7) (in <i>IPRU(INV)</i> 13) the initial capital of a <i>firm</i> calculated in accordance with <i>IPRU(INV)</i> 13.1A.6R.</p> <p>(8) (for an <i>IFPRU investment firm</i> and in accordance with article 28(1) of <i>CRD</i>) the amount of <i>own funds</i> referred to in article 26(1)(a) to (e) of the <i>EU CRR</i> and calculated in accordance with Part Two of those Regulations (Own funds).</p> <p>(9) (for the purpose of the definition of <i>dealing on own account</i> in <i>IFPRU</i>) the amount of <i>own funds</i> referred to in article 26(1)(a) to (e) of the <i>EU CRR</i> and calculated in accordance with Part Two of those Regulations (Own funds).</p> |
| <p><i>initial contact</i></p> <p>FCA PRA</p> | <p>(for the purposes of <i>BIPRU</i> and in relation to <i>underwriting</i>) the date specified in ■ <i>BIPRU</i> 7.8.13 R (Time of initial commitment).</p> |
| <p><i>initial coupon rate</i></p> <p>FCA PRA</p> | <p>the first occasion when a <i>firm</i> is in contact with the <i>customer</i> and may perform any of the following in relation to a <i>home finance transaction</i>:</p> <p>(a) <i>advising</i> on the transaction;</p> <p>(b) <i>arranging (bringing about)</i> the transaction; or</p> <p>(c) <i>entering into</i> the transaction, when there is no <i>firm arranging (bringing about)</i> the transaction.</p> |
| <p><i>initial disclosure document</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>tier one instrument</i>) the <i>coupon</i> rate of the instrument at the time it is issued.</p> |
| <p><i>initial fund</i></p> <p>FCA PRA</p> | <p>information about the <i>scope of advice</i> and the nature of the services offered by a <i>firm</i> in relation to a <i>non-investment insurance contract</i> in accordance with ■ <i>ICOBS</i> 4.5.1 G and set out in ■ <i>ICOBS</i> 4 Annex 1 G.</p> |
| <p><i>initial offer</i></p> <p>FCA PRA</p> | <p>the items of capital which are available to a <i>mutual</i> at <i>authorisation</i>.</p> |
| <p><i>initial offer</i></p> <p>FCA PRA</p> | <p>(in <i>COLL</i>) an offer for sale of <i>units</i> in an <i>authorised fund</i> or in a <i>sub-fund</i> (otherwise than in accordance with <i>arrangements</i> of the type described in ■ <i>COLL</i> 5.5.9 R (3) (b) (iii) (Guarantees and indemnities)), where all or part of the consideration paid for the account of the <i>authorised fund</i> for the <i>units</i> is to be used to acquire the initial <i>scheme property</i> of the <i>authorised fund</i> or the initial <i>scheme property</i> attributable to the <i>sub-fund</i>.</p> |

initial outlay

FCA PRA

(in relation to an *authorised fund*) the amount which the *authorised fund* is required to provide in order to obtain rights under a transaction in *derivatives*, excluding any payment or transfer on exercise of rights.

initial price

FCA PRA

(in *COLL*) in relation to a *unit* of any *class*:

- (a) in a *single-priced authorised fund*, the *price* to be paid; or
- (b) in a *dual-priced authorised fund*, the amount agreed by the *depository* and *authorised fund manager* as being the maximum *price* , inclusive of any *preliminary charge*, that may be paid to the *authorised fund manager*; during the period of the *initial offer* under COLL 6.2.3 R (Initial offer).

injunction

FCA PRA

a court order made by the High Court that prohibits a *person* from doing or continuing to do a certain act or requires a *person* to carry out a certain act.

injured party

FCA PRA

(in *ICOBS*) a resident of the *EEA* entitled to compensation in respect of any loss or injury caused by *vehicles*.

[Note: article 1(2) of Directive 72/166/EC (First Motor Insurance Directive)]

innovative tier one capital

FCA PRA

an item of capital that is stated in ■ GENPRU 2.2(Capital resources) to be innovative tier one capital.

innovative tier one capital resources

FCA PRA

the amount of *capital resources* at stage C of the *capital resources table* (Innovation tier one capital) .

innovative tier one instrument

FCA PRA

a *potential tier one instrument* that is stated in ■ GENPRU 2.2(Capital resources) to be an innovative instrument.

inside information

FCA PRA

(as defined in section 118C of the *Act*):

- (a) in relation to *qualifying investments*, or *related investments*, which are not commodity derivatives, *inside information* is information of a precise nature which:
 - (i) is not generally available,
 - (ii) relates, directly or indirectly, to one or more issuers of the *qualifying investments* or to one or more of the *qualifying investments*, and
 - (iii) would, if generally available, be likely to have a significant effect on the price of the *qualifying investments* or on the price of *related investments*.
- (b) in relation to *qualifying investments*, or *related investments*, which are commodity derivatives, *inside information* is information of a precise nature which:
 - (i) is not generally available,
 - (ii) relates, directly or indirectly, to one or more such derivatives, and

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| <p><i>insurance undertaking</i></p> <p>FCA PRA</p> | <p>(1) (except in COBS) an undertaking, or (in ■ CASS 5 and COMP) a <i>member</i>, whether or not an <i>insurer</i>, which carries on <i>insurance business</i>.</p> <p>(2) (in COBS) an undertaking or a <i>member</i> which carries on <i>insurance business</i>.</p> |
| <p><i>insurance-related capital requirement</i></p> <p>FCA PRA</p> | <p>a component of the calculation of the ECR for a <i>firm</i> carrying on <i>general insurance business</i> as set out in ■ INSPRU 1.1.76 R to ■ INSPRU 1.1.79 R .</p> |
| <p><i>insurer</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> to <i>effect</i> or <i>carry out</i> contracts of <i>insurance</i> (other than a UK ISPV).</p> |
| <p><i>interdict</i></p> <p>FCA PRA</p> | <p>a Scottish court order made by the Court of Session that prohibits a <i>person</i> from doing or continuing to do a certain act or requires a <i>person</i> to carry out a certain act.</p> |
| <p><i>interest rate duration method</i></p> <p>FCA PRA</p> | <p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in ■ BIPRU 7.2.63 R (General market risk calculation: Duration method).</p> |
| <p><i>interest rate maturity method</i></p> <p>FCA PRA</p> | <p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in ■ BIPRU 7.2.59 R (General market risk calculation: The maturity method).</p> |
| <p><i>interest rate PRR</i></p> <p>FCA PRA</p> | <p>the part of the <i>market risk capital requirement</i> calculated in accordance with ■ BIPRU 7.2 (Interest rate PRR) or ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives) or, in relation to a particular <i>position</i>, the portion of the overall <i>interest rate PRR</i> attributable to that <i>position</i>.</p> |
| <p><i>interest rate simplified maturity method</i></p> <p>FCA PRA</p> | <p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in ■ BIPRU 7.2.56 R (General market risk calculation: Simplified maturity method).</p> |
| <p><i>interest roll-up mortgage</i></p> <p>FCA PRA</p> | <p>an <i>interest-only mortgage</i> under which neither capital repayments, nor payment of any of the interest accruing under its terms, are required or anticipated until it comes to an end, whether on expiry of the term (if any), discharge of the mortgage or the happening of some other event.</p> |
| <p><i>interested party</i></p> <p>FCA PRA</p> | <p>(in relation to an application made under section 60 of the <i>Act</i> (Applications for approval)):</p> <ul style="list-style-type: none"> (a) the <i>firm</i> making the application; (b) the <i>person</i> in respect of whom the application is being made ("A"); and (c) the <i>person</i> by whom A's services are to be retained, if not the <i>firm</i> making the application. |

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| <p><i>interest-only mortgage</i></p> <p>FCA PRA</p> | <p>a <i>regulated mortgage contract</i> other than a <i>repayment mortgage</i>.</p> |
| <p><i>interest-rate contract</i></p> <p>FCA</p> | <p>interest-rate contracts listed in paragraph 1 of Annex II to the <i>EU CRR</i>.</p> |
| <p><i>interim accounting period</i></p> <p>FCA PRA</p> | <p>(in <i>COLL</i>) a period within an <i>annual accounting period</i> in respect of which an allocation of income is to be made.</p> |
| <p><i>interim income allocation date</i></p> <p>FCA PRA</p> | <p>any date specified in the <i>prospectus</i> of an <i>authorised fund</i> as the date on or before which an allocation of income will be made.</p> |
| <p><i>interim permission</i></p> <p>FCA</p> | <p>in accordance with article 56 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013, subject to article 59 of that Order, to be treated as:</p> <p>(a) in relation to a person who is a <i>firm</i> immediately before 1 April 2014, a variation of permission;</p> <p>(b) in any other case, a <i>Part 4A permission</i>.</p> |
| <p><i>intermediaries offer</i></p> <p>FCA PRA</p> | <p>(1) (in <i>LR</i>) a marketing of <i>securities</i> already or not yet in issue, by means of an offer by, or on behalf of, the <i>issuer</i> to intermediaries for them to allocate to their own clients.</p> <p>(2) (for the purposes of the <i>Code of Market Conduct</i> (■ MAR 1)) a marketing of <i>securities</i> not yet in issue, by means of an offer by, or on behalf of, the <i>issuer</i> to intermediaries for them to allocate to their own clients.</p> |
| <p><i>intermediate broker</i></p> <p>FCA PRA</p> | <p>(in relation to a transaction in a <i>contingent liability investment</i>) any <i>person</i> acting in the capacity of an intermediary through whom the <i>firm</i> undertakes that transaction.</p> |
| <p><i>intermediate customer</i></p> <p>FCA</p> | <p>(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)) any <i>person</i> classified as an 'intermediate customer' under <i>COB</i> on 31 October 2007, in accordance with the applicable conditions in force at the time.</p> |
| <p><i>intermediate holding vehicle</i></p> <p>FCA PRA</p> | <p>a <i>company</i>, trust or partnership but not a <i>collective investment scheme</i>, whose purpose is to enable the holding of overseas immovables on behalf of a <i>non-UCITS retail scheme</i> or a <i>qualified investor scheme</i>.</p> |
| <p><i>intermediate rate of return</i></p> <p>FCA PRA</p> | <p>(in <i>COBS</i>) the intermediate rate of return described in paragraph 2.3 of the <i>projection rules</i> (■ COBS 13 Annex 2).</p> |

intermediate unitholder

FCA

a *firm* whose name is entered in the *register* of a *non-UCITS retail scheme* or a *UCITS scheme*, or which holds *units* in a *non-UCITS retail scheme* or a *UCITS scheme* indirectly through a third party acting as a nominee, and which is not the beneficial owner of the relevant *unit*, and:

- (a) does not *manage investments* on behalf of the relevant beneficial owner of the *unit*; or
- (b) does not act as a *depository* of a *collective investment scheme* or on behalf of such a *depository* in connection with its role in holding property subject to the *scheme*.

For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the *Glossary* definition of "register".

intermediate unitholder in a qualified investor scheme

FCA

a *firm* whose name is entered in the *register* of a *qualified investor scheme*, or which holds *units* in a *qualified investor scheme* indirectly through a third party acting as a nominee, and is not the beneficial owner of the relevant *unit*, and:

- (a) does not *manage investments* on behalf of the relevant beneficial owner of the *unit*; or
- (b) does not act as a *depository* of a *collective investment scheme* or on behalf of such a *depository* in connection with its role in holding property subject to the *scheme*.

For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the *Glossary* definition of "register".

internal approaches

FCA

one or more of the following, as referred to in the *EU CRR*:

- (a) the Internal Ratings Based Approach in article 143(1);
- (b) the Internal Models Approach in article 221;
- (c) the own estimates approach in article 225;
- (d) the Advanced Measurement Approaches in article 312(2);
- (e) the Internal Model Method and internal models in articles 283 and 363; and
- (f) the internal assessment approach in article 259(3).

internal capital adequacy assessment process

FCA PRA

a *firm's* assessment of the adequacy of its capital and financial resources, as required by the *ICAAP rules*.

internal controls

FCA PRA

the whole system of controls, financial or otherwise, established by the management of a *firm* in order to:

- (a) carry on the business of the *firm* in an orderly and efficient manner;
- (b) ensure adherence to management policies;
- (c) safeguard the assets of the *firm* and other assets for which the *firm* is responsible; and
- (d) secure as far as possible the completeness and accuracy of the *firm's* records (including those necessary to ensure continuous compliance with the requirements or standards under the *regulatory system* relating to the adequacy of the *firm's* financial resources).

internally managed AIF

FCA

(in accordance with regulation 4(3)(b) of the *AIFMD UK regulation*) an *AIF* where the legal form permits internal management and where the *AIF*'s governing body chooses not to appoint an *external AIFM*.

internally managed corporate AIF

FCA

a *closed-ended corporate AIF* which is an *internally managed AIF*.

international accounting standards

FCA PRA

means the international accounting standards, within the meaning of EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, adopted from time to time by the European Commission in accordance with that Regulation.

International Financial Reporting Standards

FCA PRA

international financial accounting standards within the meaning of EC Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002 as adopted from time to time by the European Commission in accordance with that Regulation.

international organisation

FCA PRA

(for the purposes of *GENPRU* and *BIPRU*) an organisation referred to in ■ BIPRU 3.4.30 R (Exposures to international organisations).

International Securities Identification Number (ISIN)

FCA PRA

a 12-character, alphanumeric code which uniquely identifies a *financial instrument* and provides for the uniform identification of *securities* at trading and settlement.

inter-professional business

FCA

(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)) business which comes within the meaning of 'inter-professional business' as defined in *COB* on 31 October 2007.

inter-professional investment

[deleted]

inter-syndicate reinsurance

FCA PRA

reinsurance between one *syndicate year* and another, not being *reinsurance to close*.

intra-group liquidity modification

FCA PRA

a modification to the *overall liquidity adequacy rule* of the kind described in BIPRU 12.8.7G.

intra-group transactions

FCA PRA

(in accordance with Article 2(18) of the *Financial Groups Directive* (Definitions)) all transactions by which *regulated entities* within a *financial conglomerate* rely either directly or indirectly upon other *undertakings* within the same *financial conglomerate* or upon any *person* linked to the *undertakings* within that *financial conglomerate* by *close links*, for the fulfilment of an obligation whether or not contractual, and whether or not for payment.

introducer

FCA PRA

an individual appointed by a *firm*, an *appointed representative* or, where applicable, a *tied agent*, to carry out in the course of *designated investment business* either or both of the following activities:

- (a) effecting introductions;
- (b) distributing *non-real time financial promotions*.

introducer appointed representative

FCA PRA

an *appointed representative* appointed by a *firm* whose scope of appointment is limited to:

- (a) effecting introductions; and
- (b) distributing *non-real time financial promotions*.

introducing broker

FCA PRA

a *firm* which introduces transactions relating to *designated investments arranged* (brought about) for its *clients* to a *clearing firm*.

investment

FCA PRA

(in accordance with sections 22(4) of the *Act* (Regulated activities) and section 93(2) of the *Financial Services Act 2012*) any investment, including any asset, right or interest.

investment adviser

FCA

(in relation to an *authorised fund*) a *person* who is retained by an *ICVC*, its *directors* or its *ACD* or by a *manager* of an *AUT* or by an *authorised contractual scheme manager* of an *ACS* under a commercial arrangement which is not a contract of service:

- (a) to supply any of them with advice in relation to the *authorised fund* as to the merits of investment opportunities or information relevant to the making of judgements about the merits of investment opportunities; or
- (b) to exercise for any of them any function concerning the management of the *scheme property*.

investment agreement

FCA PRA

any agreement the making or performance of which by either party constitutes a *regulated activity*, but disregarding the exclusions in Part II of the *Regulated Activities Order*.

investment business compensation scheme

FCA PRA

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

- (a) the scheme established under section 54 of the *Financial Services Act 1986* and known as the *Investors Compensation Scheme*;
- (b) the scheme established under section 22j of the *Grey Paper* published by the *FSA* on 26 September 1998 and known as the *Section 43 Compensation Scheme*;
- (c) the scheme established by chapter II of part L:VIII of the *PIA* rule book and known as the *PIA Indemnity Scheme*;
- (d) the scheme resulting from an agreement dated 1 February 1999 between the *Association of British Insurers* and the *Investors Compensation Scheme Limited* for the making of payments by way of compensation to widows, widowers and dependants of persons (since deceased), in connection with

investment company with variable capital

FCA **PRA**

advice given to such persons in relation to pensions, or the arranging of pensions for such persons, and known as the ABI/ICS scheme.

a body incorporated under the *OEIC Regulations*.

investment entity

FCA **PRA**

(in *LR*) an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

investment firm

FCA **PRA**

(A) In the PRA Handbook:

(1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

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

(2) (in *REC*) a *MiFID investment firm*, or a person who would be a *MiFID investment firm* if it had its head office in the *EEA*.

(5) (in **■ SYSC 19A**) a *firm* in (3) except for a *BIPRU firm*

(B) In the FCA Handbook:

(1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

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

(2) (in *REC*) a *MiFID investment firm*, or a person who would be a *MiFID investment firm* if it had its head office in the *EEA*.

(3) (in *IFPRU*, **■ GENPRU 3** and **■ BIPRU 12**) has the meaning in article 4(1)(2) of the *EU CRR*.

(4) (in *GENPRU* (except **■ GENPRU 3**) and *BIPRU* (except **■ BIPRU 12**) any of the following:

(a) a *firm* in (3); and

(b) a *BIPRU firm*.

(5) (in **■ SYSC 19A**) a *firm* in (3).

investment firm consolidation waiver

FCA **PRA**

(A) In the PRA Handbook:

a *waiver* (described in **■ BIPRU 8.4** (CAD Article 22 groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a *CAD Article 22 group*.

(B) In the FCA Handbook:

(in relation to a *BIPRU firm*) a *waiver* (described in **■ BIPRU 8.4** (CAD Article 22 groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a *CAD Article 22 group*.

investment
management
firm

FCA PRA

(A) In the PRA Handbook:

(a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, IFPRU investment firm, BIPRU firm, building society, collective portfolio management firm, credit union, energy market participant, friendly society, ICVC, insurer, media firm, oil market participant, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission), or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with ■ IPRU-INV 3 or ■ IPRU-INV 13 (Personal investment firms) and which is within (a), (b) or (c):

(a) a firm:

- (i) which was a member of IMRO immediately before commencement; and
- (ii) which was not, immediately before commencement, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or PIA or SFA (under lead regulation arrangements);

(b) a firm whose permission includes a requirement that it comply with ■ IPRU-INV 5 (Investment management firms);

(c) a firm:

- (i) which was given a Part 4A permission on or after commencement, or which was authorised under section 25 of the Financial Services Act 1986 immediately before commencement and was not a member of IMRO, PIA or the SFA; and
- (ii) for which the most substantial part of its gross income (including commissions) from the designated investment business included in its Part 4A permission is derived from one or more of the following activities (based, for a firm given a Part 4A permission after commencement, on the business plan submitted as part of the firm's application for permission or, for a firm authorised under section 25 of the Financial Services Act 1986, on the firm's financial year preceding its authorisation under the Act):

(A) managing investments other than for retail clients or where the assets managed are primarily derivatives;

(B) OPS activity;

(C) acting as the manager or trustee of an AUT;

(Ca) managing an AIF;

(D) acting as the ACD or depositary of an ICVC;

(Da) acting as the authorised contractual scheme manager or depositary of an ACS;

(Db) *acting as trustee or depositary of an AIF;*

(Dc) *acting as trustee or depositary of a UCITS;*

(E) *establishing, operating or winding up a collective investment scheme (other than an AUT, ICVC or ACS);*

(Ea) *establishing, operating or winding up a personal pension scheme; and*

(F) *safeguarding and administering investments.*

(B) In the FCA Handbook:

a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *IFPRU investment firm*, *BIPRU firm*, *collective portfolio management firm*, *credit union*, *energy market participant*, *friendly society*, *ICVC*, *insurer*, *media firm*, *oil market participant*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*), or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ IPRU-INV 3 or ■ IPRU-INV 13 (Personal investment firms) and which is within (a), (b) or (c):

(a) a *firm*:

(i) which was a member of *IMRO* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the *Financial Services Act 1986*), or *PIA* or *SFA* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU-INV 5 (Investment management firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* on or after *commencement*, or which was authorised under section 25 of the *Financial Services Act 1986* immediately before *commencement* and was not a member of *IMRO*, *PIA* or the *SFA*; and

(ii) for which the most substantial part of its gross income (including *commissions*) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the

Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the *Act*):

(A) *managing investments* other than for *retail clients* or where the assets managed are primarily *derivatives*;

(B) *OPS activity*;

(C) acting as the *manager* or *trustee* of an *AUT*;

(Ca) *managing an AIF*;

(D) acting as the *ACD* or *depository* of an *ICVC*;

(Da) acting as the *authorised contractual scheme manager* or *depository* of an *ACS*;

(Db) *acting as trustee or depository of an AIF*;

(Dc) *acting as trustee or depository of a UCITS*;

(E) *establishing, operating or winding up a collective investment scheme* (other than an *AUT*, *ICVC* or *ACS*);

(Ea) *establishing, operating or winding up a personal pension scheme*; and

(F) *safeguarding and administering investments*.

investment manager

FCA PRA

(1) (except in *LR*) a *person* who, acting only on behalf of a *client*:

(a) manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement; or

(b) manages *designated investments* in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.

(2) (in *LR*) a *person* who, on behalf of a *client*, manages *investments* and is not a wholly-owned *subsidiary* of the *client*.

the *former Ombudsman* under the *IMRO scheme*.

Investment Ombudsman

FCA PRA

investment professional

FCA PRA

(in accordance with article 19(5) of the *Financial Promotion Order*) (in relation to a *financial promotion*):

(a) an *authorised person*;

(b) an *exempt person* when the *financial promotion* relates to a *controlled activity* which is a *regulated activity* in relation to which the *person* is exempt;

(c) any other *person*:

(i) whose ordinary activities involve him in carrying on the *controlled activity* to which the *financial promotion* relates for the purposes of a business carried on by him; or

investment research

FCA PRA

(ii) who it is reasonable to expect will carry on that activity for the purposes of a business carried on by him;

(d) a government, a local authority (whether in the *United Kingdom* or elsewhere) or an international organisation;

(e) a *person* ("A") who is a *director, officer* or employee of a *person* ("B") falling within any of (a) to (d) where the *financial promotion* is made to A in that capacity and where A's responsibilities when acting in that capacity involve him in the carrying on by B of *controlled activities*.

research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several *financial instruments* or the issuers of *financial instruments*, including any opinion as to the present or future value or price of such instruments, intended for *distribution channels* or for the public, and in relation to which the following conditions are met:

(a) it is labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation;

(b) if the recommendation in question were to be made by an *investment firm* to a *client*, it would not constitute the provision of a *personal recommendation*.

[Note: article 24(1) of the *MiFID implementing Directive*]

investment service

FCA PRA

any of the following involving the provision of a service in relation to a *financial instrument*:

(a) reception and transmission of orders in relation to one or more *financial instruments*;

(b) execution of orders on behalf of *clients*;

(c) *dealing on own account*;

(d) *portfolio management*;

(e) the making of a *personal recommendation*;

(f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;

(g) placing of *financial instruments* without a firm commitment basis;

(h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

investment services and/or activities

FCA PRA

any of the services and activities listed in Section A of Annex I to *MiFID* relating to any *financial instrument*, that is:

(a) reception and transmission of orders in relation to one or more *financial instruments*;

(b) execution of orders on behalf of *clients*;

(c) *dealing on own account*;

(d) *portfolio management*;

(e) the making of a *personal recommendation*;

(f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;

(g) placing of *financial instruments* without a firm commitment basis;

(h) operation of *multilateral trading facilities*.

Investment Services Directive

FCA PRA

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

the Council Directive of 10 May 1993 on investment services in the securities field (No 93/22/EEC).

investment services or activities

FCA PRA

any of the services and activities listed in Section A of Annex I to *MiFID* relating to any *financial instrument* , that is:

- (a) reception and transmission of orders in relation to one or more *financial instruments*;
- (b) execution of orders on behalf of *clients*;
- (c) *dealing on own account*;
- (d) *portfolio management*;
- (e) the making of a *personal recommendation*;
- (f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;
- (g) placing of *financial instruments* without a firm commitment basis;
- (h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

investment services sector

FCA PRA

(A) In the PRA Handbook:

a sector composed of one or more of the following entities:

- (a) an *investment firm*;
- (b) a *financial institution*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

(B) In the FCA Handbook:

(1) a sector composed of one or more of the following entities:

- (a) an *investment firm*;
- (b) a *financial institution*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

(2) (in *BIPRU* (except in ■ BIPRU 12) a sector comprised of one or more of the following entities:

- (a) the entities in (1); and
- (b) a *CAD investment firm*.

investment transaction

a transaction to *buy, sell, subscribe for or underwrite a security or contractually based investment*.

FCA PRA

investment trust

FCA PRA

(A) In the PRA Handbook:

a *company listed* in the *United Kingdom* or another *EEA State* which:(a) is approved by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 (or, in the case of a newly formed *company*, has declared its intention to conduct its affairs so as to obtain such approval); or(b) is resident in an *EEA State* other than the *United Kingdom* and would qualify for such approval if resident and *listed* in the *United Kingdom*.

(B) In the FCA Handbook:

a *company* which:(a) is approved by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 (or, in the case of a newly formed *company*, has declared its intention to conduct its affairs so as to obtain such approval); or(b) is resident in an *EEA State* other than the *United Kingdom* and would qualify for such approval if resident in the *United Kingdom*.*investment trust savings scheme*

FCA PRA

(a) a *dealing service* (whether or not held within a *pension contract*) dedicated to the *securities* of one or more *investment trusts*;(b) *securities* to be acquired through an investment trust savings scheme in (a).*Investor Compensation Directive*

FCA PRA

the Council Directive of 3 March 1997 on investor compensation schemes (No 97/9/EC).

IOSCO

FCA PRA

the International Organisation of Securities Commissions.

IPA

FCA PRA

individual pension account.

IPA eligible investment

FCA PRA

a type of investment specified in regulation 2(2) (condition 5) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964) .

IPRU

FCA PRA

the Interim Prudential sourcebook, comprising ■ IPRU(BANK), ■ IPRU(BSOC), ■ IPRU(FSOC), ■ IPRU(INS) and ■ IPRU(INV), or according to the context one of these Interim Prudential sourcebooks.

IPRU(BANK)

FCA PRA

the Interim Prudential sourcebook for Banks.

IPRU(BSOC)

the Interim Prudential sourcebook for Building Societies.

FCA PRA

IPRU(FSOC) the Interim Prudential sourcebook for Friendly Societies.

FCA PRA

IPRU(INS) the Interim Prudential Sourcebook for Insurers.

FCA PRA

IPRU(INV) the Interim Prudential sourcebook for Investment Businesses.

FCA PRA

IRB approach one of the following:

FCA PRA

(a) the adjusted method of calculating the *credit risk capital component* set out in ■ BIPRU 4 (IRB approach) and ■ BIPRU 9.12 (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under ■ BIPRU 14 (Capital requirements for settlement and counterparty risk);

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

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

IRB exposure class (in relation to the *IRB approach*) one of the classes of *exposure* set out in ■ BIPRU 4.3.2 R (exposure classes).

FCA PRA

IRB permission (A) In the PRA Handbook:

FCA PRA

an *Article 129 implementing measure*, a *requirement* or a *waiver* that requires a *BIPRU firm* or an *institution* to use the *IRB approach*.

(B) In the FCA Handbook:

an *Article 129 implementing measure*, a *requirement* or a *waiver* that requires a *BIPRU firm* or a *CAD investment firm* to use the *IRB approach*.

ISA an *individual savings account*.

FCA PRA

ISA manager a *person* who is approved by HM Revenue and Customs for the purposes of the *ISA Regulations* as an account manager.

FCA PRA

ISA Regulations the Individual Savings Account Regulations 1998 (SI 1998/1870).

FCA PRA

ISA transfer

FCA PRA

a transaction resulting from a decision, made with or without advice from a *firm*, by a *customer* who is an individual, to transfer the *investments* (or their value) held in his existing *ISA* in favour of another *ISA* which may or may not be managed by the same *ISA manager*.

ISD

FCA PRA

Investment Services Directive.

ISPV

FCA PRA

an *insurance special purpose vehicle*.

issue

FCA PRA

(in relation to *units*):

- (1) (except in ■ EG 14) the issue of new *units* by the *trustee* of an *AUT*, the *depository* of an *ACS* or by an *ICVC*;
- (2) (in ■ EG 14):
 - (a) an issue in accordance with (1); and
 - (b) the sale of *units*.

issue price

FCA PRA

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

issuer

FCA PRA

(1) (except as otherwise provided for below) :

- (a) (in relation to any *security*) (other than a *unit* in a *collective investment scheme*) the *person* by whom it is or is to be issued;
- (b) (in relation to a *unit* in a *collective investment scheme*) the *operator* of the *scheme*;
- (c) (in relation to an interest in a limited *partnership* except for a *limited partnership scheme*) the *partnership*;
- (d) (in relation to *certificates representing certain securities*) the *person* who issued or is to issue the *security* to which the certificate or other instrument relates ; or
- (e) an entity which issues *transferable securities* and, where appropriate, other *financial instruments*.

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

(2) (in chapters 1, 2 and 3 of *DTR* and *FEES* in relation to *DTR*) any *company* or other legal person or undertaking (including a *public sector issuer*), any class of whose *financial instruments*:

- (a) have been *admitted to trading* on a *regulated market*; or
- (b) are the subject of an application for *admission to trading* on a *regulated market*;

other than *issuers* who have not requested or approved admission of their *financial instruments* to trading on a *regulated market*.

(2A) (in chapters 1A, 1B, 4, 6 and 7 of *DTR*) a legal entity governed by private or public law, including a State, whose securities are admitted to trading on a *regulated market*, the issuer being, in the case of depository receipts representing securities, the issuer of the securities represented;

(2B) (in chapter 5 of *DTR*) :

(a) a legal entity governed by private or public law, including a State whose *shares* are admitted to trading on a *regulated market*, the issuer being in the case of depositary receipts representing securities, the issuer of the *shares* represented; or

(b) a public company within the meaning of section 4(2) of the Companies Act 2006 and any other body corporate incorporated in and having a principal place of business in the *United Kingdom*, whose *shares* are admitted to trading on a market which (not being a *regulated market*) is a *prescribed market*.

(3) (in *LR* and *FEES* in relation to *LR*) any *company* or other legal person or undertaking (including a *public sector issuer*), any *class* of whose *securities* has been *admitted to listing* or is the subject of an application for *admission to listing*.

(4) (in *PR* and *FEES* in relation to *PR*) (as defined in section 102A of the *Act*) a legal person who issues or proposes to issue the *transferable securities* in question.

(5) (in *RCB* and ■ *FEES* 1 to ■ *FEES* 4, where applicable) (as defined in Regulation 1(2) of the *RCB Regulations*) a person which issues a *covered bond*.

(6) (in *FUND*) means an issuer within the meaning of article 2(1)(d) of the *Transparency Directive* where that issuer has its registered office in the *EEA* and where its shares are admitted to trading on a *regulated market*.

the activity specified in article 9B of the *Regulated Activities Order* (Issuing electronic money), which is the activity of issuing *electronic money* by:

(a) a *credit institution*, a *credit union* or a municipal bank; or

(b) a person who is deemed to have been granted authorisation under regulation 74 of the *Electronic Money Regulations* or who falls within regulation 76(1) of the *Electronic Money Regulations*.

issuing
electronic
money

FCA PRA

| | |
|--|---|
| <p><i>land</i> FCA</p> | <p>in accordance with section 189(1) of the CCA, includes an interest in land, and, in Scotland, includes heritable subjects of whatever description.</p> |
| <p><i>land vehicles</i> FCA PRA</p> | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 3 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock.</p> |
| <p><i>land-related agreement</i> FCA</p> | <p>(in ■ CONC App 1.1) a <i>credit agreement</i> which is</p> <ul style="list-style-type: none"> (a) intended primarily to <i>finance</i> the acquisition or retention of <i>land</i>; or (b) intended to <i>finance</i> the renovation or improvement of a building, <p>or any other <i>credit agreement</i> secured by a <i>legal mortgage</i> on <i>land</i> or, in Scotland, by a standard security within the meaning of the Conveyancing and Feudal Reform (Scotland) Act 1970.</p> |
| <p><i>large ACS investor</i> FCA</p> | <p>in relation to an ACS, a <i>person</i> who in exchange for <i>units</i> in the <i>scheme</i>:</p> <ul style="list-style-type: none"> (a) makes a payment of not less than £1,000,000; or (b) contributes property with a value of not less than £1,000,000. |
| <p><i>large business customer</i> FCA PRA</p> | <p>(in relation to a <i>regulated mortgage contract</i> or <i>qualifying credit</i>, and in relation to an activity to be carried on by a <i>firm</i>) a <i>client</i>, if the credit is for the purposes of a business which has a group annual turnover of £1 million or more.</p> |
| <p><i>large company</i> FCA PRA</p> | <p>a <i>body corporate</i> which does not qualify as a small company under section 247 of the Companies Act 1985 , or section 382 of the Companies Act 2006 as applicable.</p> |
| <p><i>large deal</i> FCA PRA</p> | <p>(in COLL) a transaction (or <i>series of transactions</i>) in one <i>dealing period</i>) by any <i>person</i> to <i>buy, sell</i> or exchange <i>units</i> in an <i>authorised fund</i>, of any value as set out in the <i>prospectus</i>, for the purposes of:</p> <ul style="list-style-type: none"> (a) an <i>SDRT provision</i>; (b) a <i>dilution levy</i>; (c) a <i>dilution adjustment</i> ; or (d) calculating the <i>prices</i>, for a <i>dual-priced authorised fund</i>, at which <i>units</i> may be <i>sold</i> or <i>redeemed</i>. |
| <p><i>large exposure</i> FCA PRA</p> | <p>(A) In the PRA Handbook: has the meaning given in the PRA Rulebook: Large Exposures rules.</p> <p>(B) In the FCA Handbook:</p> <ul style="list-style-type: none"> (1) (in BIPRU) the <i>exposure</i> of a <i>firm</i> to a <i>counterparty</i>, or a <i>group of connected clients</i>, whether in the <i>firm's non-trading book</i> or <i>trading book</i> or both, which in aggregate equals or exceeds 10% of the <i>firm's capital resources</i>. (2) (except in (1)) has the meaning in article 392 of the <i>EU CRR</i> (Definition of a large exposure). |
| <p><i>large mutual association</i> FCA PRA</p> | <p>(A) (in the PRA Handbook):</p> <ul style="list-style-type: none"> (1) (in COMP), an unincorporated mutual association or an unincorporated association (which is not a mutual association) with |

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| <p><i>large partnership</i></p> <p>FCA PRA</p> | <p>net assets of more than £1.4 million (or its equivalent in any currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(B) (in the <i>FCA Handbook</i>):</p> <p>(1) (in <i>COMP</i>) an unincorporated mutual association or unincorporated association (which is not a mutual association) with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(A) (in the <i>PRA Handbook</i>):</p> <p>(1) (in <i>COMP</i>), a <i>partnership</i> with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a <i>partnership</i> or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(B) (in the <i>FCA Handbook</i>):</p> <p>(1) (in <i>COMP</i>), a with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> <p>(2) (except in <i>COMP</i>), a or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p> |
| <p><i>larger denomination share</i></p> <p>FCA PRA</p> | <p>any <i>share</i> that is not a <i>smaller denomination share</i>.</p> |
| <p><i>lead generator</i></p> <p>FCA</p> | <p>a <i>person</i> that acquires the personal contact details of <i>customers</i> and passes the <i>customers'</i> details to a <i>firm</i> in return for a fee.</p> |
| <p><i>lead regulated firm</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> which is the subject of the financial supervision requirements of an <i>overseas regulator</i> in accordance with an agreement between the <i>appropriate regulator</i> and that regulator relating to the financial supervision of <i>firms</i> whose head office is within the country of that regulator.</p> <p>This definition is not related to the defined terms <i>UK lead regulated firm</i> or <i>non UK lead regulated firm</i>.</p> |
| <p><i>leading insurer</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>community co-insurance operation</i>) has the same meaning as in the <i>Community Co-Insurance Directive</i>.</p> |
| <p><i>legal expenses</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 17 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against risks of loss to the <i>persons</i> insured attributable to their incurring legal expenses (including costs of litigation).</p> |

legal or equitable mortgage

FCA

in accordance with article 60L of the *Regulated Activities Order*, includes a legal or equitable charge and, in Scotland, a heritable security.

lender

FCA

(A) in the *PRA Handbook*:

- (a) the *person* providing *credit* under a *credit agreement*, or
- (b) a *person* who exercises, or has the right to exercise, the rights and duties of a *person* who provided *credit* under such an agreement.

(B) in the *FCA Handbook*:

- (a) the *person* providing *credit* under a *credit agreement*, or
- (b) a *person* who exercises, or has the right to exercise, the rights and duties of a *person* who provided *credit* under such an agreement; or
- (c) in relation to a *P2P agreement* other than a *credit agreement* or a *regulated mortgage contract*, the *person* providing *credit* under the *P2P agreement*.

lending firm

FCA

(in accordance with Article 90 of the *Banking Consolidation Directive* (Credit risk mitigation) and for the purposes of *rules* in *BIPRU* about *credit risk mitigation*) a *firm* that has an *exposure*, whether or not deriving from a loan.

leverage

FCA PRA

(in accordance with article 4(1)(v) of *AIFMD*) any method by which an *AIFM* increases the exposure of an *AIF* it manages whether through borrowing of cash or *securities*, or leverage embedded in *derivative* positions or by any other means.

levy limit

FCA PRA

(A) In the *FCA Handbook*:

(in *FEES*) the maximum aggregate amount of *compensation costs* and *specific costs* that may be allocated to a particular *class* in one financial year as set out in ■ *FEES 6 Annex 2 R*, whether directly or (where relevant to that *class*) through the *retail pool*. *FCA provider contribution classes* do not have a *levy limit*: they have a *retail pool* levy limit: see ■ *FEES 6 Annex 5R*.

(B) In the *PRA Handbook*:

(in *FEES*) the maximum aggregate amount of *compensation costs* and *specific costs* that may be allocated to a particular *class* in one financial year as set out in ■ *FEES 6 Annex 2 R*.

LGD

FCA PRA

loss given default.

liability of ships

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 12 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against damage arising out of or in connection with the use of vessels on the sea or on inland water, including third party risks and carrier's liability.

liability subject to compulsory insurance

FCA PRA

any liability required under any of the following enactments to be covered by insurance or (as the case may be) by insurance or by some other provisions for securing its discharge:

- (a) section 1(4A)(d) of the *Riding Establishments Act 1964* (or any corresponding enactment for the time being in force in Northern Ireland);

liability to a
policyholder

FCA PRA

(b) section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 or Article 5 of the Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972;

(c) Part VI of the Road Traffic Act 1988 or Part VIII of the Road Traffic (Northern Ireland) Order 1981;

(d) section 19 of the Nuclear Installations Act 1965.

(in relation to a firm carrying out contracts of insurance) any liability or obligation of that *firm* to, or in respect of, a *policyholder*, including any liability or obligation arising:

(a) from the requirement to treat *customers* fairly under *Principle 6*, including with respect to *policyholders'* reasonable expectations; or

(b) from a determination of liability by an *Ombudsman*; or

(c) from any requirement to pay compensation under the *regulatory system*.

life and
annuity

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph I of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), on human life or a contract to pay annuities on human life, but excluding (in each case) contracts within paragraph III of Part II of that Schedule (Linked long-term).

life policy

FCA PRA

(1) (in accordance with the definition of 'qualifying contract of insurance' in article 3(1) of the *Regulated Activities Order*) a *long-term insurance contract* (other than a reinsurance contract and a *pure protection contract*); and

(a) a *long-term care insurance contract*; and

(b) (in *COBS*) a *pension policy*;

unless (2) or (3) apply.

(2) In *PERG* (other than in relation to a *firm's permission* - see Note 5B to Table 1 in Annex 2, ■ *PERG* 2) and for the purposes of the *financial promotion rules* in ■ *COBS* 4, life policy does not include a *long-term care insurance contract*.

(3) In relation to a *firm's permission*:

(a) (in accordance with the definition of 'qualifying contract of insurance' in article 3(1) of the *Regulated Activities Order*) a *long-term insurance contract* (other than a reinsurance contract and a *pure protection contract*);

(b) a *long-term care insurance contract* which is a *pure protection contract*; and

(c) a *pension term assurance policy*.

life protection
reinsurance
business

FCA PRA

reinsurance acceptances which are *contracts of insurance*:

(a) falling within *long-term insurance business class I*; or

(b) falling within *long-term insurance business class III* and providing *index-linked benefits*;

that are not:

(c) *with-profits insurance contracts*; or

(d) *whole life assurances*; or

(e) contracts to pay annuities on human life; or

lifetime mortgage

FCA **PRA**

(f) contracts which pay a sum of money on the survival of the life assured to a specific date or on his earlier death.

a *regulated mortgage contract* under which:

(a) entry into the mortgage is restricted to older *customers* above a specified age;

and

(b) the *mortgage lender* may or may not specify a mortgage term, but will not seek full repayment of the loan (including interest, if any, outstanding) until the occurrence of one or more of the following:

(i) the death of the *customer*; or

(ii) the *customer* leaves the mortgaged land to live elsewhere and has no reasonable prospect of returning (for example by moving into residential care); or

(iii) the *customer* acquires another dwelling for use as his main residence; or

(iv) the *customer* sells the mortgaged land; or

(v) the *mortgage lender* exercises its legal right to take possession of the mortgaged land under the terms of the contract.

and

(c) while the *customer* continues to occupy the mortgaged land as his main residence:

(i) no instalment repayments of the capital and no payment of interest on the capital (other than interest charged when all or part of the capital is repaid voluntarily by the *customer*), are due or capable of becoming due; or

(ii) although interest payments may become due, no full or partial repayment of the capital is due or capable of becoming due; or

(iii) although interest payments and partial repayment of the capital may become due, no full repayment of the capital is due or capable of becoming due.

LIFFE

FCA **PRA**

the London International Financial Futures and Options Exchange.

limit of indemnity

FCA **PRA**

(in **■** MIPRU 3 (Professional indemnity insurance)) the sum available to indemnify a *firm* in respect of each claim made under its professional indemnity insurance.

limit order

FCA **PRA**

an order to buy or sell a *financial instrument* at its specified price limit or better and for a specified size.

[Note: article 4(1)(16) of *MiFID*]

limitation

FCA **PRA**

a limitation incorporated in a *Part 4A permission* under section 55E(5) of the *Act* (Giving permission): the FCA), section 55F(4) of the *Act* (Giving permission: the PRA) or section 55J(10) of the *Act* (Variation or cancellation on initiative of regulator).

limited activity firm

FCA **PRA**

(A) In the PRA Handbook:

has the meaning set out in **BIPRU 1.1.11 R** (Types of investment firm: Limited activity firms).

(B) In the FCA Handbook:

has the meaning in article 96(1) of the *EU CRR*.

limited assurance engagement

FCA **PRA**

a 'limited assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.

limited liability partnership

FCA **PRA**

(a) a *body corporate* incorporated under the Limited Liability Partnerships Act 2000;

(b) a *body corporate* incorporated under legislation having the equivalent effect to the Limited Liability Partnerships Act 2000.

limited licence firm

FCA **PRA**

(A) In the PRA Handbook:

has the meaning set out in **BIPRU 1.1.12 R** (Types of investment firm: Limited licence firms).

(B) In the FCA Handbook:

has the meaning in article 95(1) of the *EU CRR*.

limited partner

FCA

in relation to a *limited partnership scheme*, a *participant* in the *scheme* (other than the *nominated partner*).

limited permission

FCA

a *Part 4A permission* for a relevant credit activity as defined in paragraph 2G of Schedule 6 to the *Act* (guidance on which is given in **COND 1.1A.5A G**).

limited price indexation

FCA

in relation to transfer value analysis, benefits which increase in line with a recognised index but subject to a minimum and/or maximum rate.

limited redemption arrangements

FCA **PRA**

the arrangements operated by an *authorised fund manager* for the *redemption* of *units* in an *authorised fund* where the *authorised fund manager* holds himself out to redeem units in that *scheme* less frequently than twice in a calendar *month* in accordance with **COLL 6.2.19 R** (Limited redemption).

linked assets

FCA **PRA**

index-linked assets or *property-linked assets*.

linked benefit

FCA **PRA**

(1) (in **COBS 21** (Permitted Links)) *property-linked benefits* or *index-linked benefits*.

(2) (other than in **COBS 21**) a benefit payable under a *life policy* or a *regulated collective investment scheme* the amount of which is determined by reference to:

(a) the value of the property of any description (whether specified or not); or

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| <p><i>linked borrowing</i> FCA PRA</p> | <p>(b) fluctuations in the value of any such property; or (c) income from such property; or (d) fluctuations in an index of the value of such property.</p> <p>additional credit facilities (which may be secured, unsecured, or both) that are integral to a <i>regulated mortgage contract</i> but which may be the subject of a separate contract.</p> |
| <p><i>linked deposits</i> FCA PRA</p> | <p>additional facilities (which may be a current account, a savings account, or both) that are linked to a <i>regulated mortgage contract</i> but which may be the subject of a separate contract.</p> |
| <p><i>linked fund</i> FCA PRA</p> | <p>a real or notional account to which an <i>insurer</i> appropriates <i>linked assets</i> for the purposes of their being <i>permitted links</i>, and which may be subdivided into units, the value of each of which is determined by the <i>insurer</i> by reference to the value of those <i>linked assets</i>.</p> |
| <p><i>linked liabilities</i> FCA PRA</p> | <p><i>property-linked liabilities</i> or <i>index-linked liabilities</i>.</p> |
| <p><i>linked life stakeholder product</i> FCA PRA</p> | <p>the <i>stakeholder product</i> specified by regulations 6 and 7 (rights under certain linked long-term contracts) of the <i>Stakeholder Regulations</i>;</p> |
| <p><i>linked long-term</i> FCA PRA</p> | <p>(in relation to a <i>contract of insurance</i>) a <i>long-term insurance contract</i> where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).</p> |
| <p><i>linked policyholders</i> FCA PRA</p> | <p><i>policyholders</i> under a <i>linked long-term</i> contract.</p> |
| <p><i>linked transaction</i> FCA</p> | <p>has the meaning in article 60E of the <i>Regulated Activities Order</i>; in summary, a transaction is a linked transaction in relation to a <i>credit agreement</i> ("the principal agreement") if:</p> <ol style="list-style-type: none"> (1) it is (or will be) entered into by the <i>borrower</i> under the principal agreement or by a <i>relative</i> of the <i>borrower</i>; (2) it does not relate to the provision of <i>security</i>; (3) it does not form part of the principal agreement; and (4) one of the following conditions is satisfied: <ol style="list-style-type: none"> (a) the transaction is entered into in compliance with a term of the principal agreement; (b) the principal agreement is a <i>borrower-lender-supplier agreement</i> and the transaction is <i>financed</i>, or to be <i>financed</i>, by the principal agreement; (c) the following conditions are met: |

- (i) the other party is
 - (aa) the *lender*,
 - (bb) the *lender's associate*,
 - (cc) a *person* who, in the negotiation of the transaction, is represented by a *credit broker* who is or was also a negotiator in negotiations for the principal agreement, or
 - (dd) a *person* who, at the time the transaction is initiated, knows that the principal agreement has been made or contemplates that it might be made;
- (ii) the other party initiated the transaction by suggesting it to the *borrower* or the *relative* of the *borrower*; and
- (iii) the *borrower* or the *relative* of the *borrower* enters into the transaction to induce the *lender* to enter into the principal agreement or for another purpose related to the principal agreement or to a transaction *financed* or to be *financed* by the principal agreement.

but a transaction is not a linked transaction if it is:

- (5) a *contract of insurance*;
- (6) a contract which contains a guarantee of *goods*; or
- (7) a transaction which comprises, or is effected under:
 - (a) an agreement for the operation of an account (including any savings account) for the deposit of money, or
 - (b) an agreement for the operation of a *current account*.

liquidity facility

FCA **PRA**

(for the purposes of ■ BIPRU 9 (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) the *securitisation position* arising from a contractual agreement to provide funding to ensure timeliness of cash-flows to investors.

liquidity risk

FCA **PRA**

(1) (in *COLL* and in accordance with article 3(8) of the *UCITS implementing Directive*) the risk that a position in a *UCITS'* portfolio cannot be sold, liquidated or closed out at limited cost in an adequately short timeframe and that the ability of the *scheme* to comply at any time with ■ COLL 6.2.16 R (Sale and redemption) or, in the case of an *EEA UCITS scheme*, article 84(1) of the *UCITS Directive* is thereby compromised.

(2) (except in *COLL*) the risk that a *firm*, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

list of primary information providers

FCA

the list of *primary information providers* maintained by the *FCA* in accordance with section 89P(4)(a) of the *Act*.

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| <p><i>list of sponsors</i> FCA PRA</p> | <p>(in <i>LR</i>) the list of sponsors maintained by the <i>FCA</i> in accordance with section 88(3)(a) of the <i>Act</i>.</p> |
| <p><i>listed</i> FCA PRA</p> | <p>(A) In the <i>PRA Handbook</i>:</p> <p>(1) (except in <i>LR</i>, ■ <i>SUP 11</i>, <i>INSPRU</i> and <i>IPRU(INS)</i>) included in an official list.</p> <p>(2) (in ■ <i>SUP 11</i>, <i>INSPRU</i> and <i>IPRU(INS)</i>):</p> <p style="padding-left: 40px;">(a) included in an <i>official list</i>; or</p> <p style="padding-left: 40px;">(b) in respect of which facilities for <i>dealing</i> on a <i>regulated market</i> have been granted.</p> <p>(3) (in <i>LR</i>) admitted to the <i>official list</i> maintained by the <i>FCA</i> in accordance with section 74 of the <i>Act</i>.</p> <p>(B) In the <i>FCA Handbook</i>:</p> <p>(1) (except in <i>LR</i>, ■ <i>SUP 11</i>, <i>INSPRU</i> and <i>IPRU(INS)</i>) included in an official list.</p> <p>(2) (in ■ <i>SUP 11</i>, <i>INSPRU</i> and <i>IPRU(INS)</i>):</p> <p style="padding-left: 40px;">(a) included in an <i>official list</i>; or</p> <p style="padding-left: 40px;">(b) in respect of which facilities for <i>dealing</i> on a <i>regulated market</i> have been granted.</p> <p>(3) (in <i>LR</i>) admitted to the <i>official list</i> maintained by the <i>FCA</i> in accordance with section 74 of the <i>Act</i>.</p> |
| <p><i>listed activity</i> FCA PRA</p> | <p>(A) In the <i>PRA Handbook</i>: an activity listed in Annex 1 to the <i>CRD</i>.</p> <p>(B) In the <i>FCA Handbook</i>: an activity listed in Annex 1 to the <i>CRD</i>.</p> |
| <p><i>listed company</i> FCA PRA</p> | <p>(in <i>LR</i> and <i>DEPP</i>) a <i>company</i> that has any <i>class</i> of its <i>securities listed</i>.</p> |
| <p><i>listed security</i> FCA PRA</p> | <p>any <i>security</i> that is admitted to an <i>official list</i>.</p> |
| <p><i>listing particulars</i> FCA PRA</p> | <p>(in <i>LR</i>) (in accordance with section 79(2) of the <i>Act</i>), a document in such form and containing such information as may be specified in <i>listing rules</i>.</p> |
| <p><i>listing rules</i> FCA PRA</p> | <p>(in accordance with sections 73A(1) and 73A(2) of the <i>Act</i>) <i>rules</i> relating to admission to the <i>official list</i>.</p> |
| <p><i>Lloyd's actuary</i> FCA PRA</p> | <p>the <i>actuary</i> appointed by the <i>Society</i> under ■ <i>SUP 4.6.1 R</i> .</p> |
| <p><i>Lloyd's actuary function</i></p> | <p>(in the <i>PRA Handbook</i>) <i>PRA controlled functions</i> CF12B in the <i>table of PRA controlled functions</i>, described more fully in ■ <i>SUP 10B.8.3 R</i> .</p> |

FCA PRA

Lloyd's
Arbitration
Scheme

the Lloyd's Arbitration Scheme (Members and Underwriting Agents Arbitration Scheme) established under Lloyd's Arbitration Scheme (Members and Underwriting Agents Scheme) Byelaw (No 15 of 1992).

FCA PRA

Lloyd's
complaint
procedures

the procedures maintained by the *Society* under ■ DISP 1.11.1 R.

FCA PRA

Lloyd's
complaint rules

■ DISP 1.7.

FCA PRA

Lloyd's market
activities

- (a) *advising on syndicate participation at Lloyd's*, including *advising on a transaction in the capacity transfer market*;
- (b) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's*;
- (c) agreeing to carry on the *regulated activities* in (a) and (b);
- (d) carrying on *designated investment business* which is not *MiFID business* in relation to *funds at Lloyd's*; or
- (e) *communicating or approving a financial promotion* in relation to:
 - (i) the *underwriting capacity of a Lloyd's syndicate*; or
 - (ii) *membership of a Lloyd's syndicate*; or
 - (iii) *life policies* written at Lloyd's; or
 - (iv) any of the activities specified in (a) or (d).

FCA PRA

Lloyd's
member's
contribution

assets:

- (a) provided to a *managing agent* in response to a cash call; or
- (b) held by the *Society* as funds at Lloyds.

FCA PRA

Lloyd's
Members'
Ombudsman

the office of Ombudsman established under Lloyd's Members' Ombudsman Scheme Byelaw (No 13 of 1987).

FCA PRA

Lloyd's Return

the financial report that the *Society* is required to submit to the *PRA* under IPRU(INS) 9.48(1) .

FCA PRA

Lloyd's trust
deed

a trust deed in the form prescribed by the *Society* and notified to the *PRA*, for execution by a *member* in respect of his *insurance business*.

FCA PRA

Lloyd's trust fund

FCA PRA

a fund held on the terms of a *Lloyd's trust deed*.

loaned funds

FCA

(in IPRU(INV)) any funds that have been provided to borrowers under a P2P agreement through an *operator of an electronic system in relation to lending*.

local

FCA PRA

(A) In the PRA Handbook:

(1) (except in ■ BIPRU 1.1 (Application and purpose)) a *firm* which is a member of a *futures* and *options* exchange and whose *permission* includes a *requirement* that:

(a) the *firm* will not conduct *designated investment business* other than:

(i) *dealing* for its own account on that *futures* or *options* exchange; or

(ii) *dealing* for the accounts of other members of the same *futures* and *options* exchange; or

(iii) making a price to other members of the same *futures* and *options* exchange; and

(iv) *dealing* for its own account in financial *futures* and *options* or other *derivatives* in the capacity of a customer; and

(b) the performance of the *firm's* contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same *futures* and *options* exchange.

(2) (in ■ BIPRU 1.1 (Application and purpose) and in accordance with article 3(1)(p) of the *Capital Adequacy Directive* (Definitions)) an *undertaking* dealing for its own account on markets in financial-futures or options or other derivatives and on cash markets for the sole purpose of hedging *positions* on derivatives markets or which deals for the accounts of other members of those markets and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such an *undertaking* is assumed by clearing members of the same markets; for these purposes a clearing member means a member of the exchange or the clearing house which has a direct contractual relationship with the central counterparty (market guarantor).

(B) In the FCA Handbook:

(1) (except in ■ IFPRU 1.1 (Application and purpose)) a *firm* which is a member of a *futures* and *options* exchange and whose *permission* includes a *requirement* that:

(a) the *firm* will not conduct *designated investment business* other than:

(i) *dealing* for its own account on that *futures* or *options* exchange; or

| | |
|--|--|
| <p>(ii) <i>dealing</i> for the accounts of other members of the same <i>futures</i> and <i>options</i> exchange; or</p> <p>(iii) making a price to other members of the same <i>futures</i> and <i>options</i> exchange; and</p> <p>(iv) <i>dealing</i> for its own account in financial <i>futures</i> and <i>options</i> or other <i>derivatives</i> in the capacity of a customer; and</p> <p>(b) the performance of the <i>firm's</i> contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same <i>futures</i> and <i>options</i> exchange.</p> <p>(2) [deleted]</p> <p>(3) (in ■ IFPRU 1.1 (Application and purpose) has the meaning given to the definition of "local firm" in article 4(1)(4) of the <i>EU CRR</i>.</p> | <p>(ii) <i>dealing</i> for the accounts of other members of the same <i>futures</i> and <i>options</i> exchange; or</p> <p>(iii) making a price to other members of the same <i>futures</i> and <i>options</i> exchange; and</p> <p>(iv) <i>dealing</i> for its own account in financial <i>futures</i> and <i>options</i> or other <i>derivatives</i> in the capacity of a customer; and</p> <p>(b) the performance of the <i>firm's</i> contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same <i>futures</i> and <i>options</i> exchange.</p> <p>(2) [deleted]</p> <p>(3) (in ■ IFPRU 1.1 (Application and purpose) has the meaning given to the definition of "local firm" in article 4(1)(4) of the <i>EU CRR</i>.</p> |
| <p><i>local authority</i> FCA</p> | <p>(a) in England and Wales, a local authority within the meaning of the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;</p> <p>(b) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973;</p> <p>(c) in Northern Ireland, a district council within the meaning of the Local Government Act (Northern Ireland) 1972.</p> |
| <p><i>local firm</i> FCA PRA</p> | <p>a <i>firm</i> which falls within the definition of "local firm" in Article 3.1P of <i>CAD</i>, that is a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.</p> |
| <p><i>London Stock Exchange</i> FCA PRA</p> | <p>(in <i>LR</i>) London Stock Exchange Plc.</p> |
| <p><i>long settlement transaction</i> FCA PRA</p> | <p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)) a transaction where a counterparty undertakes to deliver a security, a <i>commodity</i>, or a <i>foreign currency</i> amount against cash, other <i>CRD financial instruments</i>, or <i>commodities</i>, or vice versa, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for this particular transaction and five <i>business days</i> after the date on which the <i>person</i> enters into the transaction.</p> |
| <p><i>long-term admissible asset</i> FCA PRA</p> | <p>a <i>long-term insurance asset</i> which is an <i>admissible asset</i>.</p> |

long-term care insurance contract

FCA PRA

a *long-term insurance contract*:

- (a) which provides, would provide at the *policyholder's* option, or is sold or held out as providing, benefits that are payable or provided if the *policyholder's* health deteriorates to the extent that he cannot live independently without assistance and that is not expected to change; and
- (b) under which the benefits are capable of being paid for periodically for all or part of the period that the *policyholder* cannot live without assistance;

where 'benefits' are services, accommodation or goods necessary or desirable for the continuing care of the *policyholder* because he cannot live independently without assistance.

long-term incentive scheme

FCA

(in *LR*) any arrangement (other than a retirement benefit plan, a deferred bonus or any other arrangement that is an element of an executive *director's* remuneration package) which may involve the receipt of any asset (including cash or any security) by a *director* or *employee* of the *group*:

- (a) which includes one or more conditions in respect of service and/or performance to be satisfied over more than one financial year; and
- (b) pursuant to which the *group* may incur (other than in relation to the establishment and administration of the arrangement) either cost or a liability, whether actual or contingent.

long-term insurance asset

FCA PRA

has the meaning set out in INSPRU 1.5.21R.

long-term insurance business

FCA PRA

the business of *effecting* or *carrying out long-term insurance contracts*.

long-term insurance business syndicate

FCA PRA

a *syndicate* in which *members* carry on *long-term insurance business*.

long-term insurance capital requirement

FCA PRA

(in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that the *firm* must hold calculated in accordance with GENPRU 2.1.36R.

long-term insurance contract

FCA PRA

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation: general)) any *contract of insurance* within Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), namely:

- (a) *life and annuity* (paragraph I);
- (b) *marriage or the formation of a civil partnership and birth* (paragraph II);
- (c) *linked long-term* (paragraph III);
- (d) *permanent health* (paragraph IV);

long-term insurance fund

FCA **PRA**

- (e) *tontines* (paragraph V);
- (f) *capital redemption* (paragraph VI);
- (g) *pension fund management* (paragraph VII);
- (g) *collective insurance* etc (paragraph VIII);
- (h) *social insurance* (paragraph IX).

has the meaning set out in INSPRU 1.5.22R .

long-term insurance liabilities

FCA **PRA**

liabilities arising from *long-term insurance business*.

long-term insurer

FCA **PRA**

an *insurer* with *permission* to effect or carry out long-term insurance contracts.

loss

FCA **PRA**

(in accordance with Article 4(26) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach*, the *standardised approach* to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.

(A) In the PRA Handbook:

(in accordance with Article 4(26) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach*, the *standardised approach* to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.

(B) In the FCA Handbook:

(1) (in *BIPRU* and in accordance with Article 4(26) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach*, the *standardised approach* to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.

(2) (except in (2)) has the meaning in article 5(1) of the *EU CRR*.

loss given default

FCA **PRA**

(in accordance with Article 4(27) of the *Banking Consolidation Directive* (Definitions) and in relation to the *IRB approach*) the ratio of the *loss* on an *exposure* due to the *default* of a counterparty to the amount outstanding at *default*.

low frequency liquidity reporting firm

FCA **PRA**

any of the following:

- (a) a *simplified ILAS BIPRU firm*; or
- (b) a *standard ILAS BIPRU firm* whose most recent *annual report and accounts* show balance sheet assets of less than £5 billion (or its

equivalent in foreign currency translated into sterling at the balance sheet date); or

(c) a *standard ILAS BIPRU firm* that meets the following conditions:

- (i) it does not have any *annual report and accounts* and it has been too recently established to be required to have produced any;
- (ii) it has submitted a projected balance sheet to the *FCA* or *PRA* (as the case may be) as part of an application for a *Part 4A permission* or a variation of one; and
- (iii) the most recent such balance sheet shows that the *firm* will meet the size condition set out in (b) in all periods covered by those projections.

In respect of an *incoming EEA firm* or *third country BIPRU firm* that is also a *standard ILAS BIPRU firm* and which reports on the basis of its branch operation in the *United Kingdom*, if the balance sheet assets attributable to the *UK branch* can be determined from the *firm's* most recent *annual report and accounts* (or, if applicable, the projected balance sheet) or any *data item* submitted by the *firm*, then paragraphs (b) and (c) apply at the level of the *branch* rather than of the *firm*.

lower rate of return

FCA **PRA**

(in *COBS*) the lower rate of return described in paragraph 2.3 of the projection rules (■ *COBS 13 Annex 2*).

lower stage of capital

FCA **PRA**

(with respect to a particular item of capital in the *capital resources table*) a stage in the *capital resources table* below that in which that item of capital appears.

lower tier three capital

FCA **PRA**

an item of capital that is specified in stage P of the *capital resources table* (Lower tier three).

lower tier three capital resources

FCA **PRA**

the sum calculated at stage P of the *capital resources table* (Lower tier three).

lower tier two capital

FCA **PRA**

- (1) [deleted]
- (2) (in *BIPRU*, *GENPRU* and *INSPRU*) an item of capital that is specified in stage H of the *capital resources table* (Lower tier two capital) .

lower tier two capital resources

FCA **PRA**

the sum calculated at stage H of the calculation in the *capital resources table* (Lower tier two capital) .

lower tier two instrument

FCA **PRA**

an item of capital that meets the conditions in *GENPRU 2.2.194R* (Lower tier two capital) and is eligible to form part of a *firm's lower tier two capital resources*.

LR
FCA PRA

the Listing Rules sourcebook.

LTICR
FCA PRA

long-term insurance capital requirement.

marketing

FCA

(iv) the level of any index which is derived from the prices of an *investment* or *commodity* in (a) to (c); or

(v) any combination of (i) to (iv);

(f) *warrants, options, futures* or other instruments entitling the holder to obtain the rights of those contracts in (d) or (e);

(g) a *unit* in a *regulated collective investment scheme*.

(1) (in *COLL*) (in relation to marketing *units* in a *regulated collective investment scheme* in a particular country or territory):

(a) *communicating* to a *person* in that country or territory an invitation or inducement to become, or offer to become, a *holder* in that *regulated collective investment scheme*;

(b) giving *advice on investments* to, or arranging (bringing about) a deal in an investment for a *person* in that country or territory to become a *holder* in that *regulated collective investment scheme*

(2) (except in *COLL*) a direct or indirect offering or placement, at the initiative of the *AIFM* or on behalf of the *AIFM* of *units* or *shares* of an *AIF* it manages, to or with investors domiciled or with a registered office in the *EEA*.

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

marketing group

FCA PRA

a group of *persons* who:

(a) are allied together (either formally or informally) for the purposes of marketing *packaged products* of the *marketing group*; and

(b) each of whom, if it holds itself out in the *United Kingdom* as marketing *packaged products* to *private customers*, does so only as an *investment manager* or in relation to *packaged products* of the *marketing group*.

marketing group associate

FCA PRA

a *firm* other than a *product provider* which is a member of a *marketing group*.

mark-up or mark-down

FCA PRA

(a) (when a *firm* receives a *customer order* and takes a *principal* position in the relevant *investment* in order to fulfil that *customer order* (that is, when the *firm* takes a principal position in the relevant *investment* which it would not otherwise take, except to fulfil that *customer order*)) the difference, if any, between:

(i) the price at which the *firm* takes a principal position in the relevant *investment* in order to fulfil that *customer order*; and

(ii) the *price* at which the firm executes the transaction with its *customer*;

(b) (when a firm executes a *customer order* against its own book and owes a duty of best execution) the difference between:

(i) the *price* at which best execution would be achieved; and

(ii) the *price* at which the firm executes the transaction with its *customer*.

marriage or the formation of a civil partnership and birth

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph II of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), to provide a sum on marriage or the formation of a civil partnership or on the birth of a child, being contracts expressed to be in effect for a period of more than one year.

FCA PRA

master AIF

FCA

(in accordance with article 4(1)(y) of *AIFMD*) an *AIF* in which another *AIF* (a *feeder AIF*) invests or has an exposure in accordance with the definition of '*feeder AIF*'.

master netting
agreement
internal models
approach

FCA

one of the following:

(a) the method of calculating the effect of *credit risk mitigation* described in ■ BIPRU 5.6.16 R to ■ BIPRU 5.6.28 G;

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

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

master netting
agreement
internal models
approach
permission

FCA

(A) In the PRA Handbook:

requirement or a *waiver* that requires a *firm* to use the *master netting agreement internal models approach* on a solo basis or, if the context requires, a consolidated basis.

(B) In the FCA Handbook:

requirement or a *waiver* that requires a *BIPRU firm* to use the *master netting agreement internal models approach* on a solo basis or, if the context requires, a consolidated basis.

master UCITS

FCA PRA

(in accordance with article 58(3) of the *UCITS Directive*) a *UCITS scheme*, an *EEA UCITS scheme* or a *sub-fund* of such a *scheme* where:

(a) at least one of its *unitholders* is a *feeder UCITS*;

(b) it is not itself a *feeder UCITS*; and

(c) it does not hold *units* of a *feeder UCITS*.

master-feeder
agreement

FCA PRA

(in *COLL*) a written agreement between the *management company* of a *master UCITS* and the *management company* of a *feeder UCITS* in accordance with ■ *COLL* 11.3.2 R (1) (Master-feeder agreement and internal conduct of business rules).

matched
principal
exemption
conditions

FCA

(1) (for the purposes of *BIPRU*) the conditions set out in ■ *BIPRU* 1.1.23 R (2) (Meaning of dealing on own account).

(2) (other than in *BIPRU*) the conditions set out in ■ *IFPRU* 1.1.12 R (Meaning of dealing on own account).

material
currency

FCA PRA

(a) *Material currencies*, in respect of a *firm* at any time, are currencies determined in accordance with the following.

(b) First, the amount of its assets and the amount of its liabilities in each currency (ignoring the sign) are separately calculated. The figures are as shown in the most recent *data item* FSA054 submitted to the *appropriate regulator*.

(c) Then, each such amount is converted into the reporting currency for the *data item* referred to in (b).

(d) Each currency (which may include the reporting currency) that represents 20% or more of the total asset figure or 20% or more of the total liabilities figure is a *material currency*.

(e) A currency is also a *material currency* if it is identified by the *firm's* current:

- (i) *Individual Liquidity Adequacy Assessment*; or
- (ii) *Individual Liquidity Systems Assessment*; or
- (iii) *ILG* that has been accepted by the *firm*;

as being significant in the context of cross-currency *liquidity risk* (as referred to in BIPRU 12.5 (Individual Liquidity Adequacy Standards)).

(f) The conversion rate for a currency into the reporting currency is the exchange rate on the date as of which the calculation is being made.

(g) The reporting currency means the currency in which the most recent *data item* FSA054 (as referred to in (b)) is reported.

(h) A currency is a *material currency* in relation to a *firm's branch* or a *defined liquidity group* of which it is a *group liquidity reporting firm* if it is identified as such in accordance with the procedures in the previous paragraphs of this definition except that the identification is carried out by reference to that *branch* or *defined liquidity group*. For these purposes, *data item* FSA054 for the *reporting level* concerned is used.

(i) If the *firm* has not delivered *data item* FSA054 to the *appropriate regulator* at the *reporting level* concerned or is currently not required to do so at the *reporting level* concerned, the calculation is carried out using the methods for drawing up *data item* FSA054.

(in IPRU(INV) 13) losses of an amount equal to 10 per cent or more of the amount by which the *own funds* of an *undertaking* exceed the *own funds* needed to meet financial resources test 1 as prescribed in chapter 13.

material current year losses

FCA PRA

material holding

FCA PRA

(1) [deleted]

(2) (for the purposes of GENPRU and BIPRU) has the meaning in ■ GENPRU 2.2.209 R (Deductions from tiers one and two: Material holdings (BIPRU firm only)).

material insurance holding

FCA PRA

has the meaning in GENPRU 2.2.212R (Material holdings) or, for an *exempt CAD firm* which is an *investment management firm*, in IPRU(INV) Table 5.2.2(1).

material interest

FCA PRA

(in COBS) (in relation to a transaction) any interest of a material nature, other than:

- (a) disclosable *commission* on the transaction;
- (b) goods or services which can reasonably be expected to assist in carrying on *designated investment business* with or for *clients* and which are provided or to be provided in compliance with ■ COBS 11.6.3 R.

material outsourcing

FCA PRA

outsourcing services of such importance that weakness, or failure, of the services would cast serious doubt upon the *firm's* continuing satisfaction of the *threshold conditions* or compliance with the *Principles*.

mathematical reserves

FCA PRA

the provision made by an *insurer* to cover liabilities (excluding liabilities which have fallen due and liabilities arising from *deposit back arrangements*) arising under or in connection with *long-term insurance contracts*.

maxi-ISA

FCA PRA

an *ISA* which includes a *stocks and shares component* and may also include other *qualifying investments* such as:

- (a) a *cash component*;
- (b) an *insurance component*;

as prescribed in paragraphs 7, 8 and 9 respectively of the *ISA Regulations*.

MCAS scheme

FCA PRA

Mortgage Code Arbitration Scheme.

MCG

FCA

the Office of Fair Trading's Mental Capacity Guidance.

MCOB

FCA PRA

the Mortgages and Home Finance: Conduct of Business sourcebook.

MCR

FCA PRA

minimum capital requirement.

MDA

FCA

the maximum distributable amount calculated in line with ■ IFPRU 10.4.3 R.

media firm

FCA PRA

a *firm* whose only *permitted activities* are *advising on investments* and *agreeing to carry on that regulated activity*, and whose *Part 4A permission* includes *requirements* to the effect that the *firm* must advise:

- (a) only through the media; and
- (b) without conveying the impression that the advice is particularly suitable for any *person*, except when it is given in response to a specific request for advice from that *person*;

in this definition, "media" means:

- (i) newspapers, journals, magazines or other periodical publications;
- (ii) services comprising regularly updated news or information;
- (iii) services consisting of the broadcast or transmission of television or radio programmes.

media operator

FCA

a news vendor that receives *regulated information* from a *regulatory information service* and then disseminates that information to the public as soon as possible.

meeting of repayment claims

FCA PRA

the *regulated activity*, specified in article 63N(1)(a) of the *Regulated Activities Order*, which is the meeting of *repayment claims* by a *dormant account fund operator*.

member

FCA PRA

(1) (except in *PROF*, *LR*, ■ *EG 16* and *REC*) a *person* admitted to membership of the *Society* or any *person* by law entitled or bound to administer his affairs.

(2) (in *PROF*, *LR* and ■ *EG 16*) (as defined in section 325(2) of the *Act* (FCA's general duty)) (in relation to a profession) a *person* who is entitled to practise that profession and, in practising it, is subject to the rules of the relevant *designated professional body*, whether or not he is a member of that body.

(3) (in *REC*) (in relation to a *recognised body*) a *person* who is entitled, under an arrangement or agreement between him and that body, to use that body's *facilities*.

member contribution

FCA PRA

any paid up contribution by a member of a *mutual* where the members' accounts meet the following criteria:

(a) the memorandum and articles of association or other constitutional documents must stipulate that payments may be made from these accounts to members only in so far as this does not cause the *firm's capital resources* to fall below the required level, or, if after dissolution of the *firm*, all the *firm's* other debts have been settled;

(b) the memorandum and articles of association or other constitutional documents must stipulate, with respect to the payments referred to in (a) made for reasons other than the individual termination of membership, that the *appropriate regulator* must be notified at least one month in advance of the intended date of such payments; and

(c) the *appropriate regulator* must be notified of any amendment to the relevant provisions of the memorandum and articles of association or other constitutional documents.

member society

FCA PRA

(as defined in article 2(2) of the *compensation transitionals order*) a person who at any time before *commencement* was a member society within the rules of the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.

members' adviser

FCA PRA

a *firm* whose *permission* includes *advising on syndicate participation at Lloyd's*, but which is not an *underwriting agent*.

members' agent

FCA PRA

an *underwriting agent* who carries on the *regulated activity* of *advising on syndicate participation at Lloyd's*.

membership of a Lloyd's syndicate

FCA PRA

the *investment*, specified in article 86(2) of the *Regulated Activities Order*, which is a *person's* membership (or prospective membership) of a Lloyd's *syndicate*.

merging UCITS

FCA PRA

(in *COLL*) in relation to a *UCITS merger*, the *UCITS scheme*, *EEA UCITS scheme* or *sub-fund* of such a *scheme*, that under the proposed arrangements will be transferring all its assets and liabilities to the *receiving UCITS*.

MERS levy

FCA PRA

a levy (management expenses in respect of relevant schemes levy) imposed by the *FSCS* on *participant firms* to meet the management expenses incurred by the

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| <p><i>FSCS in connection with acting on behalf of the <i>manager of the relevant scheme</i> in accordance with Part 15A of the <i>Act</i>.</i></p> | <p><i>FSCS in connection with acting on behalf of the <i>manager of the relevant scheme</i> in accordance with Part 15A of the <i>Act</i>.</i></p> |
| <p><i>mesothelioma regulations</i> FCA PRA</p> | <p>The Compensation Act 2006 (Contribution for Mesothelioma Claims) Regulations 2006 (SI 2006/3259).</p> |
| <p><i>mesothelioma victim</i> FCA PRA</p> | <p>(in accordance with section 3 (1) of the Compensation Act 2006) a <i>person</i> who has contracted mesothelioma as a result of exposure to asbestos by a <i>responsible person</i>.</p> |
| <p><i>mezzanine securitisation positions</i> FCA PRA</p> | <p>for the purposes of ■ BIPRU 9.3.7 R, ■ BIPRU 9.4.11 R and ■ BIPRU 9.5.1 R (6), <i>securitisation positions</i> to which a <i>risk weight</i> lower than 1250% applies and which are more junior than the most senior position in the relevant <i>securitisation</i> and more junior than any <i>securitisation</i> position in the relevant <i>securitisation</i> to which:</p> <p style="margin-left: 20px;">(a) in the case of a <i>securitisation position</i> subject to the <i>standardised approach</i> to <i>securitisation</i> set out in ■ BIPRU 9.11.1 R and ■ BIPRU 9.11.2 R, a <i>credit quality step</i> 1 is assigned; or</p> <p style="margin-left: 20px;">(b) in the case of a <i>securitisation position</i> subject to the <i>IRB approach</i> to <i>securitisation</i> set out in ■ BIPRU 9.12.10 R and ■ BIPRU 9.12.11 R, a <i>credit quality step</i> 1 or 2 is assigned under ■ BIPRU 9.7.2 R, ■ BIPRU 9.8.2 R to ■ BIPRU 9.8.7 R and regulation 23 of the <i>Capital Requirements Regulations</i> 2006.</p> <p>[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1b]</p> |
| <p><i>MFHC conglomerate</i> FCA PRA</p> | <p>a <i>financial conglomerate</i> which is headed by a <i>mixed financial holding company</i>.</p> |
| <p><i>micro-enterprise</i> FCA PRA</p> | <p>an enterprise which:</p> <p style="margin-left: 20px;">(a) employs fewer than 10 <i>persons</i>; and</p> <p style="margin-left: 20px;">(b) has a turnover or annual balance sheet that does not exceed €2 million.</p> <p>In this definition, "enterprise" means any <i>person</i> engaged in an economic activity, irrespective of legal form and includes, in particular, self-employed <i>persons</i> and family businesses engaged in craft or other activities, and <i>partnerships</i> or associations regularly engaged in an economic activity.</p> <p>[Note: article 4(26) of the <i>Payment Services Directive</i> and the Annex to the <i>Micro-enterprise Recommendation</i>]</p> |
| <p><i>Micro-enterprise Recommendation</i> FCA PRA</p> | <p>Recommendation 2003/361/EC of the Commission of 6th May 2003 concerning the definition of micro, small and medium-sized enterprises.</p> |
| <p><i>MiFID</i> FCA PRA</p> | <p>The European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC).</p> <p>See also <i>MiFID Regulation</i> and <i>MiFID implementing Directive</i>.</p> |
| <p><i>MiFID business</i> FCA PRA</p> | <p><i>investment services and activities</i> and, where relevant, <i>ancillary services</i> carried on by a <i>MiFID investment firm</i>.</p> |

*MiFID
business
bidding*

FCA **PRA**

the *regulated activity of bidding in emissions auctions* where it is carried on by a *MiFID investment firm* (other than a *UCITS investment firm*) in relation to a *financial instrument*.

*MiFID client
money
(minimum
implementing)
rules*

FCA **PRA**

■ CASS 7.3.1 R, ■ CASS 7.3.2 R, ■ CASS 7.4.1 R, ■ CASS 7.4.5 R, ■ CASS 7.4.7 R,
■ CASS 7.4.8 R, ■ CASS 7.4.11 R, ■ CASS 7.6.1 R, ■ CASS 7.6.2 R and ■ CASS 7.6.9 R.

*MiFID
implementing
Directive*

FCA **PRA**

Commission Directive No. 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

*MiFID
implementing
requirement*

FCA **PRA**

(1) (in relation to a *UK RIE*) any of the requirements applicable to that body under the *MiFID Regulation*.

(2) (in relation to a body applying for recognition as a *UK RIE*) any of the requirements under the *MiFID Regulation* which, if its application were successful, would apply to it.

*MiFID
investment
firm*

FCA **PRA**

(A) In the PRA Handbook:

(in summary) a *firm* to which *MiFID* applies including, for some purposes only, a *credit institution* and *collective portfolio management investment firm*.

(in full) a *firm* which is:

(1) an *investment firm* with its head office in the *EEA* (or, if it has a registered office, that office);

(2) a *CRD credit institution* (only when providing an *investment service or activity* in relation to the *rules* implementing the Articles referred to in Article 1(2) of *MiFID*);

(3) a *collective portfolio management investment firm* (only when providing the services referred to in article 6(4) *AIFMD* or Article 6(3) of the *UCITS Directive* in relation to the *rules* implementing the articles of *MiFID* referred to in article 6(6) of *AIFMD* or Article 20 6(4) of the *UCITS Directive* and for a *full-scope UK AIFM* the *rules* implementing article 12(2)(b) of *AIFMD*);

unless, and to the extent that, *MiFID* does not apply to it as a result of Article 2 (Exemptions) or Article 3 (Optional exemptions) of *MiFID*.

(B) In the FCA Handbook:

(in summary) a *firm* to which *MiFID* applies including, for some purposes only, a *credit institution* and *collective portfolio management investment firm*.

(in full) a *firm* which is:

(1) an *investment firm* with its head office in the *EEA* (or, if it has a registered office, that office);

| | |
|---|---|
| <p><i>MiFID or equivalent third country business</i></p> <p>FCA PRA</p> | <p>(2) a <i>CRD credit institution</i> (only when providing an <i>investment service or activity</i> in relation to the <i>rules</i> implementing the Articles referred to in Article 1(2) of <i>MiFID</i>);</p> <p>(3) a <i>collective portfolio management investment firm</i> (only when providing the services referred to in article 6(4) <i>AIFMD</i> or Article 6(3) of the <i>UCITS Directive</i> in relation to the <i>rules</i> implementing the articles of <i>MiFID</i> referred to in article 6(6) of <i>AIFMD</i> or Article 20 6(4) of the <i>UCITS Directive</i> and for a <i>full-scope UK AIFM</i> the <i>rules</i> implementing article 12(2)(b) of <i>AIFMD</i>);</p> <p>unless, and to the extent that, <i>MiFID</i> does not apply to it as a result of Article 2 (Exemptions) or Article 3 (Optional exemptions) of <i>MiFID</i>.</p> <p><i>MiFID business</i> or the <i>equivalent business of a third country investment firm</i>.</p> |
| <p><i>MiFID outsourcing rules</i></p> <p>FCA PRA</p> | <p>■ SYSC 8.1.1 R to ■ SYSC 8.1.11 R.</p> |
| <p><i>MiFID Regulation</i></p> <p>FCA PRA</p> | <p>Commission Regulation (EC) 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.</p> |
| <p><i>MIIC</i></p> <p>FCA PRA</p> | <p>the <i>Motor Insurers' Information Centre</i>.</p> |
| <p><i>mineral company</i></p> <p>FCA PRA</p> | <p>(in <i>LR</i>) a <i>company</i> or <i>group</i>, whose principal activity is, or is planned to be, the <i>extraction of mineral resources</i> (which may or may not include exploration for <i>mineral resources</i>).</p> |
| <p><i>mineral expert's report</i></p> <p>FCA</p> | <p>(in <i>LR</i>) a report prepared in accordance with the <i>ESMA recommendations</i>.</p> |
| <p><i>mineral resources</i></p> <p>FCA PRA</p> | <p>(in <i>LR</i>) include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal.</p> |
| <p><i>mini-ISA</i></p> <p>FCA PRA</p> | <p>an <i>ISA</i> which contains only one of the following <i>qualifying investments</i>:</p> <p>(a) a <i>stocks and shares component</i>;</p> <p>(b) a <i>cash component</i>;</p> |

| | |
|--|---|
| <p><i>minimum capital requirement</i></p> <p>FCA PRA</p> | <p>(c) an <i>insurance component</i>;</p> <p>as prescribed in paragraph 7, 8 or 9 respectively of the <i>ISA Regulations</i>.</p> <p>an amount of capital resources that a <i>firm</i> must hold as set out in</p> <p>■ GENPRU 2.1.24 R and ■ GENPRU 2.1.25 R.</p> |
| <p><i>minimum IRB standards</i></p> <p>FCA PRA</p> | <p>(in relation to the IRB approach) ■ BIPRU 4.3.9 R, ■ BIPRU 4.3.11 R-■ BIPRU 4.3.29 R, ■ BIPRU 4.3.33 R-■ BIPRU 4.3.40 R, ■ BIPRU 4.3.43 R-■ BIPRU 4.3.44 R, ■ BIPRU 4.3.46 R-■ BIPRU 4.3.48 R, ■ BIPRU 4.3.50 R-■ BIPRU 4.3.51 R, ■ BIPRU 4.3.54 R, ■ BIPRU 4.3.56 R-■ BIPRU 4.3.57 R, ■ BIPRU 4.3.63 R, ■ BIPRU 4.3.70 R-■ BIPRU 4.3.71 R, ■ BIPRU 4.3.73 R-■ BIPRU 4.3.74 R, ■ BIPRU 4.3.83 R-■ BIPRU 4.3.85 R, ■ BIPRU 4.3.88 R, ■ BIPRU 4.3.90 R-■ BIPRU 4.3.92 R, ■ BIPRU 4.3.94 R, ■ BIPRU 4.3.99 R, ■ BIPRU 4.3.103 R, ■ BIPRU 4.3.116 R-■ BIPRU 4.3.123 R, ■ BIPRU 4.3.125 R-■ BIPRU 4.3.131 R ■ BIPRU 4.4.6 R-■ BIPRU 4.4.9 R, ■ BIPRU 4.4.11 R-■ BIPRU 4.4.13 R, ■ BIPRU 4.4.15 R-■ BIPRU 4.4.18 R, ■ BIPRU 4.4.21 R-■ BIPRU 4.4.22 R, ■ BIPRU 4.4.24 R-■ BIPRU 4.4.25 R, ■ BIPRU 4.4.27 R-■ BIPRU 4.4.28 R, ■ BIPRU 4.4.30 R-■ BIPRU 4.4.31 R, ■ BIPRU 4.4.48 R-■ BIPRU 4.4.51 R, ■ BIPRU 4.4.53 R, ■ BIPRU 4.4.54 R, ■ BIPRU 4.5.5 R, ■ BIPRU 4.6.6 R-■ BIPRU 4.6.9 R, ■ BIPRU 4.6.11 R-■ BIPRU 4.6.12 R, ■ BIPRU 4.6.14 R, ■ BIPRU 4.6.18 R, ■ BIPRU 4.6.20 R-■ BIPRU 4.6.21 R, ■ BIPRU 4.6.24 R-■ BIPRU 4.6.34 R, ■ BIPRU 4.6.37 R-■ BIPRU 4.6.39 R, ■ BIPRU 4.7.19 R, ■ BIPRU 4.7.27 R-■ BIPRU 4.7.35 R, ■ BIPRU 4.8.5 R-■ BIPRU 4.8.9 R, ■ BIPRU 4.8.11 R-■ BIPRU 4.8.15 R, ■ BIPRU 4.10.40 R-■ BIPRU 4.10.48 R.</p> |
| <p><i>minimum levy</i></p> <p>FCA PRA</p> | <p>(in <i>FEES</i>) the fixed minimum <i>general levy</i> payable by a <i>firm</i>.</p> |
| <p><i>minimum multiplication factor</i></p> <p>FCA PRA</p> | <p>(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in</p> <p>■ BIPRU 7.10.119 R (Capital calculations: Multiplication factors), which is in summary the number three or any higher amount the <i>VaR model permission</i> defines it as.</p> |
| <p><i>MIPRU</i></p> <p>FCA PRA</p> | <p>the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries</p> |
| <p><i>miscellaneous financial loss</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 16 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (General <i>contracts of insurance</i>), against any of the following risks:</p> <p>(a) risks of loss to the <i>persons</i> insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;</p> <p>(b) risks of loss to the <i>persons</i> insured attributable to their incurring unforeseen expense (other than loss such as is covered by contracts within paragraph 18 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Assistance));</p> <p>(c) risks which do not fall within paragraphs (a) or (b) and which are not of such a kind that <i>contracts of insurance</i> against them fall within any other provision of Schedule 1 to the <i>Regulated Activities Order</i>.</p> |

miscellaneous securities

FCA **PRA**

(in LR) *securities* which are not:

- (a) *shares*; or
- (b) *debt securities*; or
- (c) *asset backed securities*; or
- (d) *certificate representing debt securities*; or
- (e) *convertible securities* which convert to *debt securities*; or
- (f) *convertible securities* which convert to *equity securities*; or
- (g) *convertible securities* which are exchangeable for *securities* of another *company*; or
- (h) *certificate representing certain securities*; or
- (i) *securitised derivatives*.

misleading statements and practices offence

[deleted]

mixed financial holding company

FCA **PRA**

(in accordance with Article 2(15) of the *Financial Groups Directive* (Definitions)) a *parent undertaking*, other than a *regulated entity*, which meets the following conditions:

- (a) it, together with its *subsidiary undertakings*, at least one of which is an *EEA regulated entity*, and other entities, constitutes a *financial conglomerate*;
- (b) it has been notified by its *coordinator* that its group is a *financial conglomerate* in accordance with Article 4(2) of the *Financial Groups Directive*; and
- (c) it has not been notified that its *coordinator* and other *relevant competent authorities* have agreed not to treat the group as a *financial conglomerate* in accordance with Article 3(3) or Article 3(3a) of the *Financial Groups Directive*.

mixed insurer

FCA **PRA**

an *insurer* (other than a *pure reinsurer*) which carries on *reinsurance* business and where one or more of the following conditions is met in respect of its *reinsurance* acceptances:

- (a) the *premiums* collected in respect of those acceptances during the previous *financial year* exceeded 10% of its total *premiums* collected during that year;
- (b) the *premiums* collected in respect of those acceptances during the previous *financial year* exceeded €50 million; and
- (c) the *technical provisions* in respect of those acceptances at the end of the previous *financial year* exceeded 10% of its total *technical provisions* at the end of that year.

mixed remittance

FCA **PRA**

a remittance that is part *client money* and part other *money*.

mixed-activity holding company

(A) In the PRA Handbook:

has the meaning given to the definition of "mixed activity holding company" in article 4(1)(22) of the *EU CRR*.

FCA PRA

(B) In the FCA Handbook:

has the meaning given to the definition of "mixed activity holding company" in article 4(1)(22) of the *EU CRR*.

mixed-activity insurance holding company

(in accordance with Article 1(j) of the *Insurance Groups Directive* (Definitions)) a *parent undertaking*, other than an *insurance undertaking*, an *insurance holding company* or a *mixed financial holding company*, the *subsidiary undertakings* of which include at least one *insurance undertaking*.

FCA PRA

MLAR

(in *SUP*) a Mortgage Lending and Administration Return containing data specified in ■ *SUP 16 Annex 19A* and relevant to the *firm's* type and *regulated activities*.

FCA PRA

MLRO

money laundering reporting officer.

FCA PRA

Model Code

The Model Code on directors' dealings in securities set out in ■ *LR 9 Annex 1*.

FCA PRA

model PRR

the part of the *market risk capital requirement* calculated under a *VaR model permission* as more fully defined in ■ *BIPRU 7.10* (Use of a Value at Risk Model).

FCA PRA

model risk

the potential loss an *institution* may incur, as a consequence of decisions that could be principally based on the output of internal models used under any of the internal approaches, due to errors in the development, implementation or use of such models.

FCA

modified CIU look through method

the method for calculating *PRR* for a *CIU* set out in ■ *BIPRU 7.7.4 R*, ■ *BIPRU 7.7.7 R* to ■ *BIPRU 7.7.8 R* and ■ *BIPRU 7.7.11 R* to ■ *BIPRU 7.7.12 R*

FCA PRA

modified report

(in *LR*) an accountant's or auditor's report:

- (a) in which the opinion is modified; or
- (b) which contains an emphasis-of-matter paragraph.

FCA PRA

money

any form of money, including cheques and other payable orders.

FCA PRA

Money Advice Service

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

FCA PRA

money laundering

any act which:

- (a) constitutes an offence under section 18 (Money laundering) of the *Terrorism Act 2000*; or

FCA PRA

Money
Laundering
Directive

FCA PRA

(b) constitutes an offence under section 327 (Concealing etc), section 328 (Arrangements) or section 329 (Acquisition, use and possession) of the Proceeds of Crime Act 2002; or

(c) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (b); or

(d) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (b); or

(e) would constitute an offence specified in paragraph (b), (c), or (d) if done in the *United Kingdom*.

the Council Directive of 10 June 1991 on the prevention of the use of the financial system for the purpose of money laundering (91/308/EEC) as amended by the Council Directive of 4 December 2001 (2001/97/EEC).

Money
Laundering
Regulations

FCA PRA

the Money Laundering Regulations 2007 (SI 2007/2157).

money
laundering
reporting
function

FCA PRA

(in the *FCA Handbook*) *FCA controlled function* CF11 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.10 R.

money
laundering
reporting
officer

FCA PRA

the individual appointed by a *firm* in accordance with ■ SYSC 3.2.6I R or ■ SYSC 6.3.9 R.

money market
fund

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in ■ COLL 5.9.5 R (Investment conditions: money market funds) and is not a *qualifying money market fund*.

money market
instrument
activity

FCA PRA

an activity in respect of a transaction:

(a) which involves any of the following *investments* and is not regulated by the rules of a *recognised investment exchange*:

(i) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;

(ii) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue; or

(iii) a *warrant* which entitles the holder to subscribe for an *investment* within (a)(i) or (a)(ii);

(b) which involves any of the following *investments* and is not made on a *recognised investment exchange* or expressed to be so made:

(i) a *certificate representing certain securities* or rights to or interests in *investments* relating, in either case, to an *investment* within (a)(i) or (a)(ii);

(ii) an *option* relating to:

(A) an instrument in (a)(i) or (a)(ii); or

(B) currency of the *United Kingdom* or of any other country or territory; or

(C) gold or silver;

(iii) a *future* for the sale of:

(A) an instrument in (a)(i) or (a)(ii); or

(B) currency of the *United Kingdom* or of any other country or territory; or

(C) gold or silver;

(iv) a *contract for differences* by reference to fluctuations in:

(A) the value or price of any instrument within any of (a)(i) to (a)(iii) or (b)(i) to (b)(iii); or

(B) currency of the *United Kingdom* or of any other country or territory; or

(C) the rate of interest on loans in any such currency or any index of such rates; or

(v) an *option* to acquire or dispose of an instrument within (b)(ii), (b)(iii) or (b)(iv); or

(c) where one of the parties agrees to sell or transfer a *debenture* or *government and public security* and by the same or a collateral agreement that party agrees, or acquires an option, to buy back or re-acquire that *investment* or an equivalent amount of a similar *investment* within twelve *months* of the sale or transfer.

For the purposes of (c) *investments* are regarded as similar if they entitle their holders to the same rights against the same *persons* as to capital and interest and the same remedies for the enforcement of those rights.

in relation to a *director*, means a pension scheme under which all of the benefits that may become payable to or in respect of the *director* are money purchase benefits.

money
purchase
scheme

FCA PRA

money
remittance

FCA PRA

(in accordance with regulation 2(1) of the *Payment Service Regulations*) a service for the transmission of money (or any representation of monetary value), without any payment accounts being created in the name of the payer or the payee, where:

(a) funds are received from a payer for the sole purpose of transferring a corresponding amount to a payee or to another *payment service provider* acting on behalf of the payee; or

(b) funds are received on behalf of, and made available to, the payee.

[Note: article 4(13) of the *Payment Services Directive*]

carrying on by way of business the activity of:

(a) operating a bureau de change; or

(b) transmitting money, or any representation of monetary value, by any means; or

money service
business

FCA PRA

money service
operator

FCA PRA

(c) cashing cheques which are made payable to customers.
a person who carries on *money service business* other than a *firm*, a *BCD credit institution* or a *financial institution*.

money-market
instrument

FCA PRA

(1) any of the following *investments*:

(a) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;

(b) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue;

(c) a *warrant* which entitles the holder to subscribe for an *investment* within (a) or (b);

(d) a *certificate representing certain securities or rights to or interests in investments* relating, in either case, to an *investment* within (a) or (b);

(e) an *option* relating to:

(i) an instrument in (a) or (b); or

(ii) currency of the *United Kingdom* or of any other country or territory; or

(iii) gold or silver;

(f) a *future* for the sale of:

(i) an instrument in (a) or (b); or

(ii) currency of the *United Kingdom* or of any other country or territory; or

(iii) gold or silver;

(g) a *contract for differences* by reference to fluctuations in:

(i) the value or price of any instrument within any of (a) to (f); or

(ii) currency of the *United Kingdom* or of any other country or territory; or

(iii) the rate of interest on loans in any such currency or any index of such rates;

(h) an *option* to acquire or dispose of an instrument within (e), (f) or (g).

(2) those classes of *financial instruments* which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

[Note: article 4(1)(19) of *MiFID*]

money-market
instruments

FCA PRA

those classes of *financial instruments* which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

[Note: article 4(1)(19) of *MiFID*]

money-purchase
benefits

FCA PRA

(1) (except in *COMP*) (in relation to an *occupational pension scheme*) benefits the rate or amount of which are calculated by reference to a payment or payments made by a member of the scheme.

(2) (in *COMP*) in relation to a member of a *personal pension scheme* or an *occupational pension scheme* or the widow or widower

| | |
|---|--|
| | or surviving civil partner of a member of such a scheme, means benefits the rate or amount of which is calculated by reference to a payment or payments made by the member or by any other <i>person</i> in respect of the member and which are not average salary benefits. |
| <i>money-purchase occupational scheme</i> | an <i>occupational pension scheme</i> which provides <i>money-purchase benefits</i> . |
| FCA PRA | |
| <i>month</i> | (in accordance with the Interpretation Act 1978) a calendar month. |
| FCA PRA | |
| <i>monthly financial return</i> | (in <i>UPRU</i>) means the return referred to in <i>SUP</i> . |
| FCA PRA | |
| <i>mortgage administrator</i> | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a regulated mortgage contract</i> . |
| FCA PRA | |
| <i>mortgage adviser</i> | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on regulated mortgage contracts</i> . |
| FCA PRA | |
| <i>Mortgage and General Insurance Complaints Transitional Order</i> | The Financial Services and Markets Act 2000 (Transitional Provisions) (Complaints Relating to General Insurance and Mortgages) Order 2004 (SI 2004/454). |
| FCA PRA | |
| <i>mortgage arranger</i> | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging</i> (see also <i>arranging (bringing about) regulated mortgage contracts</i> and <i>making arrangements with a view to regulated mortgage contracts</i>). |
| FCA PRA | |
| <i>mortgage credit card</i> | a <i>plastic card</i> which is a credit card issued under a <i>regulated mortgage contract</i> and not regulated by the Consumer Credit Act 1974. |
| FCA PRA | |
| <i>mortgage intermediary</i> | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on <i>mortgage mediation activity</i> . |
| FCA PRA | |
| <i>mortgage lender</i> | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>entering into a regulated mortgage contract</i> . |
| FCA PRA | |

mortgage mediation activity

FCA **PRA**

(as defined in article 26 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 1) Order 2003 (SI 2003/1475)) any of the following *regulated activities*:

- (a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (c) *advising on regulated mortgage contracts* (article 53A);
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

most important financial sector

FCA **PRA**

(in relation to a financial sector in a *consolidation group* or a *financial conglomerate* and in accordance with ■ GENPRU 3.1 (Cross sector groups)) the *financial sector* with the largest average referred to in the box titled Threshold Test 2 in the *financial conglomerate definition decision tree* (10% ratio of balance sheet size and solvency requirements); and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of *financial conglomerate* and for any other purpose that GENPRU 3.1 (Cross sector groups) says they are.

Motor Insurers' Information Centre

FCA **PRA**

the information centre appointed to meet the *United Kingdom's* obligations under article 23 of the *Consolidated Motor Insurance Directive* (Information Centres).

motor vehicle liability

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 10 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against damage arising out of or in connection with the use of motor vehicles on land, including third-party risks and carrier's liability.

motor vehicle liability insurance business

FCA **PRA**

general insurance business of class 10, other than:

- (a) carrier's liability;
- (b) pure reinsurance of that class.

motor vehicle liability insurer

FCA **PRA**

- (a) a *firm* with *permission* to carry on *motor vehicle liability insurance business*;
- (b) any *person* carrying on the *regulated activity* of managing the *underwriting capacity of a Lloyd's syndicate* in respect of *members* whose insurance business at Lloyd's includes *motor vehicle liability insurance business*.

MTF

FCA **PRA**

a *multilateral trading facility*.

MTF transaction

FCA **PRA**

a transaction concluded by a *firm* under the rules governing an *MTF* with another member or participant of that *MTF*.

firm (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

Ombudsman

FCA PRA

a *person* appointed to the panel of *persons* maintained by the *FOS Ltd* to determine complaints, including the Chief Ombudsman.

Ombudsman
Transitional
Order

FCA PRA

the Financial Services and Markets Act 2000 (Transitional Provisions) (Ombudsman Scheme and Complaints Scheme) Order 2001 (SI 2001/2326).

*omnibus client
account*

FCA

as the context requires, either:

an account maintained by a *person* for more than one of the *clients* in respect of which the *person* has agreed with the *client* to provide ; or

an *account* maintained by a *firm* for more than one *indirect client* at a *clearing member* in respect of which that clearing member has agreed with the *firm* to provide segregation arrangements that satisfy the requirements of article 4(2)(a) of the *EMIR L2 Regulation*.

*omnibus client
segregation*

FCA PRA

as defined in article 39(2) of *EMIR*.

OMPS

FCA PRA

the Handbook Guide for oil market participants.

ONA

FCA PRA

(A) In the PRA Handbook:

the *appropriate regulator's* online notifications and applications system, by whatever name known.

(B) In the FCA Handbook:

the *appropriate regulator's* online notifications and applications system, by whatever name known.

*one-day VaR
measure*

FCA PRA

(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.98R (Backtesting: One day VaR measure), which is in summary and in relation to a particular *business day*, the *VaR number* for that *business day* calibrated to a one *business day* holding period and a 99% one-tailed confidence level.

*one-off
promotion*

FCA

a communication meeting the requirements set out in articles 15 or 15A of the *Promotion of Collective Investment Schemes Order* or in articles 28 or 28A of the *Financial Promotions Order*.

*one-off
transaction*

FCA PRA

any transaction other than a transaction carried out in the course of an established business relationship formed by a *person* acting in the course of relevant financial business.

*one-sided
credit*

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a *credit valuation adjustment* that reflects the market value of the credit risk of the counterparty to a *firm*, but does not reflect the market value of the credit risk of the *firm* to the counterparty.

valuation adjustment

FCA

on-exchange

FCA PRA

(a) (in relation to a transaction in the *United Kingdom*) effected by means of the *facilities* of, or governed by the *rules* of, an *RIE* or a *regulated market*;

(b) (in relation to any other transaction) effected by means of the *facilities* of, or governed by the *rules* of, an exchange.

ongoing basis

FCA PRA

in ■ BIPRU 9.15, maintaining on an *ongoing basis* means that the retained positions, interest or exposures are not hedged or sold.

[Note: BCD, Article 122a, paragraph 1]

open

FCA PRA

in relation to a *syndicate year*, one which has not been *closed*.

open currency position

FCA PRA

the amount calculated under BIPRU 7.5.19R (Open currency position) as part of the calculation of the *foreign currency PRR*.

open offer

FCA PRA

(in *LR* and in ■ DTR 5) an invitation to existing *securities* holders to subscribe or purchase *securities* in proportion to their holdings, which is not made by means of a renounceable letter (or other negotiable document).

open-end agreement

FCA

a *credit agreement* with no fixed duration.

open-ended investment company

FCA PRA

(as defined in section 236 of the *Act* (Open-ended investment companies)) a *collective investment scheme* which satisfies both the property condition and the investment condition:

(a) the property condition is that the property belongs beneficially to, and is managed by or on behalf of, a *body corporate* ("BC") having as its purpose the investment of its funds with the aim of:

(i) spreading investment risk; and

(ii) giving its members the benefit of the results of the management of those funds by or on behalf of that body;

(b) the investment condition is that, in relation to BC, a reasonable investor would, if he were to participate in the *scheme*:

(i) expect that he would be able to realise, within a period appearing to him to be reasonable, his investment in the *scheme* (represented, at any given time, by the value of shares in, or securities of, BC held by him as a *participant* in the *scheme*); and

(ii) be satisfied that his investment would be realised on a basis calculated wholly or mainly by reference to the value of property in respect of which the *scheme* makes arrangements.

(see also *investment company with variable capital*.)

operating a dormant account fund

FCA **PRA**

any of the *regulated activities* of:

- (a) *meeting of repayment claims*; or
- (b) *managing dormant account funds (including the investment of such funds)*.

operating a multilateral trading facility

FCA **PRA**

the *regulated activity* in article 25D of the *Regulated Activities Order*, which is, in summary, the operation of a multilateral trading facility on which MiFID instruments are traded.

In this definition "MiFID instrument" means any investment:

- (a) of the kind specified by articles 76, 77, 78, 79, 80, 81, 83, 84 or 85 of the *Regulated Activities Order*; or
- (b) of the kind specified by article 89 of the *Regulated Activities Order*, so far as relevant to an investment falling within (a),

that is a *financial instrument*.

operating an electronic system in relation to lending

FCA

a *regulated activity* of the kind specified in article 36H of the *Regulated Activities Order*.

operational objectives

FCA **PRA**

as defined in section 1B(3) of the *Act*.

operational risk

FCA **PRA**

(A) In the PRA Handbook:

(1) (in *COLL* and *FUND*) the risk of loss for a *UCITS* or *AIF* resulting from inadequate internal processes and failures in relation to the people and systems of the *management company* or *AIFM* or from external events, and it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the *fund*.

(2) (in *GENPRU* (except **■** GENPRU 3 (Cross sector groups) and *BIPRU* (except **■** BIPRU 12 (Liquidity Standards)) (in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

(3) (in **■** GENPRU 3, *IFPRU*, and **■** BIPRU 12) has the meaning in Article 4(1)(52) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in *COLL* and *FUND*) the risk of loss for a *UCITS* or *AIF* resulting from inadequate internal processes and failures in relation to the people and systems of the *management company* or *AIFM* or from external events, and it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the *fund*.

(2) (in *GENPRU* (except **■** GENPRU 3 (Cross sector groups) and *BIPRU* (except **■** BIPRU 12 (Liquidity Standards)) (in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss

operational
risk capital
requirement

PRA

operator

FCA PRA

resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

(3) (except in (1) and (2)) has the meaning in article 4(1)(52) of the *EU CRR*.

the part of the *capital resources requirement* of a *BIPRU firm* falling within BIPRU 6.1.1R in respect of *operational risk*, calculated in accordance with BIPRU 6.2.

(1) (except in *EG*):

(a) (in relation to an *AUT*) the *manager*;

(aa) (in relation to an *ACS*) the *authorised contractual scheme manager*;

(b) (in relation to an *ICVC*) that *company* or, if applicable, the *authorised corporate director*;

(ba) (in relation to any other *OEIC* which is an undertaking for *collective investment* in transferable securities within the meaning of the *UCITS Directive* and which has appointed a *person* to manage the *scheme*) the *manager*;

(c) (in relation to any other *collective investment scheme* that is a *unit trust scheme* with a separate *trustee*) any *person* who, under the *trust deed* establishing the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(ca) (in relation to any other *collective investment scheme* that is a contractual scheme) any *person* who, under the constituent instrument, is responsible for the management of the property held for or within the *scheme*;

(d) (in relation to any other *collective investment scheme* that is an *open-ended investment company*) that *company* or, if applicable, any *person* who, under the constitution or founding arrangements of the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(e) (in relation to any other *collective investment scheme*) any *person* who, under the constitution or founding arrangements of the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(f) (in relation to an *investment trust savings scheme*) any *person* appointed, by those responsible for managing the property of the *investment trust*, to manage the *investment trust savings scheme* ;

(g) (in relation to a *personal pension scheme* or *stakeholder pension scheme*) the *person* who carries on the *regulated activity* specified in article 52 of the *Regulated Activities Order* (Establishing etc. a pension scheme).

(2) (in *EG*) (in accordance with section 237(2) of the *Act* (Other definitions)):

(a) (in relation to a *unit trust scheme* with a separate *trustee*) the *manager*;

(b) (in relation to an *OEIC* which is an undertaking for collective investment in transferable securities within the meaning of the

operator of an electronic system in relation to lending

FCA

OPS activity

FCA PRA

OPS collective investment scheme

FCA PRA

OPS firm

FCA PRA

UCITS Directive and which has appointed a *person* to manage the *scheme*) the *manager*;

(c) (in relation to any other OEIC) the *company*.

a *person* who has, or ought to have, *permission* for operating an electronic system in relation to lending.

(a) *managing investments* in a case where the assets managed are:

(i) held for the purposes of an *occupational pension scheme*; or

(ii) held for the purposes of a *welfare trust* established by a *person* who is, or has been at any time during the last 12 months, an *associate* of the *OPS firm*; or

(iii) assets of an *OPS collective investment scheme*;

(b) any one or more of the following activities undertaken in the course of, or incidental to, the operation of an *occupational pension scheme*, *welfare trust* or *OPS collective investment scheme*:

(i) *dealing in investments as principal*;

(ii) *dealing in investments as agent*;

(iii) arranging (bringing about) deals in investments;

(iv) *making arrangements with a view to transactions in investments*;

(v) *safeguarding and administering investments*;

(vi) *advising on investments*;

(vii) receiving or holding *client money*.

a *collective investment scheme* the contributions to which consist entirely of assets held for an *occupational pension scheme*.

(a) (except in IPRU(INV)) a *firm* which:

(i) carries on *OPS activity*; and

(ii) is one or more of the following:

(A) a trustee of the *occupational pension scheme* in question;

(B) a *company* owned by the trustees of the *occupational pension scheme* in question;

(C) a *company* which is:

(I) an employer in relation to the *occupational pension scheme* in question in respect of its employees or former employees or their dependants; or

(II) a *company* within the *group* which includes an employer within (I); or

*opted-in
exempt CAD
firm*

FCA **PRA**

option

FCA **PRA**

(III) an administering authority subject to the Local Government Pension Scheme (Administration) Regulations 2008; or

(b) a *firm* which:

(i) has satisfied the requirements set out in (a) at any time during the past 12 *months*; but

(ii) is no longer able to comply with those requirements because of a change in the control or ownership of the employer referred to in (a)(ii) during that period.

an *exempt CAD firm* which complies with the requirements in regulation 4C (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007 (SI 2007/126).

(A) In the PRA Handbook:

the *investment*, specified in article 83 of the *Regulated Activities Order* (Options), which is an option to acquire or dispose of:

(a) a *designated investment* (other than an option or one to which (d) or (e) applies); or

(b) currency of the *United Kingdom* or of any other country or territory; or

(c) palladium, platinum, gold or silver; or

(d) a commodity to which article 83(2) of the *Regulated Activities Order* applies; or

(e) a *financial instrument* in paragraph 10 of Section C of Annex 1 to *MiFID* to which article 83(3) of the *Regulated Activities Order* applies; or

(f) an option to acquire or dispose of an option specified in (a), (b), (c), (d) or (e);

but so that for the purposes of calculating capital requirements for *BIPRU firms* it also includes any of the items listed in the table in ■ BIPRU 7.6.18 R (Option PRR: methods for different types of option) and any cash settled option.

(B) In the FCA Handbook:

the *investment*, specified in article 83 of the *Regulated Activities Order* (Options), which is an option to acquire or dispose of:

(a) a *designated investment* (other than an option or one to which (d) or (e) applies); or

(b) currency of the *United Kingdom* or of any other country or territory; or

(c) palladium, platinum, gold or silver; or

(d) a commodity to which article 83(2) of the *Regulated Activities Order* applies; or

(e) a *financial instrument* in paragraph 10 of Section C of Annex 1 to *MiFID* to which article 83(3) of the *Regulated Activities Order* applies; or

| | |
|---|--|
| | (f) an option to acquire or dispose of an option specified in (a), (b), (c), (d) or (e); but so that for the purposes of calculating capital requirements for <i>BIPRU firms</i> it also includes any of the items listed in the table in ■ BIPRU 7.6.18 R (Option PRR: methods for different types of option) and any cash settled option. |
| <i>option hedging method</i> FCA PRA | the method of calculating the <i>option PRR</i> in BIPRU 7.6.24R (The hedging method). |
| <i>option PRR</i> FCA PRA | the part of the market risk capital requirement calculated in accordance with BIPRU 7.6 (Option PRR) or, in relation to a particular position, the portion of the overall option PRR attributable to that position. |
| <i>option standard method</i> FCA PRA | the method of calculating the option PRR in BIPRU 7.6.20R to BIPRU 7.6.22R (The standard method). |
| ORCR PRA | the <i>operational risk capital requirement</i> . |
| <i>organisation</i> FCA PRA | a <i>body corporate</i> , a <i>partnership</i> , a trust or an unincorporated association. |
| <i>original financing costing amount</i> FCA PRA | (in relation to a <i>share</i> , <i>debenture</i> or other investment in, or external contribution to the capital of, a <i>firm</i> that is subject to a <i>step-up</i>) the <i>financing cost amount</i> for the instrument for a period beginning on or near the date of issue of the instrument and ending on or near the date of the first <i>step-up</i> . |
| <i>originator</i> FCA PRA | (A) In the PRA Handbook: (in accordance with Article 4(41) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of <i>securitisation</i>) either of the following: (a) an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the <i>exposures</i> being <i>securitised</i> ; or (b) an entity which purchases a third party's <i>exposures</i> onto its balance sheet and then <i>securitises</i> them. (B) In the FCA Handbook: (1) (in <i>GENPRU</i> (except ■ <i>GENPRU</i> 3) and <i>BIPRU</i> (except ■ <i>BIPRU</i> 12)) (in accordance with Article 4(41) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of <i>securitisation</i>) either of the following: |

| | |
|--|---|
| <p>OTC FCA PRA</p> | <p>(a) an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the <i>exposures</i> being <i>securitised</i>; or</p> <p>(b) an entity which purchases a third party's <i>exposures</i> onto its balance sheet and then <i>securitises</i> them.</p> <p>(2) (except in (1)) has the meaning in article 4(1)(13) of the <i>EU CRR</i>.</p> |
| <p>OTC FCA PRA</p> | <p><i>over the counter</i>.</p> |
| <p>OTC <i>derivative</i> FCA PRA</p> | <p>a <i>derivative</i> traded solely <i>over the counter</i>.</p> |
| <p>OTC <i>derivative transaction</i> FCA</p> | <p>a derivative financial instrument of a type listed on Annex II to the <i>CRR</i> that is traded <i>over the counter</i>.</p> |
| <p>OTC <i>derivatives, CCPs and trade repositories regulation</i> FCA</p> | <p>the Financial Services and Markets Act 2000 (Over the Counter Derivatives, Central Counterparties and Trade Repositories) Regulations 2013</p> |
| <p><i>out of the money</i> FCA PRA</p> | <p>(for the purposes of BIPRU 7 (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) that <i>option</i> or <i>warrant</i> being neither <i>at the money</i> nor <i>in the money</i>.</p> |
| <p><i>outgoing ECA provider</i> FCA PRA</p> | <p>a <i>firm</i> which:</p> <p>(a) provides an <i>electronic commerce activity</i>, from an <i>establishment</i> in the <i>United Kingdom</i>, with or for an <i>ECA recipient</i> present in an <i>EEA State</i> other than the <i>United Kingdom</i>; and</p> <p>(b) is a national of an <i>EEA State</i> or a firm or company mentioned in article 54 of the <i>Treaty</i>.</p> |
| <p><i>outsourcing</i> FCA PRA</p> | <p>(1) (except in ■ SYSC 8, ■ COBS 11.7 and the definition of <i>relevant person</i>) the use of a <i>person</i> to provide customised services to a <i>firm</i> other than:</p> <p>(a) a member of the <i>firm's</i> governing body acting in his capacity as such; or</p> <p>(b) an individual employed by a <i>firm</i> under a contract of service.</p> <p>(2) (in ■ SYSC 8, ■ COBS 11.7 and the definition of <i>relevant person</i>) an arrangement of any form between a <i>firm</i> and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the <i>firm</i> itself.</p> |

| | |
|--|--|
| <p><i>over collateralisation</i></p> <p>FCA PRA</p> | <p>[Note: article 2(6) of the <i>MiFID implementing Directive</i>]</p> <p>(in <i>RCB</i>) (as defined in Regulation 3(3) of the <i>RCB Regulations</i>) the provision of additional <i>assets</i> that assist the payment from the <i>relevant asset pool</i> of claims attaching to a <i>regulated covered bond</i> in the event of the failure of the <i>issuer</i>.</p> |
| <p><i>over the counter</i></p> <p>FCA PRA</p> | <p>(in relation to a transaction in an <i>investment</i>) not <i>on-exchange</i>.</p> |
| <p><i>overall financial adequacy rule</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p style="padding-left: 20px;">■ GENPRU 1.2.26 R (Requirement for certain <i>firms</i> to have adequate financial resources).</p> <p>(B) In the FCA Handbook:</p> <p style="padding-left: 20px;">(1) (in <i>GENPRU</i>, <i>BIPRU</i> and <i>INSPRU</i>) ■ GENPRU 1.2.26A G (Requirement for certain <i>firms</i> to have adequate financial resources).</p> <p style="padding-left: 20px;">(2) (in <i>IFPRU</i>) IFPRU 2.2.1R (Adequacy of financial resources).</p> |
| <p><i>overall financial sector</i></p> <p>FCA PRA</p> | <p>a sector composed of one or more the following types of entities:</p> <p>(a) members of each of the <i>financial sectors</i>; and</p> <p>(b) (except where ■ GENPRU 3.1 (Cross sector groups) or GENPRU 3 Ann 1R (Capital adequacy calculations for financial conglomerates) provide otherwise) a <i>mixed financial holding company</i>.</p> |
| <p><i>overall liquidity adequacy rule</i></p> <p>FCA PRA</p> | <p>BIPRU 12.2.1R.</p> |
| <p><i>overall Pillar 2 rule</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p style="padding-left: 20px;">■ GENPRU 1.2.30 R (Systems, strategies, processes and reviews for certain <i>firms</i>).</p> <p>(B) In the FCA Handbook:</p> <p style="padding-left: 20px;">(1) (in <i>GENPRU</i>, <i>BIPRU</i> and <i>INSPRU</i>) ■ GENPRU 1.2.30 R (Systems, strategies, processes and reviews for certain <i>firms</i>).</p> <p style="padding-left: 20px;">(2) (in <i>IFPRU</i>) IFPRU 2.2.7R (Strategy processes and systems).</p> |
| <p><i>overallotment facility</i></p> <p>FCA PRA</p> | <p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) a clause in the underwriting agreement or lead management agreement which permits acceptance of subscriptions or offers to purchase a greater number of <i>relevant securities</i> than originally offered.</p> |
| <p><i>overdraft facility</i></p> <p>FCA</p> | <p>(in ■ CONC App 1.2) an explicit agreement whereby a <i>lender</i> makes available to a <i>borrower</i> funds which exceed the current balance in the <i>borrower's current account</i>.</p> |
| <p><i>overseas</i></p> <p>FCA PRA</p> | <p>outside the <i>United Kingdom</i>.</p> |

overseas company

FCA **PRA**

(in LR and PR) a *company* incorporated outside the *United Kingdom*.

overseas financial services institution

FCA **PRA**

an institution authorised to carry on any *regulated activity* or other financial service by an *overseas regulator*.

overseas financial stability information power

FCA **PRA**

the *PRA's* power under section 169A of the *Act* (Support of overseas regulator with respect to financial stability) which, in summary, is a power exercisable at the request of an *overseas regulator* to require a *person* to provide information or documents relevant to the stability of one or more aspects of the *relevant financial system* operating in the country or territory of that regulator.

overseas firm

FCA **PRA**

(1) (in relation to **■ MAR 5**) a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom* excluding an *incoming EEA firm*.

(2) (in any other case) a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom*.

overseas introducing broker

FCA **PRA**

a *person*, who is not an *authorised person*:

(a) who is resident outside the *United Kingdom*; and

(b) who introduces transactions relating to designated investments arranged (brought about) for its *clients* to a *clearing firm* in the *United Kingdom*.

overseas investment exchange

FCA **PRA**

an investment exchange which has neither its head office nor its registered office in the *United Kingdom*.

overseas long-term insurer

FCA **PRA**

an *insurance undertaking* which is not an *authorised person* and which:

(a) has its head office in an *EEA State* other than the *United Kingdom*, and is entitled to carry on *long-term insurance business* in that *EEA State*; or

(b) has a *branch* or agency in an *EEA State* other than the *United Kingdom* and is entitled to carry on *long-term insurance business* in that *EEA State*; or

(c) is authorised to effect or carry on *long-term insurance business* in the Bailiwick of Jersey, the Bailiwick of Guernsey, the Isle of Man, the Commonwealth of Pennsylvania or the State of Iowa;

for the purposes of (a) and (b), Gibraltar is to be regarded as if it were an *EEA State*.

overseas person

FCA **PRA**

(A) In the PRA Handbook:

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) a *person* who:

- (a) carries on any of the following *regulated activities*:
- (i) *dealing in investments as principal*;
 - (ii) *dealing in investments as agent*;
 - (iii) *arranging (bringing about) deals in investments*;
 - (iv) *arranging (bringing about) regulated mortgage contracts*;
 - (v) *making arrangements with a view to regulated mortgage contracts*;
 - (vi) *making arrangements with a view to transactions in investments*;
 - (vii) *managing investments*;
 - (viii) *safe custody and administering investments*;
 - (ix) *sending dematerialised instructions*;
 - (x) *causing dematerialised instructions to be sent*;
 - (xi) *establishing, operating or winding up a collective investment scheme*;
 - (xii) *acting as trustee of an authorised unit trust scheme*;
 - (xiii) *acting as the depositary or sole director of an open-ended investment company*;
 - (xiii a) *acting as the depositary of an authorised contractual scheme*;
 - (xiv) *establishing, operating or winding up a stakeholder pension scheme*;
 - (xiva) *establishing, operating or winding up a personal pension scheme*;
 - (xv) *advising on investments*;
 - (xvi) *advising on regulated mortgage contracts* ;
 - (xvii) *entering into a regulated mortgage contract* ;
 - (xviii) *administering a regulated mortgage contract* ;
 - (xix) *arranging (bringing about) a home reversion plan*;
 - (xx) *making arrangements with a view to a home reversion plan*;
 - (xxi) *advising on a home reversion plan*;
 - (xxii) *entering into a home reversion plan*;
 - (xxiii) *administering a home reversion plan*;
 - (xxiv) *arranging (bringing about) a home purchase plan*;
 - (xxv) *making arrangements with a view to a home purchase plan*;
 - (xxvi) *advising on a home purchase plan*;
 - (xxvii) *entering into a home purchase plan*;
 - (xxviii) *administering a home purchase plan*;
 - (xxix) *agreeing to carry on those regulated activities, disregarding the exclusion in article 72 of the Regulated Activities Order (Overseas persons); but*

(b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the *United Kingdom*.

(B) In the FCA Handbook:

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) a *person* who:

- (a) carries on any of the following *regulated activities*:
 - (i) *dealing in investments as principal*;
 - (ii) *dealing in investments as agent*;
 - (iii) *arranging (bringing about) deals in investments*;
 - (iv) *arranging (bringing about) regulated mortgage contracts*;
 - (v) *making arrangements with a view to regulated mortgage contracts*;
 - (vi) *making arrangements with a view to transactions in investments*;
 - (vii) *managing investments*;
 - (viii) *safe custody and administering investments*;
 - (ix) *sending dematerialised instructions*;
 - (x) *causing dematerialised instructions to be sent*;
 - (xa) *managing a UCITS*;
 - (xb) *acting as trustee or depositary of a UCITS*;
 - (xc) *managing an AIF*;
 - (xd) *acting as trustee or depositary of an AIF*;
 - (xi) *establishing, operating or winding up a collective investment scheme*;
 - (xii) *acting as trustee of an authorised unit trust scheme*;
 - (xiii) *acting as the depositary or sole director of an open-ended investment company*;
 - (xiiia) *acting as the depositary of an authorised contractual scheme*;
 - (xiv) *establishing, operating or winding up a stakeholder pension scheme*;
 - (xiva) *establishing, operating or winding up a personal pension scheme*;
 - (xv) *advising on investments*;
 - (xvi) *advising on regulated mortgage contracts* ;
 - (xvii) *entering into a regulated mortgage contract* ;
 - (xviii) *administering a regulated mortgage contract* ;
 - (xix) *arranging (bringing about) a home reversion plan*;
 - (xx) *making arrangements with a view to a home reversion plan*;
 - (xxi) *advising on a home reversion plan*;
 - (xxii) *entering into a home reversion plan*;
 - (xxiii) *administering a home reversion plan*;
 - (xxiv) *arranging (bringing about) a home purchase plan*;
 - (xxv) *making arrangements with a view to a home purchase plan*;
 - (xxvi) *advising on a home purchase plan*;

overseas
regulator

FCA **PRA**

(xxvii) *entering into a home purchase plan;*

(xxviii) *administering a home purchase plan;*

(xxix) agreeing to carry on those regulated activities, disregarding the exclusion in article 72 of the *Regulated Activities Order* (Overseas persons); but

(b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the *United Kingdom*.

(1) (except in relation to the *overseas financial stability information power*) (as defined in section 195(3) of the *Act* (Exercise of power in support of overseas regulator)) an authority in a country or territory outside the *United Kingdom*:

(a) which is a *Home State regulator*; or

(b) which exercises any of the following functions:

(i) a function corresponding to any function of the *FCA* or *PRA* under the *Act*;

(ii) a function corresponding to any function exercised by the *FCA* in its capacity as *competent authority* in relation to the listing of securities;

(iii) a function corresponding to any function exercised by the Secretary of State under the Companies Acts (as defined in section 2 of the Companies Act 2006);

(iv) a function in connection with the investigation of conduct of the kind prohibited by Part V of the Criminal Justice Act 1993 (Insider Dealing), or with the enforcement of rules (whether or not having the force of law) relating to such conduct;

(v) a function prescribed by regulations made for the purposes of section 195(4) of the *Act* (Exercise of powers) which, in the opinion of the Treasury, relates to companies or financial services.

(2) (in relation to the *overseas financial stability information power*) (as defined in section 169A(2) of the *Act* (Support of overseas regulator with respect to financial stability)) an authority in a country or territory outside the *United Kingdom* which exercises functions with respect to the stability of the *relevant financial system* operating in that country or territory.

own account
order

FCA **PRA**

an order which relates to an *own account transaction*.

own account
trading firm

FCA **PRA**

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *firm* that only *deals* or arranges *deals* in *securities* or *contractually based investments* for its own benefit, or for the benefit of an *associate*.

PAGE
017

own account
transaction

FCA **PRA**

a transaction *executed* by the *firm* for its own benefit or for the benefit of its *associate*.

own estimates
of volatility

the approach to calculating volatility adjustments under the *financial collateral comprehensive method* under which the *firm* uses its own estimates of such

adjustments approach

FCA PRA

adjustments, as more fully described in ■ BIPRU 5.4 (Financial collateral) and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

own funds

FCA PRA

(A) In the PRA Handbook:

(1) (in *GENPRU* (except ■ *GENPRU* 3 (Cross sector groups) and *BIPRU* (except ■ *BIPRU* 12 (Liquidity standards))) own funds as described in articles 56 to 67 of the *Banking Consolidation Directive*.

(2) [deleted]

(2A) (in ■ *IPRU(INV)* 11) the own funds of a *firm* calculated in line with ■ *IPRU(INV)* Table 11.4 (Method of calculating initial capital and own funds).

(3) (in *IPRU(INV)* 8) capital, as defined in ■ *CREDS* 5.2.1 R.

(3A) (in *IPRU(INV)* 13) the own funds of a *firm* calculated in accordance with 13.1A.14R.

(4) (in *UPRU*) funds calculated in accordance with ■ *UPRU* Table 2.2.1 R (Method of calculation of financial resources) composed of the specified items set out in that Table.

(5) (except in (1) to (4)) has the meaning in article 4(1)(118) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in *GENPRU* (except ■ *GENPRU* 3 (Cross sector groups) and *BIPRU* (except ■ *BIPRU* 12 (Liquidity standards))) own funds as described in articles 56 to 67 of the *Banking Consolidation Directive*.

(2) [deleted]

(2A) (in ■ *IPRU(INV)* 11) has the meaning in article 4(1)(118) of the *EU CRR*.

(3) (in *IPRU(INV)* 8) capital, as defined in ■ *CREDS* 5.2.1 R.

(3A) (in *IPRU(INV)* 13) the own funds of a *firm* calculated in accordance with 13.1A.14R.

(4) (in *UPRU*) has the meaning in article 4(1)(118) of the *EU CRR*.

(5) (except in (1) to (4)) has the meaning in article 4(1)(118) of the *CRR*.

has the meaning in article 4(1)(119) of the *EU CRR*.

own funds instruments

FCA

own funds requirements

FCA PRA

(A) (In the PRA Handbook):

as defined in article 92 (Own funds requirements) of the *EU CRR*.

(B) (In the FCA Handbook):

as defined in article 92 (Own funds requirements) of the *EU CRR*.

owner

FCA PRA

(A) In the PRA Handbook

(in *RCB*) (as defined in Regulation 4 of the *RCB Regulations*) an owner which owns an *asset pool* and issues a guarantee to pay from that *asset pool* claims attaching to a *regulated covered bond* in the event of a failure of the *issuer* of that bond.

(B) In the FCA Handbook

(1) (in *RCB*) (as defined in Regulation 4 of the *RCB Regulations*) an owner which owns an *asset pool* and issues a guarantee to pay from that *asset pool* claims attaching to a *regulated covered bond* in the event of a failure of the *issuer* of that bond.

(2) (in relation to a *credit-related regulated activity*), in accordance with article 60N(3) of the *Regulated Activities Order*:

(a) the *person* who bails or, in Scotland, hires *goods* under a *consumer hire agreement*; or

(b) a *person* who exercises, or has the right to exercise, the rights and duties of a *person* who bailed or, in Scotland, hired *goods* under a *consumer hire agreement*.

ownership
share

FCA PRA

in accordance with the definition of a "share" in section 422(6) of the *Act* (Controller):

(a) (in relation to an *undertaking* with a share capital) an allotted share;

(b) (in relation to an *undertaking* with capital but no share capital) a right to share in the capital of the *undertaking* ;

(c) (in relation to an *undertaking* without capital) an interest:

(i) conferring any right to share in the profits, or liability to contribute to the losses, of the *undertaking* ; or

(ii) giving rise to an obligation to contribute to the debts or expenses of the *undertaking* in the event of a winding up.

own-initiative
powers

FCA PRA

FCA's or the *PRA's* *own-initiative variation power* and *own-initiative requirement power*.

own-initiative
requirement
power

FCA PRA

The *FCA's* power under section 55L(3) of the *Act* or the *PRA's* power under section 55M(3) of the *Act* to impose a new *requirement* on a *firm*, to vary a *requirement* that it has imposed on the *firm* or to cancel any such *requirement* otherwise than on the application of a *firm*.

own-initiative
variation
power

FCA PRA

The *FCA's* or the *PRA's* power under section 55J (Variation or cancellation on initiative of regulator) to vary or cancel a *Part 4A permission* otherwise than on the application of a *firm*.

(F) the provision and maintenance of terminals and devices used for *payment services*;

(xi) services based on instruments that can be used to acquire goods or services only:

(A) in or on the issuer's premises; or

(B) under a commercial agreement with the issuer, either within a limited network of service providers or for a limited range of goods or services,

and for these purposes the "issuer" is the person who issues the instrument in question;

(xii) payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the *payment service user* and the supplier of the goods and services;

(A) payment transactions carried out between *payment service providers*, or their agents or *branches*, for their own account;

(B) payment transactions between a parent undertaking and its subsidiary or between subsidiaries of the same parent undertaking, without any intermediary intervention by a *payment service provider* other than an undertaking belonging to the same group;

(C) services by providers to withdraw cash by means of automated teller machines acting on behalf of one or more card issuers, which are not party to the *framework contract* with the customer withdrawing money from a payment account, where no other *payment service* is conducted by the provider.

[Note: articles 3 and 4(3) of, and the Annex to, the *Payment Services Directive*]

(1) (except in *DISP*) (in accordance with regulation 2(1) of the *Payment Service Regulations*) any of the following *persons* when they carry out a *payment service*:

(a) an *authorised payment institution*;

(b) a *small payment institution*;

(c) an *EEA authorised payment institution*;

(d) a *full credit institution*;

(e) an *electronic money issuer*;

(f) the Post Office Limited;

(g) the Bank of England, the European Central Bank and the national central banks of *EEA States* other than the *United Kingdom*, other than when acting in their capacity as a monetary authority or carrying out other functions of a public nature; and

(h) government departments and local authorities, other than when carrying out functions of a public nature.

[Note: article 1(1) of the *Payment Services Directive*]

*payment
service
provider*

FCA PRA

| | |
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| <p><i>payment service user</i></p> <p>FCA PRA</p> | <p>(2) (in <i>DISP</i> and ■ FEES 5.5) as in (1) but excluding a <i>full credit institution</i></p> <p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a <i>person</i> when making use of a <i>payment service</i> in the capacity of either payer or payee, or both.</p> <p>[Note: article 4(10) of the <i>Payment Services Directive</i>]</p> |
| <p><i>Payment Services Directive</i></p> <p>FCA PRA</p> | <p>Directive 2007/64/EC of the European Parliament and of the Council of 13th November 2007 on payment services in the internal market.</p> |
| <p><i>Payment Services Regulations</i></p> <p>FCA PRA</p> | <p>the Payment Services Regulations 2009 (SI 2009/209).</p> |
| <p><i>payment shortfall</i></p> | <p>the outstanding amount to be paid measured against the amount of payments which have become due during the term of a <i>regulated mortgage contract</i> or <i>home purchase plan</i>, including any <i>arrears</i> amount due.</p> |
| <p>PD</p> <p>FCA PRA</p> | <p>(1) (except in <i>GENPRU</i> and <i>BIPRU</i>) Prospectus Directive.</p> <p>(2) (in <i>GENPRU</i> , <i>BIPRU</i> and <i>BSOCS</i>) <i>probability of default</i>.</p> |
| <p><i>PD Regulation</i></p> <p>FCA PRA</p> | <p>the Prospectus Directive Regulation (No 2004/809/EC).</p> |
| <p><i>PD/LGD approach</i></p> <p>FCA PRA</p> | <p>the method for treating <i>equity exposures</i> under the <i>IRB approach</i> set out in ■ BIPRU 4.7.14 R-■ BIPRU 4.7.22 R.</p> |
| <p><i>peak exposure</i></p> <p>FCA PRA</p> | <p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a high percentile of the distribution of exposures at any particular future date before the maturity date of the longest transaction in the <i>netting set</i>.</p> |
| <p><i>pending application</i></p> <p>FCA PRA</p> | <p>(as defined in article 3(1) of the <i>compensation transitionals order</i>):</p> <p>(a) an application for compensation made under an <i>investment business compensation scheme</i> before <i>commencement</i> in relation to which a <i>terminating event</i> did not occur before <i>commencement</i>; and</p> <p>(b) an application made to the <i>FSCS</i> after <i>commencement</i> under an <i>investment business compensation scheme</i>, even if at the time of application that scheme had otherwise ceased to exist.</p> |
| <p><i>penny share</i></p> <p>FCA PRA</p> | <p>a <i>readily realisable security</i> in relation to which the bid-offer spread is 10 per cent or more of the offer price, but not:</p> <p>(a) a <i>government and public security</i>; or</p> <p>(b) a <i>share</i> in a <i>company</i> quoted on The Financial Times Stock Exchange 100 Index; or</p> |

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| <p><i>pension annuity</i></p> <p>FCA PRA</p> | <p>(c) a <i>security</i> issued by a <i>company</i> which, at the time that the firm <i>deals</i> or recommends to the <i>client</i> to <i>deal</i> in the <i>investment</i>, has a market capitalisation of £100 million or more (or its equivalent in any other currency at the relevant time).</p> |
| <p><i>pension buy-out contract</i></p> <p>FCA PRA</p> | <p>an <i>investment</i> purchased with the sums derived from the vesting (partial or full) of a <i>pension policy</i> or <i>pension contract</i>, for the purposes of securing the beneficiary's entitlement to immediate or future benefits.</p> <p>a <i>pension policy</i> bought from an <i>insurer</i> using funds from:</p> <p>(a) a scheme that was approved under Chapter 1 of Part 14 of the Income and Corporation Taxes Act 1988 when that chapter was in force; or</p> <p>(b) a scheme that is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.</p> |
| <p><i>pension contract</i></p> <p>FCA PRA</p> | <p>a contract under which rights to benefits are obtained by the making of contributions to an <i>occupational pension scheme</i> or to a <i>personal pension scheme</i>, where the contributions are paid to a <i>regulated collective investment scheme</i>.</p> |
| <p><i>pension fund management</i></p> <p>FCA PRA</p> | <p>(in relation to a class of contract of insurance) the class of contract of insurance specified in paragraph VII of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance) namely:</p> <p>(a) pension fund management contracts; and</p> <p>(b) pension fund management contracts which are combined with <i>contracts of insurance</i> covering either conservation of capital or payment of a minimum interest;</p> <p>where effected or carried out by a <i>person</i> who does not carry on a banking business, and otherwise carries on <i>insurance business</i>.</p> |
| <p><i>pension fund management contract</i></p> <p>FCA PRA</p> | <p>(as defined in article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) a contract to manage the <i>investments</i> of pension funds (other than funds solely for the benefit of the officers or employees of the <i>person</i> effecting or carrying out the contract and their dependants or, in the case of a <i>company</i>, partly for the benefit of officers and employees of its subsidiary or holding company or a subsidiary of its holding company and their dependants; in this definition "subsidiary" and "holding company" mean either <i>subsidiary</i> and <i>holding company</i>, or <i>subsidiary</i> and <i>holding company</i> defined in accordance with article 4 of the Companies (Northern Ireland) Order 1986 (SI 1986) No 1032 (NI 6)) as amended by article 62 of the Companies (No 2) (Northern Ireland) Order 1990 (SI 1990 No 1504 (NI 10)).</p> |
| <p><i>pension opt-out</i></p> <p>FCA PRA</p> | <p>a transaction, resulting from the decision of a <i>retail client</i> who is an individual, to:</p> <p>(a) opt out of an <i>occupational pension scheme</i>, <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> to which his employer contributes and of which he is a member; or</p> <p>(b) decline to become a member of an <i>occupational pension scheme</i>, <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> to which his employer contributes and of which he is eligible to join, or will be eligible to join at the end of a waiting period;</p> <p>in favour of a <i>stakeholder pension scheme</i> or <i>personal pension scheme</i>.</p> |
| <p><i>pension policy</i></p> <p>FCA PRA</p> | <p>a contract under which a right to benefits results from contributions made to an <i>occupational pension scheme</i> or to a <i>personal pension scheme</i>, where the contributions are paid to a <i>long-term insurer</i>.</p> |

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| <p><i>pension scheme</i> FCA PRA</p> | <p>a scheme under which a right to benefits results from contributions made under a <i>pension contract</i> or <i>pension policy</i>.</p> |
| <p><i>pension term assurance policy</i> FCA PRA</p> | <p>a <i>personal pension policy</i> which is a <i>pure protection contract</i> and in connection with which tax relief is available under Chapter 4 of Part 4 of the Finance Act 2004.</p> |
| <p><i>pension transfer</i> FCA PRA</p> | <p>a transaction , resulting from the decision of a <i>retail client</i> who is an individual, to transfer deferred benefits from:</p> <ul style="list-style-type: none"> (a) an <i>occupational pension scheme</i>; (b) an individual pension contract providing fixed or guaranteed benefits that replaced similar benefits under a <i>defined benefits pension scheme</i>; or (c) (in the cancellation rules (■ COBS 15)) a <i>stakeholder pension scheme</i> or <i>personal pension scheme</i> , <p>to:</p> <ul style="list-style-type: none"> (d) a <i>stakeholder pension scheme</i>; (e) a <i>personal pension scheme</i>; or (f) a deferred annuity <i>policy</i> , where the eventual benefits depend on investment performance in the period up to the date when those benefits will come into payment. |
| <p><i>pension transfer specialist</i> FCA PRA</p> | <p>an individual appointed by a <i>firm</i> to check the suitability of a <i>pension transfer</i> or <i>pension opt-out</i> who has passed the required examinations as specified in TC.</p> |
| <p><i>pension wrapper</i> FCA PRA</p> | <p>(in the cancellation rules (■ COBS 15)) a <i>SIPP</i>, <i>pension contract</i> or <i>personal pension product</i>.</p> |
| <p><i>per se eligible counterparty</i> FCA PRA</p> | <p>a <i>client</i> categorised as a per se eligible counterparty in accordance with ■ COBS 3.6.</p> |
| <p><i>per se professional client</i> FCA PRA</p> | <p>a <i>client</i> categorised as a per se professional <i>client</i> in accordance with ■ COBS 3.5.</p> |
| <p><i>percentage ratio</i> FCA PRA</p> | <p>(in LR) (in relation to a transaction) the figure, expressed as a percentage, that results from applying a calculation under a <i>class test</i> to the transaction.</p> |
| <p>PERG FCA PRA</p> | <p>the Perimeter Guidance manual.</p> |

premium listing
(commercial company)

FCA PRA

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

premium listing
(investment company)

FCA PRA

a *premium listing* of *equity shares* of a *closed-ended investment fund* or of an *open-ended investment company*.

premiums amount

FCA PRA

(for the purposes of INSPRU 1.1), an amount, as defined in INSPRU 1.1.45R, used in the calculation of the *general insurance capital requirement*.

prescribed asset share methodology

FCA PRA

the methodology described in ■ COBS 20.2.5 R for assessing maturity payments by reference to unsmoothed asset shares.

prescribed auction platform

FCA PRA

an auction platform which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order*.

prescribed market

FCA PRA

a market which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order*

Prescribed Markets and Qualifying Investments Order

FCA PRA

the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996).

prescribed pricing basis

FCA PRA

(in relation to a *derivative contract*, or *quasi-derivative contract*), the pricing basis set out in ■ IPRU(INS) 4.12R(8) (Derivative contracts) as that rule was in force on 30 December 2004 .

previous regulator

FCA PRA

(1) (in relation to a *firm* which was authorised under the Banking Act 1987 immediately before *commencement* or which was a European institution (as defined in the Banking Coordination (Second Council Directive) Regulations 1992) immediately before *commencement*) the FSA.

(2) (in relation to a *firm* which was a *building society* immediately before *commencement*) the *Building Societies Commission*.

(3) (in relation to a *firm* which was a *friendly society* immediately before *commencement*) the *Friendly Societies Commission*.

(4) (in relation to a *firm* authorised under the Insurance Companies Act 1982 immediately before *commencement*) the Treasury.

(5) (in relation to an *underwriting agent* which obtained the *permission* relevant to that category under the Financial Services and Markets Act 2000 (Repeals, Transitional Provisions and Savings) Order 2001 (SI 2001/2636)) the *Society of Lloyd's*.

(6) (in relation to a *firm* which was authorised, or which was an *appointed representative*, under the Financial Services Act 1986 immediately before *commencement* or which was a European investment firm (as defined in the Investment Services Regulations 1995 (SI 1995/3275)) immediately before *commencement*) any of:

- (a) *IMRO*;
- (b) *PIA*;
- (c) *SFA*;
- (d) a *recognised professional body*; and
- (e) the *FSA*;

if the *firm* (or, if relevant, its principal for the purposes of section 44 of the Financial Services Act 1986) was subject in carrying on business to the rules, requirements, regulations or guidance of that body.

(7) (in relation to an *ex-section 43 firm*) the *FSA*.

(8) (in relation to a *firm* which was authorised under the *Act* immediately before 1 April 2013) the *FSA*.

price

FCA **PRA**

(in *COLL*)

(in relation to a *unit* in an *authorised fund*) the price of the *unit* calculated in accordance with **■ COLL 6.3** (Valuation and pricing).

price information

FCA **PRA**

(in *MCOB*) information, in a *financial promotion*, that relates to:

- (a) any rate of charge; or
- (b) the presence or absence of any payments, fees or charges (other than the fees for advising on or *arranging a regulated mortgage contract* as required by **■ MCOB 3.6.27 R**); or
- (c) the amount, frequency or number of any payments, repayments, fees or charges; or
- (d) any monetary amounts.

price stabilising rules

FCA **PRA**

the *rules* made under section 137Q of the *Act*, and appearing in **■ MAR 2.1** to **■ MAR 2.4**, together with any other provisions available for their interpretation.

primary information provider

FCA

a *person* approved by the *FCA* under section 89P of the *Act*.

primary pooling event

FCA

(1) [deleted]

(2) (in **■ CASS 5**) an event that occurs in the circumstances described in **■ CASS 5.6.5 R** (Failure of the authorised firm: primary pooling event).

(3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.2.2 R (Failure of the authorised firm: primary pooling event).

(4) (in ■ CASS 11) an event that occurs in the circumstances described in ■ CASS 11.13.3 R.

*prime
brokerage
agreement*

FCA PRA

an agreement between a *prime brokerage firm* and a *client* for *prime brokerage services*.

*prime
brokerage firm*

FCA

a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

(1) (except in *FUND*) a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

(2) (in *FUND*) a *credit institution*, regulated *investment firm* or another entity subject to prudential regulation and ongoing supervision, offering services to *professional clients* primarily to finance or execute transactions in *financial instruments* as counterparty and which may also provide other services, such as clearing and settlement of trades, custodial services, *stock lending*, customised technology and operational support facilities.

[Note: article 4(1)(af) of AIFMD]

*prime
brokerage
services*

FCA

a package of services provided under a *prime brokerage agreement* which gives a *prime brokerage firm* a right to use *safe custody assets* for its own account and which comprises each of the following:

- (a) *custody or arranging safeguarding and administration of assets*;
- (b) clearing services; and
- (c) financing, the provision of which includes one or more of the following:
 - (i) capital introduction;
 - (ii) margin financing;
 - (iii) *stock lending*;
 - (iv) stock borrowing;
 - (v) entering into repurchase or reverse repurchase transactions;

and which, in addition, may comprise consolidated reporting and other operational support.

PRIN

FCA PRA

the part of the *Handbook* in High Level Standards that has the title Principles for Businesses.

principal

FCA PRA

(A) In the PRA Handbook:

(1) in relation to a *person* :

- (a) a *person* acting on his own account;
- (b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt, or in him carrying on a *regulated activity* to which sections 20(1) and (1A) and 23(1A) of

the *Act* do not apply, under section 39 of the *Act* (Exemption of appointed representatives).

(2) in relation to an *option*, *future* or forward contract:

(a) (except in the case of an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *option*, *future* or forward contract;

(b) (in relation to an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *future*.

(B) In the FCA Handbook:

(1) in relation to a *person*:

(a) a *person* acting on his own account;

(b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt, or in him carrying on a *regulated activity* to which sections 20(1) and (1A) and 23(1A) of the *Act* do not apply, under section 39 of the *Act* (Exemption of appointed representatives).

(2) in relation to an *option*, *future* or forward contract:

(a) (except in the case of an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *option*, *future* or forward contract;

(b) (in relation to an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *future*.

Principle

FCA PRA

one of the Principles set out in ■ PRIN 2.1.1 R (Principles for Businesses).

Principles and Practices of Financial Management

FCA PRA

the Principles and Practices of Financial Management, containing *with-profits principles* and *with-profits practices*, which a *firm* carrying on *with-profits business* must establish, maintain and record under ■ COBS 20.3 (Principles and Practices of Financial Management).

priority debt

FCA PRA

(in *BCOBS*) an obligation on the part of a *consumer* to make a payment:

(a) where the remedies for a breach of that obligation potentially include seeking possession of, or seeking to exercise a power of sale in respect of:

(i) the sole or main residence of the *consumer* (for example, an obligation to pay secured by a mortgage or charge in respect of land, an obligation to pay rent under a tenancy, or an obligation to make payment under a licence to occupy land); or

(ii) the *consumer's* essential goods or services (for example, an obligation to pay under a hire purchase, conditional sale or hire agreement that relates to, or an obligation to pay secured by a charge on, the *consumer's* cooker, refrigerator, or the means to travel to work); or

private customer

FCA

(b) where that obligation arises out of an order of the court, an Act or secondary legislation (for example, an obligation to pay council tax, child support maintenance, income tax or court fines); or

(c) where that obligation arises under a contract for the provision of utility supplies (for example, water, gas or electricity).

(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):

(1) (except in ■ COB 3, ■ COB 4.2 and ■ COB 6.4) subject to (h), a *client* who is not a market counterparty or an *intermediate customer*, including:

(a) an individual who is not a *firm* ;

(b) an overseas individual who is not an *overseas financial services institution*;

(c) [deleted]

(d) (except for the purposes of *DISP*) a *client* when he is classified as a *private customer* in accordance with ■ COB 4.1.14 R (Client classified as a private customer);

(e) a *person* to whom a *firm* gives *basic advice* ;

(f) (in ■ COB 6.1 to ■ 6.5) where the *regulated activity* (except for a personal recommendation relating to a contribution to a *CTF*) relates to a *CTF* and there is no *registered contact* , the *person* to whom the statement must be sent in accordance with Regulation 10 of the *CTF* Regulations;

(g) (in ■ COB 6.7) where the *regulated activity* (except for a personal recommendation relating to a contribution to a *CTF*) relates to a *CTF* and there is no *registered contact*, the child, via the person to whom the statement must be sent in accordance with Regulation 10 of the *CTF* Regulations;

(h) a *client* who would otherwise be excluded as a market counterparty or *intermediate customer* if the *client* is within (e), (f) or (g);

but excluding a *client* , who would otherwise be a *private customer*:

(i) when he is classified as an *intermediate customer* in accordance with ■ COB 4.1.9 R (Expert private customer classified as an intermediate customer); or

(ii) when the *regulated activity* relates to a *CTF* , any *person* other than (e), (f), (g) or (h).

(2) (in ■ COB 3) a *person* in (1) or a *person* excluded under (1)(h)(ii) or a *person* who would be such a *person* if he were a *client*. (in ■ COB 4.2 and 6.1 to 6.5) a *person* in (1) and, in relation to the conclusion of a *distance contract* , a *consumer*.

(3) (in ■ COB 4.2 and ■ 6.1 to ■ 6.5) a *person* in (1) and, in relation to the conclusion of a *distance contract*, a *consumer*.

(as defined in article 3 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2000 (SI 2001/2256)):

(a) any individual, unless he suffers the loss in question in the course of carrying on:

(i) any *regulated activity*; or

private person

PAGE
P35

FCA

(ii) any activity which would be a *regulated activity* apart from any exclusion made by article 72 of the *Regulated Activities Order* (Overseas persons);

(b) any *person* who is not an individual, unless he suffers the loss in question in the course of carrying on business of any kind;

(c) a relevant recipient of *credit* (within the meaning of article 60L of the *Regulated Activities Order*) who is not an individual and who has suffered the loss in question in connection with an activity of the kind specified by article 36A, 39D, 39E, 39F, 39G, 60B, 60N, 89A or 89B of that Order or article 64 of that Order, so far as relevant to any of those activities; and

(d) a person who is, by virtue of article 36J of the *Regulated Activities Order*, to be regarded as a person who uses, may use, has or may have used or has or may have contemplated using, services provided by *authorised persons* in carrying on a *regulated activity* of the kind specified by article 36H of that Order or article 64 of that Order so far as relevant to that activity;

but not including a government, a local authority (in the *United Kingdom* or elsewhere) or an international organisation; for the purposes of (a), an individual who suffers loss in the course of *effecting or carrying out contracts of insurance* written at Lloyd's is not to be taken to suffer loss in the course of carrying on a *regulated activity*; in this definition:

(A) "government" means:

(I) the government of the *United Kingdom*; or

(II) the Scottish Administration; or

(III) the Executive Committee of the Northern Ireland Assembly; or

(IV) the National Assembly for Wales; or

(V) the government of any country or territory outside the *United Kingdom*;

(B) "international organisation" means any international organisation the members of which include the *United Kingdom* or any other State;

(C) "local authority", in relation to the *United Kingdom*, means:

(I) in England and Wales, a local authority as defined in the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(II) in Scotland, a local authority as defined in the Local Government (Scotland) Act 1973; and

(III) in Northern Ireland, a district council as defined in the Local Government Act (Northern Ireland) 1972.

probability of default

FCA

(in accordance with Article 4(25) of the *Banking Consolidation Directive* (Definitions) and for the purpose of *BIPRU*) the probability of default of a counterparty over a one year period; for the purposes of the *IRB approach*, default has the meaning in the definition of *default*.

probable reserves

FCA PRA

(in *LR*):

(a) in respect of *mineral companies* primarily involved in the *extraction* of oil and gas resources, those reserves which are not yet *proven* but which, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced; and

(b) in respect of *mineral companies* other than those primarily involved in the *extraction* of oil and gas resources, those measured and/or indicated mineral resources, which are not yet *proven* but of which detailed technical and economic studies have demonstrated that *extraction* can be justified at the time of the determination and under specified economic conditions.

procuration fee

FCA PRA

the total amount paid by a *home finance provider* to a *home finance intermediary*, whether directly or indirectly, in connection with providing applications from *customers* to enter into *home finance transactions* with that *home finance provider*.

product provider

FCA PRA

a *firm* which is:

- (i) a *long-term insurer*;
- (ii) a *friendly society*;
- (iii) the *operator* of a *regulated collective investment scheme* or an *investment trust savings scheme*; or
- (iv) the *operator* of a *personal pension scheme* or *stakeholder pension scheme*.

PROF

FCA PRA

the Professional Firms sourcebook.

professional ACS investor

FCA

in relation to an ACS, a *person* who falls within one of the categories (1) to (4) of Section I of Annex II (professional clients for the purpose of that directive) to MiFID.

professional client

FCA PRA

a *client* that is either a *per se professional client* or an *elective professional client* (see ■ COBS 3.5.1 R).

[Note: article 4(1)(12) of MiFID].

professional customer

FCA PRA

a *customer* who works or has recently worked in the home finance sector for at least one year in a professional position, which requires knowledge of the *home finance transactions* or home finance services envisaged, and who the *firm* reasonably believes to be capable of understanding the risks involved in the transaction or transactions contemplated.

professional firm

FCA PRA

a *person* which is:

- (a) an individual who is entitled to practise a profession regulated by a *designated professional body* and, in practising it, is subject to its rules, whether or not he is a member of that body; or
- (b) a *person* (not being an individual) which is controlled or managed by one or more such individuals.

professional negligence capital requirement

FCA

(1) (in ■ IPRU(INV) 11) an amount of *own funds* that a *collective portfolio management firm* must hold professional liability risks as set out in article 14 of the AIFMD level 2 regulation (additional own funds) (as replicated in ■ IPRU(INV) 11.3.14EU) (Professional negligence).

[deleted]

profit and loss figure

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *business day*) a *firm's* actual profit or loss for that day in respect of the trading activities within the scope of the *firm's VaR model permission*, adjusted by stripping out specified

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| | items, as more fully defined in ■ BIPRU 7.10.100 R (Backtesting: Calculating the profit and loss). |
| <i>profit estimate</i> FCA PRA | (in <i>PR</i> and <i>LR</i>) (as defined in the <i>PD Regulation</i>) a profit forecast for a financial period which has expired and for which results have not yet been published. |
| <i>profit forecast</i> FCA PRA | (in <i>PR</i> and <i>LR</i>) (as defined in the <i>PD Regulation</i>) a form of words which expressly states or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for the current financial period and/or financial periods subsequent to that period, or contains data from which a calculation of such a figure for future profits or losses may be made, even if no particular figure is mentioned and the word "profit" is not used. |
| <i>programme</i> FCA PRA | (in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) issues, or series of issues, of <i>covered bonds</i> which have substantially similar terms and are subject to a framework contract or contracts. |
| <i>prohibited period</i> FCA PRA | (in <i>LR</i>) as defined by paragraph 1(e) of the <i>Model Code</i> . |
| <i>prohibition order</i> FCA PRA | an order made under section 56 of the <i>Act</i> (Prohibition orders) which prohibits an individual from performing a specified function, any function falling within a specified description or any function. |
| <i>projection</i> FCA PRA | a projection of the amount of any future benefit payable under a contract or <i>policy</i> , being a benefit the amount of which is not ascertainable under the terms of the contract or <i>policy</i> when the calculation is made. |
| <i>projection date</i> FCA PRA | the date to which the <i>projection</i> is made. |
| <i>projection period</i> FCA PRA | (in <i>COBS</i>) the period covered by a <i>standardised deterministic projection</i> , which begins on the date the investment is reasonably expected to be made and ends on the <i>projection date</i> described in paragraph 2.1 of ■ COBS 13 Annex 2. |
| <i>Promotion of Collective Investment Schemes Order</i> FCA | the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001. |
| <i>property</i> FCA PRA | (in <i>LR</i>) freehold, heritable or leasehold property. |
| <i>property authorised investment fund</i> FCA PRA | an <i>open-ended investment company</i> to which Part 4A of the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964) applies. |

property collective investment undertaking

FCA PRA

(in PR) (as defined in the *PD Regulation*) a collective investment undertaking whose investment objective is the participation in the holding of property in the long term.

property company

FCA PRA

(in LR) a *company* primarily engaged in *property* activities including:

- (a) the holding of *properties* (directly or indirectly) for letting and retention as investments;
- (b) the development of *properties* for letting and retention as investments;
- (c) the purchase and development of *properties* for subsequent sale;
- (d) the purchase of land for development *properties* for retention as investments.

property enterprise trust

FCA PRA

an *unregulated collective investment scheme* of which the underlying assets are land and buildings.

property fund

FCA PRA

- (a) a *regulated collective investment scheme* dedicated to land and interests in land;
- (b) a fund of funds of which one or more of the funds to which it is dedicated falls within (a);
- (c) a constituent part of an umbrella fund which, if it were a separate fund, would fall within (a).

property valuation report

FCA PRA

(in LR) a *property* valuation report prepared by an independent expert in accordance with:

- (1) for an *issuer* incorporated in the *United Kingdom*, the Channel Islands or the Isle of Man, the Appraisal and Valuation Standards (5th edition) issued by the Royal Institution of Chartered Surveyors; or
- (2) for an *issuer* incorporated in any other place, either the standards referred to in paragraph (1) or the International Valuation Standards (7th edition) issued by the International Valuation Standards Committee.

property-linked assets

FCA PRA

in relation to an *insurer*, *long-term insurance assets* that are, for the time being, identified in the records of the *insurer* as being assets by reference to the value of which *property-linked benefits* are to be determined.

property-linked benefits

FCA PRA

benefits other than *index-linked benefits* provided for under a *linked long-term contract of insurance*.

property-linked liabilities

FCA PRA

insurance liabilities in respect of *property-linked benefits*.

proportional reinsurance treaty

a reinsurance treaty under which a pre-determined proportion of each *claim* payment by the cedant under *policies* subject to the treaty is recoverable from the *reinsurer*; *non-proportional reinsurance treaty* is construed accordingly.

FCA PRA

proprietary trader

(in ■ SUP 10 (Approved Persons) and *APER*) a *person* (A) whose responsibilities include committing another *person* (B) as part of B's *proprietary trading*.

FCA PRA

proprietary trading

(in ■ SUP 10A (Approved Persons) and *APER*) *dealing in investments as principal* as part of a business of trading in *specified investments*. For these purposes *dealing in investments as principal* includes any activities that would be included but for the exclusion in Article 15 (Absence of holding out), Article 16 (Dealing in contractually based investments) or, for a *UK AIFM* or *UK UCITS management company*, article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*.

FCA PRA

prospectus

(1) (in *LR* and *PR*, *FEES* and ■ FUND 3 (Requirements for managers of alternative investment funds)) a *prospectus* required under the *prospectus directive*.

FCA PRA

(2) (except in *LR* and *PR*) (in relation to a *collective investment scheme*) a document containing information about the *scheme* and complying with the *requirements* in ■ COLL 4.2.5 R (Table: contents of the prospectus), ■ COLL 8.3.4 R (Table: contents of qualified investor scheme prospectus) or ■ COLL 9.3.2 R (Additional information required in the prospectus for an application under section 272) applicable to a *prospectus* of a *scheme* of the type concerned.

Prospectus Directive

the Directive of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC).

FCA PRA

Prospectus Rules

(as defined in section 73A(4) of the *Act*) *rules* expressed to relate to *transferable securities*.

FCA PRA

protected claim

a *claim* which is covered by the *compensation scheme*, as defined in ■ COMP 5.2.1 R.

FCA PRA

protected contract of insurance

a *contract of insurance* which is covered by the *compensation scheme*, as defined in ■ COMP 5.4.1 R.

FCA PRA

protected deposit

a *deposit* which is covered by the *compensation scheme*, as defined in ■ COMP 5.3.1 R.

FCA PRA

protected dormant account

a *dormant account* which is covered by the *compensation scheme*, as defined in COMP 5.3.2R.

FCA PRA

protected home finance mediation

FCA **PRA**

activities in relation to *home finance transactions* which are covered by the *compensation scheme*, as defined in ■ COMP 5.6.1 R.

protected investment business

FCA **PRA**

designated investment business which is covered by the *compensation scheme*, as defined in ■ COMP 5.5.1 R.

protected items

FCA **PRA**

(as defined in section 413 of the *Act* (Protected items)) communications (and items which they enclose or refer to and which are in the possession of a *person* entitled to possession of them) between:

- (a) a professional legal adviser and his client or any *person* representing his client; or
- (b) a professional legal adviser, his client or any *person* representing his client and any other *person*;

where the communication or the item is made:

- (i) in connection with the giving of legal advice to the client; or
- (ii) in connection with, or in contemplation of, legal proceedings and for the purposes of those proceedings; and

is not held with the intention of furthering a criminal purpose.

protected non-investment insurance mediation

FCA **PRA**

insurance mediation activities which are covered by the *compensation scheme*, as defined in ■ COMP 5.7.1 R.

protection buyer

FCA

(in *BIPRU*) (in relation to a credit derivative and in accordance with paragraph 8 of Annex I of the *Capital Adequacy Directive* (Calculating capital requirements for position risk)) the *person* who transfers credit risk.

protection seller

FCA

(in *BIPRU*) (in relation to a credit derivative and in accordance with paragraph 8 of Annex I of the *Capital Adequacy Directive* (Calculating capital requirements for position risk)) the *person* who assumes the credit risk.

proven reserves

FCA **PRA**

(in *LR*):

- (a) in respect of *mineral companies* primarily involved in the *extraction* of oil and gas resources, those reserves which, on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced; and
- (b) in respect of *mineral companies* other than those primarily involved in the *extraction* of oil and gas resources, those measured mineral resources of which detailed technical and economic studies have demonstrated that *extraction* can be justified at the time of the determination, and under specified economic conditions.

provider of credit information services

FCA

a person *providing credit information services* who has, or ought to have, a *Part 4A permission* to carry on the regulated activity of *providing credit information services*.

provider of credit references

FCA

a person *providing credit references* who has, or ought to have, a *Part 4A permission* to carry on the regulated activity of *providing credit references*.

providing credit information services

FCA

a *regulated activity* of the kind specified in article 89A of the *Regulated Activities Order*.

providing credit references

FCA

the *regulated activity* specified in article 89B of the *Regulated Activities Order*.

providing information in relation to a specified benchmark

FCA

The *regulated activity*, specified in article 63O(1)(a) of the *Regulated Activities Order*, which in summary means making *benchmark submissions*.

providing qualifying credit

FCA PRA

the *controlled activity*, specified in paragraph 10 of Schedule 1 to the *Financial Promotion Order*, of providing *qualifying credit*.

proxy capital resources requirement

FCA PRA

the *minimum capital requirement* to which an *undertaking* would have been subject if it had *permission* for each activity it carries on anywhere in the world, so far as that activity is a *regulated activity*.

PRR

FCA PRA

position risk requirement.

PRR charge

FCA PRA

one of the following:

- (a) the *interest rate PRR*;
- (b) the *equity PRR*;
- (c) the *commodity PRR*;
- (d) the *foreign currency PRR*;

PRR identical product netting rules

FCA **PRA**

- (e) the *option PRR*;
- (f) the *collective investment undertaking PRR*; and
- (g) (if the context requires) the *model PRR*.

the following:

- (a) ■ BIPRU 7.2.37 R (Deriving the net position in each debt security: Netting positions in the same debt security);
- (b) ■ BIPRU 7.2.40 R (Deriving the net position in each debt security: Netting zero-specific-risk securities with different maturities);
- (c) ■ BIPRU 7.3.23 R (Deriving the net position in each equity);
- (d) ■ BIPRU 7.4.20 R and ■ BIPRU 7.4.22 R (Calculating the PRR for each commodity: General);
- (e) ■ BIPRU 7.5.19 R (1) (Open currency position); and
- (f) the obligation under ■ BIPRU 7.5.20 R (Net gold position) to calculate a separate *foreign exchange PRR* charge for gold).

(in BIPRU) a *commodity* or a *CRD financial instrument*.

PRR item

FCA

PRU

FCA **PRA**

the Integrated Prudential Sourcebook

prudential context

FCA **PRA**

(A) In the PRA Handbook:

(1) For the *FCA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

(a) the integrity of the *UK financial system*; or

(b) the ability of the *firm* to meet either:

(i) the "fit and proper" test in *threshold condition 2E* and *3D* (Suitability); or

(ii) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

(2) For the *PRA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

(a) the safety and soundness of *PRA-authorised persons*; or

(b) the ability of the *firm* to meet either:

(i) the "fit and proper" test in *threshold condition 4E* and *5E* (Suitability); or

(ii) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

(B) In the *FCA* Handbook:

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| <p>(1) For the <i>FCA</i>, in relation to activities carried on by a <i>firm</i>, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:</p> <p style="margin-left: 40px;">(a) the integrity of the <i>UK financial system</i>; or</p> <p style="margin-left: 40px;">(b) the ability of the <i>firm</i> to meet either:</p> <p style="margin-left: 80px;">(i) the "fit and proper" test in <i>threshold condition 2E</i> and <i>3D</i> (Suitability); or</p> <p style="margin-left: 80px;">(ii) the applicable requirements and standards under the <i>regulatory system</i> relating to the <i>firm's</i> financial resources.</p> <p>(2) For the <i>PRA</i>, in relation to activities carried on by a <i>firm</i>, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:</p> <p style="margin-left: 40px;">(a) the safety and soundness of <i>PRA-authorised persons</i>; or</p> <p style="margin-left: 40px;">(b) the ability of the <i>firm</i> to meet either:</p> <p style="margin-left: 80px;">(i) the "fit and proper" test in <i>threshold condition 5</i> (Suitability); or</p> <p style="margin-left: 80px;">(ii) the applicable requirements and standards under the <i>regulatory system</i> relating to the <i>firm's</i> financial resources.</p> | <p>a <i>public sector entity</i>.</p> |
| <p><i>PSE</i> FCA PRA</p> | <p>any communication made by or on behalf of the <i>issuer</i> or the <i>stabilising manager</i> being a communication made in circumstances in which it is likely that members of the public will become aware of the communication.</p> |
| <p><i>public announcement</i> FCA PRA</p> | <p>(1) a statement published under section 205 (Public censure) of the <i>Act</i>;</p> <p>(2) a statement of misconduct published under section 66 (Disciplinary powers) of the <i>Act</i>;</p> <p>(3) a statement published under section 123 (Power to impose penalties in cases of market abuse) of the <i>Act</i>;</p> <p>(4) a statement published under section 87M (Public censure of issuer) of the <i>Act</i>, under section 88A (Disciplinary powers: contravention of s88(3)(c) or (e)) of the <i>Act</i> or under section 91 (Penalties for breach of Part 6 rules) of the <i>Act</i>.</p> |
| <p><i>public censure</i> FCA PRA</p> | <p>(1) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) a legal entity of public nature established by an international treaty between sovereign States and of which one or more Member States are members.</p> <p>(2) (in <i>LR</i> and <i>DTR</i>) the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Council of Europe Development Bank, the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Company for the Financing of Railroad Stock, the <i>EU</i>, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Finance</p> |
| <p><i>public international body</i> FCA PRA</p> | <p>(1) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) a legal entity of public nature established by an international treaty between sovereign States and of which one or more Member States are members.</p> <p>(2) (in <i>LR</i> and <i>DTR</i>) the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Council of Europe Development Bank, the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Company for the Financing of Railroad Stock, the <i>EU</i>, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Finance</p> |

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| | <p>Corporation, the International Monetary Fund and the Nordic Investment Bank.</p> |
| <p><i>public offer</i> FCA PRA</p> | <p>an offer of <i>securities</i> to the public and described in the <i>POS Regulations</i>.</p> |
| <p><i>public sector entity</i> FCA</p> | <p>(in accordance with Article 4(18) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) any of the following:</p> <ul style="list-style-type: none"> (a) non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or (b) authorities that exercise the same responsibilities as regional and local authorities; or (c) non commercial <i>undertakings</i> owned by central governments that have explicit guarantee arrangements; or (d) self administered bodies governed by law that are under public supervision. |
| <p><i>public sector issuer</i> FCA PRA</p> | <p>states and their regional and local authorities, <i>state monopolies</i>, <i>state finance organisations</i>, <i>public international bodies</i>, statutory bodies and <i>OECD state guaranteed issuers</i>.</p> |
| <p><i>published recommendation</i> FCA PRA</p> | <p>any publication by or on behalf of a <i>firm</i> (including publication by sound broadcasting or television or other electronic means) which contains:</p> <ul style="list-style-type: none"> (a) the results of research into <i>investments</i>; or (b) analysis of factors likely to influence the future performance of <i>investments</i>; or (c) advice or recommendations based on those results or analysis, including any communication of which the content is common to a number of communications although worded as if it were a <i>personal recommendation</i>. |
| <p><i>pure protection contract</i> FCA PRA</p> | <p>(1) a <i>long-term insurance contract</i> in respect of which the following conditions are met:</p> <ul style="list-style-type: none"> (a) the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity; (b) [deleted] (c) the contract has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium; and (d) the contract makes no provision for its conversion or extension in a manner which would result in it ceasing to comply with (a) or (c); or (e) [deleted] <p>(2) a <i>reinsurance contract</i> covering all or part of a risk to which a <i>person</i> is exposed under a <i>long-term insurance contract</i>.</p> |
| <p><i>pure protection service</i> FCA PRA</p> | <ul style="list-style-type: none"> (a) making a <i>personal recommendation</i> to a <i>consumer</i> in relation to a <i>pure protection contract</i>; (b) arranging for a <i>consumer</i> to enter into a <i>pure protection contract</i>. |
| <p><i>pure reinsurer</i></p> | <p>an <i>insurer</i> whose <i>insurance business</i> is restricted to reinsurance.</p> |

FCA PRA

- (ti) *entering into a regulated credit agreement as lender* (article 60B(1));
- (tj) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2));
- (tk) *entering into a regulated consumer hire agreement as owner* (article 60N(1));
- (tl) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2));
- (tm) *providing credit information services* (article 89A);
- (tn) *providing credit references* (article 89B);

which is carried on by way of business and, except for (ta) and (tb), relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind. or, in the case of (tm) and (tn), is carried on in relation to information about a *person's* financial standing;

- (u) *agreeing to carry on a regulated activity* (article 64);

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (ma), (n), (na), (nb), (nc), (nd), (ne) and (o), is carried on in relation to property of any kind. or, in the case of (tm) and (tn), is carried on in relation to information about a *person's* financial standing.

regulated activity debt

FCA **PRA**

an obligation to pay a sum due and payable under an agreement, the making or performance of which constitutes or is part of a *regulated activity* carried on by an individual who:

- (a) is, or has been, an *authorised person*; or
- (b) is carrying on, or has carried on, a *regulated activity* in contravention of the *general prohibition*.

regulated activity group

FCA **PRA**

A set of one or more *regulated activities* (with associated *investment* types and *customer* types) referred to in ■ SUP 16 to determine a *firm's* or other regulated person's *data item submission* requirements.

regulated agreement

FCA

any *credit agreement* which is not an exempt agreement (see articles 60C to 60H of the *Regulated Activities Order*) or any *consumer hire agreement* which is not an exempt agreement (see articles 60O to 60Q of the *Regulated Activities Order*).

regulated clearing arrangement

FCA

as the context requires, either:

- (a) an arrangement under which a *firm* directly places *client money* in a *client transaction account* that is an *individual client account* or an *omnibus client account* at an *authorised central counterparty*; or
- (b) an arrangement under which a *firm*, acting for a *client* who is also an *indirect client*, directly places *client money* of that *indirect client* in a *client transaction account* that is an *individual client account* or an *omnibus client account* at a *clearing member* for the purposes of having that *clearing member* clear the positions of that *indirect client* through an *authorised central counterparty*.

- (a) an ICVC; or
- (b) an AUT; or
- (ba) an ACS; or
- (c) a *recognised scheme*;

regulated collective investment scheme

FCA **PRA**

regulated consumer credit agreement

PRA

whether or not the *units* are held within an *ISA* or *personal pension scheme*.

in accordance with section 8 of the Consumer Credit Act 1974 (as amended) an agreement between an individual "the debtor" and any other person "the creditor" by which the creditor provides the debtor with credit of any amount and which is not an exempt agreement for the purposes of that Act;

and expressions used in that Act have the same meaning in this definition.

regulated consumer hire agreement

FCA

in accordance with article 60N of the *Regulated Activities Order*, a *consumer hire agreement* which is not an exempt agreement under articles 60O to 60Q of the *Regulated Activities Order*.

regulated covered bond

FCA PRA

(in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a *covered bond* or *programme of covered bonds*, as the case may be, which is admitted to the register of *regulated covered bonds* maintained under Regulation 7(1)(b) of the *RCB Regulations*.

regulated credit agreement

FCA

in accordance with article 60B of the *Regulated Activities Order*, a *credit agreement* which is not an exempt agreement under articles 60C to 60H of the *Regulated Activities Order*.

regulated entity

FCA PRA

one of the following:

- (a) a *credit institution*; or
- (b) a regulated insurance entity; or
- (c) an *investment firm*;

whether or not it is incorporated in, or has its head office in, an *EEA State*.

An *asset management company* is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: *asset management companies*).

An *alternative investment fund manager* is treated as a regulated entity for the purposes described in ■ GENPRU 3.1.39 R (The financial sectors: alternative investment fund managers).

regulated information

FCA PRA

all information which an *issuer*, or any other *person* who has applied for the admission of *financial instruments* to trading on a *regulated market* without the *issuer's* consent, is required to disclose under:

- (a) the *Transparency Directive*;
- (b) article 6 of the *Market Abuse Directive*; or
- (c) *LR*, and *DTR*.

Regulated Information Service

PRA

a Regulated Information Service that is approved by the *FCA* as meeting the Criteria for Regulated Information Services and that is on the list of Regulated Information Services maintained by the *FCA* .

regulated institution

FCA PRA

any of the following:

- (a) an *EEA insurer* or *UK insurer*; or
- (b) an *approved credit institution*; or

regulated
insurance
entity

FCA PRA

(c) a *friendly society* (not within (a)) which is authorised to carry on *insurance business*; or

(d) a *firm* whose *permission* includes dealing in investments as *principal* with respect to *derivatives* which are not *listed*; or

(e) a *MiFID investment firm* whose authorisation (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (d).

an insurance undertaking within the meaning of Article 4 of the *Consolidated Life Directive*, Article 6 of the *First Non-Life Directive* or Article 1(b) of the *Insurance Groups Directive*.

regulated
lifetime
mortgage
contract

FCA PRA

a *regulated mortgage contract* which is a *lifetime mortgage*.

regulated
market

FCA PRA

(1) a multilateral system operated and/or managed by a *market operator*, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in *financial instruments* - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the *financial instruments* admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of *MiFID*.

[Note: article 4(1)(14) of *MiFID*]

(2) (in addition, in *INSPRU* and *IPRU(INS)* only) a market situated outside the *EEA States* which is characterised by the fact that:

(a) it meets comparable requirements to those set out in (1); and

(b) the *financial instruments* dealt in are of a quality comparable to those in a regulated market in the United Kingdom.

regulated
market
transaction

FCA PRA

a transaction concluded by a *firm* on a *regulated market* with another member or participant of that *regulated market*.

regulated
mortgage
activity

FCA PRA

any of the following activities specified in Part II of the *Regulated Activities Order* (Specified Activities):

(a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));

(b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));

(c) *advising on regulated mortgage contracts* (article 53A);

(d) *entering into a regulated mortgage contract* (article 61(1));

(e) administering a regulated mortgage contract (article 61(2));

(f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

regulated mortgage contract

FCA PRA

- (a) (in relation to a contract) a contract which:
- (i) (in accordance with article 61(3) of the *Regulated Activities Order*) at the time it is entered into, meets the following conditions:
- (A) a lender provides credit to an individual or to trustees (the 'borrower'); and
- (B) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the *United Kingdom*, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a *person* who is in relation to the borrower or (in the case of credit provided to trustees) a beneficiary of the trust:
- (I) that *person's* spouse or civil partner; or
- (II) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or
- (III) that *person's* parent, brother, sister, child, grandparent or grandchild ; and
- (ii) is not a *home purchase plan*.
- (b) (in relation to a *specified investment*) the *investment*, specified in article 88 of the *Regulated Activities Order*, which is rights under a *regulated mortgage contract* within (a).

regulated related undertaking

FCA PRA

- a *related undertaking* that is any of the following:
- (a) a *regulated entity*; or
- (b) an *insurance undertaking* which is not a *regulated insurance entity*; or
- (c) an *asset management company*; or
- (d) a *financial institution* which is neither a *credit institution* nor an *investment firm*; or
- (e) a *financial holding company*; or
- (f) an *insurance holding company* ; or
- (g) a *mixed financial holding company*.

regulated sale and rent back activity

FCA PRA

- any of the following *regulated activities*:
- (a) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (b) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (c) *advising on a regulated sale and rent back agreement* (article 53D);
- (d) *entering into a regulated sale and rent back agreement* (article 63J(1));
- (e) *administering a regulated sale and rent back agreement* (article 63J(2)); or

regulated sale and rent back agreement

FCA PRA

(f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements, in relation to which the following conditions are met at the time it is entered into:

(a) the arrangement is one under which a *person* (an agreement provider), buys all or part of the *qualifying interest in land* in the *United Kingdom* from an individual or trustees (the "agreement seller"); and

(b) the agreement seller (if he is an individual) or an individual who is the beneficiary of the trust (if the agreement seller is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling, and intends to do so;

but excluding any arrangement that is a regulated *home reversion plan*.

regulated sale and rent back firm

FCA PRA

a *firm* that carries on any *regulated sale and rent back activity*.

regulated sale and rent back mediation activity

FCA PRA

any of the following *regulated activities*:

(a) *arranging (bringing about) regulated sale and rent back agreements* (article 25E(1));

(b) *making arrangements with a view to regulated sale and rent back agreements* (article 25E(2));

(c) *advising on regulated sale and rent back agreements* (article 53D);

(d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

regulated sale and rent back transaction

FCA PRA

a transaction involving a *regulated sale and rent back agreement* under which a *SRB agreement seller*, in return for the sale of a *qualifying interest in land* in whole or in part to a *SRB agreement provider*, is granted, or any member of his family is granted, a right to occupy the land in question as, or in connection with, a dwelling, and intends so to occupy it.

regulatory basis only life firm

FCA PRA

a *firm* carrying on *long-term insurance business* which is not a *realistic basis life firm*.

regulatory body

FCA PRA

(A) In the PRA Handbook:

any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether in the *United Kingdom* or overseas.

(B) In the FCA Handbook:

(1) (except in *DTR*) any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether in the *United Kingdom* or overseas.

(2) (in *DTR*) an organisation listed in ■ *DTR 8 Annex 1*.

regulatory costs

the periodic fees payable to the *appropriate regulator* by a *participant firm* in accordance with ■ *FEES 4 (Periodic fees)* .

FCA PRA

regulatory
current
liabilities

(in relation to a *with-profits fund*) the regulatory current liabilities of the *with-profits fund* calculated in accordance with INSPRU 1.1.30R.

FCA PRA

Regulatory
Decisions
Committee

a committee of the Board of the FCA, described in ■ DEPP 3.1 (The nature and procedure of the RDC).

FCA PRA

regulatory
excess capital

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.32R .

FCA PRA

regulatory
function

(as defined in section 291 of the Act (Liability in relation to *recognised body's* regulatory functions)) any function of a *recognised body* so far as relating to, or to matters arising out of, the obligations to which the body is subject under or by virtue of the Act and (for an *RAP*) under the *RAP recognition requirements* .

FCA PRA

regulatory high
risk category

(for the purposes of the *standardised approach* to credit risk) an item that falls into ■ BIPRU 3.4.104 R (Items belonging to regulatory high risk categories under the standardised approach to credit risk).

FCA PRA

regulatory
information
service or RIS

(A) In the PRA Handbook:

either:

(a) a *Regulated Information Service*; or

(b) an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* and that disseminates *regulated information* in accordance with the minimum standards set out in [article 12 of the *TD implementing Directive*].

FCA

(B) In the FCA Handbook:

(a) a *primary information provider*; or

(b) an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* and that disseminates *regulated information* in accordance with the minimum standards set out in article 12 of the ; or

(c) a *person* to whom ■ DTR TP 1.22 applies, for as long as ■ DTR TP 1.22 remains in force.

regulatory
objectives

[deleted]

regulatory
provisions

any rules, guidance, arrangements or policy issued by the investment exchange in connection with its business as an investment exchange or in connection with the provision by it of *clearing facilitation services*.

FCA PRA

regulatory surplus

FCA PRA

(in relation to a long-term business fund, or sub-fund) the excess, if any, of the *regulatory value of assets* for the *with-profits fund* over the *regulatory value of liabilities* for that fund.

regulatory surplus value

FCA PRA

has the meaning set out in GENPRU 1.3.48R.

regulatory system

FCA PRA

(A) In the PRA Handbook:

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the *Principles* and other *rules*, the *Statements of Principle*, codes and *guidance* and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive*, the *MiFID Regulation* and the *EU CRR*.

(B) In the FCA Handbook:

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the *Principles* and other *rules*, the *Statements of Principle*, codes and *guidance*, or in or under the *CCA*, and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive*, the *MiFID Regulation* and the *EU CRR*.

regulatory value of assets

FCA PRA

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.24R.

regulatory value of liabilities

FCA PRA

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.29R.

rehabilitation exceptions orders

FCA PRA

the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975, the Rehabilitation of Offenders Act 1974 (Exclusions and Exceptions) (Scotland) Order 2003 and the Rehabilitation of Offenders (Exceptions) Order (Northern Ireland) 1979.

reinsurance

FCA PRA

includes retrocession.

reinsurance contract

FCA PRA

(in ■ COBS 21, ICOBS, ■ CASS 5 and COMP) a *contract of insurance* covering all or part of a risk to which a *person* is exposed under a *contract of insurance*.

Reinsurance Directive

FCA PRA

the Directive of 16 November 2005 of the European Parliament and of the Council (No 2005/68/EC) on reinsurance and amending the *First Non-Life Directive* and the *Third Non-Life Directive* as well as the *Insurance Groups Directive* and the *Consolidated Life Directive*.

reinsurance mediation

FCA PRA

(as defined in article 2.4 of the *Insurance Mediation Directive*) the activities of introducing, proposing or carrying out other work preparatory to the conclusion of contracts of reinsurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by a *IMD reinsurance undertaking* or an employee of a *IMD reinsurance undertaking* who is acting under the responsibility of the *IMD reinsurance undertaking* shall not be considered as *reinsurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing a reinsurance contract, the management of claims of a *IMD reinsurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *reinsurance mediation*.

reinsurance to close

FCA PRA

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

(b) a similar reinsurance agreement or arrangement that has been approved by the *Council* as a reinsurance to close.

reinsurance undertaking

FCA PRA

an *insurance undertaking* whose *insurance business* is restricted to *reinsurance*.

reinsurer

FCA PRA

an *insurance undertaking* whose business includes *effecting or carrying out* contracts of *reinsurance*; includes a retrocessionaire.

related designated investment

FCA PRA

(in relation to a *designated investment* (the "first investment")) a *designated investment* whose value might reasonably be expected to be directly affected by:

(a) any fluctuation in the value of the first investment; or

(b) any *published recommendation* that concerns the first investment.

related financial instrument

FCA PRA

means a *financial instrument*, the price of which is closely affected by price movements in another *financial instrument* which is the subject of *investment research*, and includes a derivative on that other *financial instrument*.

[Note: article 25(2) of the *MiFID implementing Directive*]

related investment

FCA PRA

(as defined in section 130A(3) of the *Act*) in relation to a *qualifying investment*, means an investment whose price or value depends on the price or value of the *qualifying investment*.

related party

FCA PRA

(1) (in *LR*) as defined in ■ LR 11.1.4 R;

(2) (in relation to an agreement seller under a *regulated sale and rent back agreement* or, where the agreement seller is a trustee, a beneficiary of the trust):

(a) that *person's* spouse or civil partner; or

| | |
|----------------------------------|--|
| | (b) a <i>person</i> (whether or not of the opposite sex) whose relationship with that <i>person</i> has the characteristic of the relationship between husband and wife; or |
| | (c) that <i>person's</i> parent, brother, sister, child, grandparent or grandchild. |
| <i>related party circular</i> | (in LR) a <i>circular</i> relating to a <i>related party transaction</i> . |
| FCA PRA | |
| <i>related party transaction</i> | (in LR) as defined in ■ LR 11.1.5 R. |
| FCA PRA | |
| <i>related undertaking</i> | in relation to an <i>undertaking</i> ("U"): |
| FCA PRA | (a) any <i>subsidiary undertaking</i> of U; or |
| | (b) any <i>undertaking</i> in which U or any of U's <i>subsidiary undertakings</i> holds a participation; or |
| | (c) any <i>undertaking</i> linked to U by a <i>consolidation Article 12(1) relationship</i> ; or |
| | (d) any <i>undertaking</i> linked by a <i>consolidation Article 12(1) relationship</i> to an <i>undertaking</i> in (a), (b) or (c). |
| <i>relative</i> | brother, sister, uncle, aunt, nephew, niece, lineal ancestor or lineal descendent. |
| FCA | |
| <i>relevant articles</i> | (in REC): |
| FCA PRA | (1) Article 6.1 to 6.4 of the <i>Market Abuse Directive</i> ; |
| | (2) Articles 3, 5, 7, 8, 10, 14 and 16 of the <i>Prospectus Directive</i> ; |
| | (3) Articles 4 to 6, 14, 16 to 19 and 30 of the <i>Transparency Directive</i> ; and |
| | (4) <i>EU</i> legislation made under the provisions mentioned in (1) to (3). |
| <i>relevant asset pool</i> | (in RCB) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) in relation to a <i>regulated covered bond</i> the <i>asset pool</i> from which the claims attaching to that bond are guaranteed to be paid by the <i>owner</i> of that pool in the event of the failure of the <i>issuer</i> . |
| FCA PRA | |
| <i>relevant business</i> | (A) (In the PRA Handbook) |
| FCA PRA | (1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman Service</i> as provided for in ■ DISP 2.3 (To which activities does the Compulsory Jurisdiction apply) and ■ DISP 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each <i>industry block</i> . |
| | (2) (in relation to information communicated to a client other than a <i>financial promotion</i>) <i>designated investment business</i> . |
| | (3) (in relation to a <i>financial promotion</i>) a <i>controlled activity</i> . |
| | (B) (In the FCA Handbook) |
| | (1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman</i> |

relevant capital
sum

FCA PRA

Service as provided for in ■ DISP 2.3 (To which activities does the Compulsory Jurisdiction apply?) and ■ DISP 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each *industry block*.

(2) (in relation to information communicated to a client other than a *financial promotion*) *designated investment business*.

(3) (in relation to a *financial promotion*) a *controlled activity*.

for the purposes of INSPRU 1.3.34R, the sum under a *contract of insurance* which is:

(a) unless (b) applies:

(i) for whole life assurances, the sum assured;

(ii) for *contracts of insurance* where a sum is payable on maturity (including contracts where a sum is also payable on earlier death), the sum payable on maturity;

(iii) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater);

(iv) for *capital redemption* contracts, the sum payable at the end of the contract period; and

(v) for linked long-term contracts of insurance, notwithstanding (i) to (iv), the lesser of:

(A) the amount for the time being payable on death; and

(B) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the *premiums* remaining to be paid during such of the term of the contract as is appropriate for *zillmerising* or, if such *premiums* are payable beyond the age of seventy-five, until that age;

but excluding in all cases any vested reversionary bonus; and

(b) for temporary assurances, the sum assured on the *actuarial valuation date*.

an *authorised fund* which is:

(a) a registered charity; or

(b) a charitable unit trust scheme under regulation 7(2)(d) of the Income Tax (Definition of Unit Trust Scheme) Regulations 1988.

relevant charitable
scheme

FCA PRA

relevant collateral

FCA PRA

in relation to a transaction:

(a) cash;

(b) letters of credit and guarantees to the extent of their face value, issued by an *approved bank* which is neither a counterparty nor an *associate* of a counterparty;

(c) gold and silver bullion and coinage;

(d) marketable investments;

(e) the performance guarantees issued in support of the securities lending and borrowing programmes of Euroclear and Cedel, in respect only of *exposure* arising from participation in such programmes;

subject in each case to:

(i) the *firm* having an unconditional right to apply or realise the relevant collateral for the purpose of repaying a counterparty's obligations;

(ii) marketable investments:

(A) being marked to market daily using the valuation principles in ■ IPRU(INV) 3.41(9)R;

(B) not being issued by a counterparty nor by an *associate* of a counterparty.

relevant commencement date

FCA PRA

(as defined in article 1 of the *Mortgage and General Insurance Complaints Transitional Order*):

(a) in relation to a complaint which relates to an activity to which, immediately before 14 January 2005, the *GISC facility* applied, the beginning of 14 January 2005;

(b) in relation to a complaint which relates to an activity to which, immediately before 31 October 2004, the *MCAS scheme* applied, the beginning of 31 October 2004.

relevant competent authorities

FCA PRA

(in relation to a *financial conglomerate*) those *competent* authorities which are, or which have been appointed as, relevant *competent* authorities in relation to that *financial conglomerate* under Article 2(17) of the *Financial Groups Directive* (Definitions).

relevant competent authority

FCA PRA

(in relation to a *financial instrument*) means the *competent authority* of the most relevant market in terms of liquidity for that *financial instrument*.

[Note: article 2(7) of *MiFID Regulation*]

relevant complaint

FCA PRA

(1) (in *DISP*) a *relevant existing complaint*, a *relevant new complaint* or a *relevant transitional complaint*.

(2) (in *REC*) (as defined in section 299(2) of the *Act* (Complaints about *recognised bodies*)) a complaint which the *FCA* considers is relevant to the question of whether a *recognised body* should remain a *recognised body*.

relevant credit activity

FCA

an activity of a kind specified as a *relevant credit activity* in paragraph 2G of Schedule 6 to the *Act*.

relevant credit agreement

FCA

a *credit agreement* (within the meaning given by article 60B of the *Regulated Activities Order*) other than a *regulated mortgage contract* or a *regulated home purchase plan* (within the meaning of that Order) (see paragraph 28 of Schedule 1 to the *Financial Promotion Order*).

relevant credit agreement relating to the purchase of land

in accordance with article 60E (7) of the *Regulated Activities Order*:

(a) a *borrower-lender-supplier agreement financing*:

(i) the purchase of *land*; or

FCA

- (ii) the provision of dwellings on *land*;
and secured by a *legal or equitable mortgage* on that *land*;
 - (b) a *borrower-lender agreement* secured by a *legal or equitable mortgage* on *land*; or
 - (c) a *borrower-lender-supplier agreement financing* a transaction which is a *linked transaction* in relation to:
 - (i) an agreement falling within (a), or
 - (ii) an agreement falling within (b) *financing*:
 - (aa) the purchase of *land*; or
 - (bb) the provision of dwellings on *land*,
- and secured by a *legal or equitable mortgage* on the *land* referred to in (a) or the *land* referred to in (c)(ii).

relevant credit exposures

FCA

(in accordance with article 140(4) of CRD) exposures, other than those referred to in article 112(a) to (f) of the EU CRR (Exposure classes), that are subject to:

- (a) the *own funds requirements* for credit risk under Part Three, Title II of the EU CRR;
- (b) where the *exposure* is held in the *trading book*, *own funds requirements* for specific risk under Part Three, Title IV, Chapter 5 of the EU CRR; or
- (c) where the *exposure* is a *securitisation*, the *own funds requirements* under Part Three, Title II, Chapter 5 of the EU CRR.

relevant credit-related complaint

FCA

a *relevant existing credit-related complaint* or a *relevant new credit-related complaint*.

relevant date

FCA PRA

(A) In the PRA Handbook

(in ■ MCOB 10 (Annual percentage rate)):

- (a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to require provision of anything which is the subject of the agreement) the earliest such date;
- (b) (in any other case) the date of making the agreement.

(B) In the FCA Handbook

(1) (in ■ MCOB 10 (Annual percentage rate)):

- (a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to require provision of anything which is the subject of the agreement) the earliest such date;
- (b) (in any other case) the date of making the agreement.

(2) (in ■ CONC App 1.1):

| | |
|--|---|
| <p><i>relevant debts under management</i></p> <p>FCA</p> | <p>(a) where a date is specified in or determinable under a <i>credit agreement</i> at the date of its making as the date on which the <i>borrower</i> is entitled to require provision of anything which is the subject of the <i>credit agreement</i>) the earliest such date;</p> <p>(b) in any other case, the date of making the <i>credit agreement</i>.</p> <p>in relation to a <i>firm</i>, a debt due under a <i>credit agreement</i> or a <i>consumer hire agreement</i> in relation to which the <i>firm</i> is carrying on <i>debt adjusting</i> or an activity connected to that activity.</p> |
| <p><i>relevant EEA details</i></p> <p>FCA PRA</p> | <p>the details listed in regulation 14 of the <i>EEA Passport Rights Regulations</i> and set out in ■ SUP 13 Annex 1 R (Requisite details or relevant details: branches).</p> |
| <p><i>relevant existing complaint</i></p> <p>FCA PRA</p> | <p>(in accordance with the Ombudsman Transitional Order) a complaint which:</p> <p>(a) was referred to a <i>former scheme</i> at any time before <i>commencement</i>, by a person who was at that time entitled, under the terms of the <i>former scheme</i>, to refer such a complaint (whether described in that scheme as the making of a complaint, the referral of a dispute, the submission of a claim, or otherwise); and</p> <p>(b) has not, before <i>commencement</i>, been rejected, withdrawn, settled or determined by the former Ombudsman (whether by a substantive decision, or by closure of the case without a substantive decision).</p> |
| <p><i>relevant existing credit-related complaint</i></p> <p>FCA</p> | <p>a complaint made under the ombudsman scheme before 1 April 2014 which was being dealt with under the <i>Consumer Credit Jurisdiction</i>.</p> |
| <p><i>relevant financial system</i></p> <p>FCA PRA</p> | <p>(in accordance with section 169A(5) of the <i>Act</i> (Support of overseas regulator with respect to financial stability)) a financial system including:</p> <p>(a) financial markets and exchanges;</p> <p>(b) activities that would be <i>regulated activities</i> if carried on in the <i>United Kingdom</i>; and</p> <p>(c) other activities connected with financial markets and exchanges.</p> |
| <p><i>relevant former scheme</i></p> <p>FCA PRA</p> | <p>(as defined in article 2(2) of the <i>compensation transitionals order</i>):</p> <p>(a) in relation to a <i>pending application</i>, the <i>investment business compensation scheme</i> under which the application was made;</p> <p>(b) in relation to an <i>article 9 default</i>, one of the following that applied to the default before <i>commencement</i>:</p> <p>(i) the Policyholders Protection Scheme established by the Policyholders Protection Act 1975;</p> <p>(ii) the Deposit Protection Scheme established by Part II of the Banking Act 1987;</p> <p>(iii) the Building Societies Investor Protection Scheme established by Part IV of the Building Societies Act 1986;</p> |

relevant function

FCA **PRA**

(iv) the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.

(in relation to a *UK recognised body*) an *exempt activity* or a *regulatory function*.

relevant general insurance contract

FCA **PRA**

(in *COMP*) any *general insurance contract* other than:

- (a) [deleted]
- (b) [deleted]
- (c) a contract falling within any of the following classes:
 - (i) *aircraft*;
 - (ii) *ships*;
 - (iii) *goods in transit*;
 - (iv) *aircraft liability*;
 - (v) *liability of ships*;
 - (vi) *credit*.

relevant information

FCA **PRA**

(1) (except in *REC*) (in relation to an *investment*) information which would be likely to be regarded by a *regular user* of the market or auction platform in question as relevant when deciding the terms on which transactions in that *investment* should be effected.

(2) (in *REC*) (in relation to an *investment*) information which is relevant to determining the current value of that *investment* or (in relation to *RAPs*) information on the terms of *emissions auction products* and the terms on which they will be auctioned on an *RAP*.

relevant insurer

FCA **PRA**

in relation to a *community co-insurance operation*, an *insurer* which is concerned in the operation but is not the *leading insurer*.

relevant investment

FCA **PRA**

(1) (in **■** COBS 12.4, in relation to a *research recommendation* or a public appearance), a *designated investment* that is the subject of that *research recommendation* or public appearance,

(2) (other than in **■** COBS 4 or **■** COBS 12.4) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *contractually based investment*;
- (b) a *pure protection contract*;
- (c) a *general insurance contract*;
- (d) rights to or interests in an *investment* falling within (a).

(3) (in **■** COBS 4) a *specified investment* or a *controlled investment*.

relevant issuer

FCA **PRA**

(1) (in relation to a *designated investment* that is the subject of a *research recommendation* or a public appearance) the *issuer* of that *designated investment*; or

(2) (in relation to a *related designated investment* that is the subject of a public appearance) either the *issuer* of the *related designated investment* or the *issuer* of a *designated investment* that might reasonably be expected directly to affect the value of the *related designated investment*.

relevant liquid market

FCA PRA

a market for a share determined in accordance with paragraph 2 and 8 of Article 9 of the *MiFID Regulation*, in many cases this will be the Member State where the share or the unit was first admitted to trading on a regulated market.

[Note: article 9 of the *MiFID Regulation*]

relevant net premium income

FCA PRA

(1) (in relation to business which is not *occupational pension fund management business*) the premium income in respect of *protected contracts of insurance* of a firm; or

(2) (in relation to *occupational pension fund management business*) the remuneration retained by a firm in relation to its carrying on *occupational pension fund management business*

in the year preceding that in which the date for submission of the information under ■ FEES 6.5.13 R falls, net of any relevant rebates or refunds.

relevant new complaint

FCA PRA

(in accordance with the *Ombudsman Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after *commencement* which relates to an act or omission occurring before *commencement* if:

(a) the act or omission is that of a person who was, immediately before *commencement*, subject to a *former scheme*;

(b) the act or omission occurred in the carrying on by that person of an activity to which that *former scheme* applied; and

(c) the complainant is eligible and wishes to have the complaint dealt with under the new scheme;

for the purposes of (c), where the complainant is not eligible in accordance with ■ DISP 2 (Jurisdiction of the Financial Ombudsman Service), an *Ombudsman* may, nonetheless, if he considers it appropriate, treat the complainant as eligible if he would have been entitled to refer an equivalent complaint to the *former scheme* in question immediately before *commencement*.

relevant new credit-related complaint

FCA

(in accordance with the *Regulated Activities Amendment Order*) a complaint made under the ombudsman scheme on or after 1 April 2014:

(a) which relates to an act or omission which took place before 1 April 2014;

(b) which could have been dealt with under the *Consumer Credit Jurisdiction* (disregarding the effect of section 226A(2)(a) and (b) of the *Act*) but for the repeal of section 226A of the *Act*; and

(c) in relation to which the complainant is eligible and wishes for the complaint to be dealt with under the *Financial Ombudsman Service*.

relevant office-holder

FCA PRA

a relevant office-holder as defined in section 189 of the Companies Act 1989, which is in summary:

(a) the official receiver;

(b) (in relation to a company) any *person* acting as its liquidator, provisional liquidator, administrator or administrative receiver;

(c) (in relation to an individual or a debtor within the Bankruptcy (Scotland) Act 1985) a trustee in bankruptcy, interim receiver of property, or permanent or interim trustee in the sequestration of an estate;

(d) any *person* acting as administrator of an insolvent estate of a deceased *person*.

relevant pension scheme

FCA PRA

a *pension scheme* or an *additional voluntary contribution*.

relevant person

FCA PRA

(1) (in COMP) a *person* for *claims* against whom the *compensation scheme* provides cover, as defined in ■ COMP 6.2.1 R.

(2) any of the following:

(a) a *director, partner* or equivalent, manager or *appointed representative* (or where applicable, *tied agent*) of the *firm*;

(b) a *director, partner* or equivalent, or manager of any *appointed representative* (or where applicable, *tied agent*) of the *firm*;

(c) an *employee* of the *firm* or of an *appointed representative* (or where applicable, *tied agent*) of the *firm*; as well as any other natural person whose services are placed at the disposal and under the control of the *firm* or an *appointed representative* or a *tied agent* of the *firm* and who is involved in the provision by the *firm* of *regulated activities*;

(d) a natural person who is directly involved in the provision of services to the *firm* or its *appointed representative* (or where applicable, *tied agent*) under an *outsourcing* arrangement or (in the case of a *management company*) a delegation arrangement to third parties, for the purpose of the provision by the *firm* of *regulated activities* or (in the case of a *management company*) *collective portfolio management*.

[Note: article 2(3) of the *MiFID implementing Directive* and article 3(3) of the *UCITS implementing Directive*]

relevant provisions

FCA

in accordance with article 36A of the *Regulated Activities Order*, articles 60C (exempt agreements: exemptions relating to the nature of the agreement), 60D (exempt agreements: exemption relating to the purchase of land for non-residential purposes), 60E (exempt agreements: exemptions relating to the nature of the lender), 60G (exempt agreements: exemptions relating to the total charge for credit) and 60H (exempt agreements: exemptions relating to the nature of the borrower) of that Order.

relevant scheme

FCA PRA

(1) (except in ■ FEES 6) a *collective investment scheme* managed by an *EEA UCITS management company*.

(2) (in ■ FEES 6) a scheme or arrangement (other than the *compensation scheme*) for the payment of compensation (in certain cases) to customers (including customers outside the *United Kingdom*) of *persons* (including *persons* outside the *United Kingdom*) who provide financial services (including financial services provided outside the *United Kingdom*) or carry on a business connected with the provision of such services.

relevant security

FCA PRA

(1) (in ■ MAR 2, when used with reference to the *Buy-back and Stabilisation Regulation*) (in accordance with Article 2(6) of the *Buy-back and Stabilisation Regulation*) *transferable securities* which are admitted to trading on a *regulated market* or for which a request for admission to trading on a *regulated market* has been made, and which are the subject of a *significant distribution*.

(2) (otherwise in ■ MAR 2) *transferable securities*

(3) [deleted]

relevant transitional complaint

FCA PRA

(A) In the PRA Handbook:

(in accordance with the *Mortgage and General Insurance Complaints Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after the *relevant commencement date* which relates to an act or omission occurring before that date if:

(a) the act or omission is that of a *person* ("R") who, at the time of that act or omission, was subject to a *former scheme*;

- (b) R was an *authorised person* on or after the *relevant commencement date*;
- (c) the act or omission occurred in the carrying on by R of an activity to which that *former scheme* applied; and
- (d) the complainant is eligible and wishes to have the complaint dealt with under the new *scheme*.

(B) In the FCA Handbook:

(in accordance with the *Mortgage and General Insurance Complaints Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after the *relevant commencement date* which relates to an act or omission occurring before that date if:

- (a) the act or omission is that of a *person* ("R") who, at the time of that act or omission, was subject to a *former scheme*;
- (b) R was an *authorised person* on or after the *relevant commencement date*;
- (c) the act or omission occurred in the carrying on by R of an activity to which that *former scheme* applied; and
- (d) the complainant is eligible and wishes to have the complaint dealt with under the new *scheme*.

relevant UK details

FCA **PRA**

the details required in regulation 15 of the *EEA Passport Rights Regulations* and set out in ■ SUP 13 Annex 2 R (Relevant UK details: branches of insurance undertakings).

remedial direction

[deleted]

remuneration

FCA **PRA**

(A) In the PRA Handbook:

any form of remuneration, including salaries, *discretionary pension benefits* and benefits of any kind.

[Note: article 92(2) of the *CRD*]

(B) In the FCA Handbook:

any form of remuneration, including salaries, *discretionary pension benefits* and benefits of any kind.

[Note: article 92(2) of the *CRD*]

Remuneration Code

FCA **PRA**

■ SYSC 19A (Remuneration Code).

Remuneration Code general requirement

FCA **PRA**

■ SYSC 19A.2.1 R.

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Remuneration Code staff

FCA **PRA**

(A) In the PRA Handbook:

(for a *CRR firm* and an *overseas firm* in SYSC 19A1.1.1R(1)(f)) has the meaning given in ■ SYSC 19A.3.4 R

(B) In the FCA Handbook:

| | |
|---|---|
| <p><i>remuneration principles proportionality rule</i></p> <p>FCA PRA</p> | <p>(for a <i>CRR firm</i> and an <i>overseas firm</i> in SYSC 19A1.1.1R(1)(f)) has the meaning given in ■ SYSC 19A.3.4 R</p> <p>(in ■ SYSC 19A) has the meaning given in ■ SYSC 19A.3.3 R.</p> |
| <p><i>renewal</i></p> <p>FCA PRA</p> | <p>carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.</p> |
| <p><i>repayment</i></p> <p>FCA</p> | <p>includes repayment of <i>credit</i> with or without any other amount.</p> |
| <p><i>repayment claim</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>dormant account</i>) a claim for repayment made by virtue of sections 1(2)(b) or 2(2)(b) of the Dormant Bank and Building Society Accounts Act 2008, that is, in summary, that the customer has against the <i>dormant account fund operator</i> whatever right to payment of the <i>balance</i> the customer would have against the <i>bank</i> or <i>building society</i> if the transfer (or in the case of section 2(2)(b), transfers) had not happened. In this definition, 'customer' is the <i>person</i> who held with a <i>bank</i> or <i>building society</i> the <i>balance</i> of a <i>dormant account</i> transferred to a <i>dormant account fund operator</i>.</p> |
| <p><i>repayment mortgage</i></p> <p>FCA PRA</p> | <p>a <i>regulated mortgage contract</i> under which the <i>customer</i> is obliged to make payments of interest and capital which are designed to repay the mortgage in full over the stated term.</p> |
| <p><i>repayment strategy</i></p> <p>FCA PRA</p> | <p>the means by which the <i>customer</i> intends to repay the outstanding capital and, where applicable, pay the interest accrued under the <i>regulated mortgage contract</i>, where all or part of that contract is an <i>interest-only mortgage</i>.</p> |
| <p><i>repo</i></p> <p>FCA PRA</p> | <p>(a) an agreement between a seller and buyer for the sale of <i>securities</i>, under which the seller agrees to repurchase the <i>securities</i>, or equivalent <i>securities</i>, at an agreed date and, usually, at a stated price;</p> <p>(b) an agreement between a buyer and seller for the purchase of <i>securities</i>, under which the buyer agrees to resell the <i>securities</i>, or equivalent <i>securities</i>, at an agreed date and, usually, at a stated price.</p> |
| <p><i>reporting accountant</i></p> <p>FCA PRA</p> | <p>an accountant appointed:</p> <p>(a) by the <i>appropriate regulator</i> ; or</p> <p>(b) by a <i>firm</i> , having been nominated or approved by the <i>appropriate regulator</i> under section 166 of the <i>Act</i> (Reports by skilled persons); or</p> <p>(c) by an applicant for <i>Part 4A permission</i> ;</p> <p>to report on one or more aspects of the business of a <i>firm</i> or applicant, such as its financial position, including <i>internal controls</i> and reporting returns.</p> |
| <p><i>reporting level</i></p> <p>FCA PRA</p> | <p>(in ■ SUP 16 (Reporting requirements) and in relation to a <i>data item</i>) refers to whether that <i>data item</i> is prepared on a solo basis or on the basis of a group such as a <i>UK DLG by modification</i> and, if it is prepared on the basis of a group, refers to the type of group (such as a <i>UK DLG by modification</i> or a <i>non-UK DLG by modification (firm level)</i>).</p> |

repossess

FCA PRA

(in MCOB) take possession of the property that is the subject of a *regulated mortgage contract* or *home purchase plan*.

representative

FCA PRA

(1) an individual who:

(a) is appointed by a *firm*, or by an *appointed representative* of a *firm*, to carry on any of the following activities:

- (i) *advising on investments*;
- (ii) providing *basic advice* on *stakeholder products*;
- (iii) *arranging (bringing about) deals in investments*;
- (iv) dealing in investments; or

(b) although not appointed to do so, carries on any of the activities in (i) to (iii) on behalf of a *firm* or its *appointed representative*.

(2) (in IPRU(INV) 13 in relation to *designated investment business*) an individual appointed by a provider firm or by an *appointed representative* or *tied agent* of that *firm* to carry out either or both of the following activities:

- (a) giving *advice on investments* to *customers* on the merits of *packaged products* offered by that *firm* (or any other provider firm within the same *marketing group*); or
- (b) *arranging (bringing about) deals in investments* in relation to those products.

(3) In (2), a provider firm is a *firm* that is:

- (a) a *product provider*; or
- (b) a *marketing group associate*.

*representative
APR*

FCA

an APR at or below which the *firm communicating* or *approving the financial promotion* reasonably expects, at the date on which the promotion is *communicated* or *approved*, that *credit* would be provided under at least 51% of the *credit agreements* which will be entered into as a result of the promotion.

*repurchase
agreement*

FCA PRA

see *repurchase transaction*.

*repurchase
transaction*

FCA PRA

(A) In the PRA Handbook:

(in accordance with Article 3(1)(m) of the *Capital Adequacy Directive* and Article 4(33) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) any agreement in which an *undertaking* or its counterparty transfers securities or *commodities* or guaranteed rights relating to title to securities or *commodities* where that guarantee is issued by a *designated investment exchange* or *recognised investment exchange* which holds the rights to the securities or *commodities* and the agreement does not allow an *undertaking* to transfer or pledge a particular security or *commodity* to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or *commodities* of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a *repurchase agreement* for the *undertaking* selling the securities or *commodities* and a *reverse repurchase agreement* for the *undertaking* buying them.

(B) In the FCA Handbook:

| | |
|---|---|
| <p>(in accordance with Article 3(1)(m) of the <i>Capital Adequacy Directive</i> and Article 4(33) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) any agreement in which an <i>undertaking</i> or its counterparty transfers securities or <i>commodities</i> or guaranteed rights relating to title to securities or <i>commodities</i> where that guarantee is issued by a <i>designated investment exchange</i> or <i>recognised investment exchange</i> which holds the rights to the securities or <i>commodities</i> and the agreement does not allow an <i>undertaking</i> to transfer or pledge a particular security or <i>commodity</i> to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or <i>commodities</i> of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a <i>repurchase agreement</i> for the <i>undertaking</i> selling the securities or <i>commodities</i> and a <i>reverse repurchase agreement</i> for the <i>undertaking</i> buying them.</p> | |
| <p><i>required percentage</i> FCA PRA</p> | <p>the <i>required percentage</i> referred to in ■ COBS 20.2.17 R is, for each <i>with-profits fund</i>:</p> <p>(a) the percentage (if any) required in respect of that fund by:</p> <p style="padding-left: 20px;">(i) the <i>firm's</i> articles of association, registered rules or other equivalent instrument; or</p> <p style="padding-left: 20px;">(ii) a relevant order made by a court of competent jurisdiction;</p> <p>(b) if (a) does not apply, the percentage that reflects the <i>firm's</i> established practice, if it has one;</p> <p>(c) if (a) and (b) do not apply, not less than 90 per cent.</p> |
| <p><i>requirement</i> FCA PRA</p> | <p>a requirement included in a firm's <i>Part 4A permission</i> under section 55L(3) of the <i>Act</i> (Imposition of requirements by the FCA), section 55M(3) of the <i>Act</i> (Imposition of Requirements by the PRA) or section 55O of the <i>Act</i> (Imposition of requirements on acquisition of control) .</p> |
| <p><i>requiring or encouraging</i> FCA PRA</p> | <p>taking or refraining from taking any action which requires or encourages another <i>person</i> to engage in <i>behaviour</i> which, if engaged in by the <i>person</i> requiring or encouraging, would amount to <i>market abuse</i>.</p> |
| <p><i>requisite details</i> FCA PRA</p> | <p>the details required in regulation 1 of the <i>EEA Passport Rights Regulations</i> and set out in ■ SUP 13 Annex 1 R (Requisite details: branches).</p> |
| <p><i>research recommendation</i> FCA PRA</p> | <p>research or other information:</p> <p>(a) concerning one or several <i>financial instruments</i> admitted to trading on <i>regulated markets</i> , or in relation to which an application for admission to trading has been made, or <i>issuers</i> of such <i>financial instruments</i>;</p> <p>(b) intended for distribution so that it is, or is likely to become, accessible by a large number of <i>persons</i>, or for the public, but not including:</p> <p style="padding-left: 20px;">(i) an informal short-term investment personal recommendation expressed to <i>clients</i>, which originates from inside the sales or trading department, and which is not likely to become publicly available or available to a large number of persons; or</p> <p style="padding-left: 20px;">(ii) advice given by a <i>firm</i> to a <i>body corporate</i> in the context of a <i>takeover bid</i> and disclosed only as a result of compliance with a legal or regulatory obligation, including rule 3 of the <i>Takeover Code</i> or its equivalents outside the <i>UK</i>; and</p> <p>(c) which:</p> |

- (i) explicitly or implicitly, recommends or suggests an investment strategy; or
- (ii) directly or indirectly, expresses a particular investment recommendation; or
- (iii) expresses an opinion as to the present or future value or price of such instruments.

In this definition, "financial instruments" means the following (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

- (a) *transferable securities*;
- (b) units in collective investment undertakings;
- (c) *money-market instruments*;
- (d) financial futures contracts, including equivalent cash-settled instruments;
- (e) forward interest-rate agreements;
- (f) interest-rate, currency and equity swaps;
- (g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;
- (h) derivatives on commodities; and
- (i) any other instrument admitted to trading on a regulated market in an *EEA State* or for which a request for admission to trading on such a market has been made.

resecuritisation

FCA **PRA**

in ■ BIPRU 7 and ■ 9, a *securitisation* where the risk associated with an underlying pool of *exposures* is *tranching* and at least one of the underlying *exposures* is a *securitisation position*.

[Note: *BCD*, Article 4(40a)]

resecuritisation position

FCA **PRA**

in ■ BIPRU 7 and ■ 9, an *exposure* to a *resecuritisation*.

[Note: *BCD*, Article 4(40b)]

residual CIS operator

FCA

a *firm* with a *Part 4A permission* to carry on the activity specified in article 51ZE (Establishing etc. a collective investment scheme) of the *Regulated Activities Order*.

resilience capital requirement

FCA **PRA**

the capital component for *long-term insurance business* calculated in accordance with the *rules* in INSPRU 3.1.9G to INSPRU 3.1.26R.

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respondent

FCA **PRA**

(A) In the PRA Handbook:

- (1) (in *DISP*, ■ FEES 5 and ■ CREDS 9) a *firm* (except a *UCITS qualifier*), *payment service provider*, *electronic money issuer* or *VJ participant* covered by the *Compulsory Jurisdiction*, or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

(2) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, as a result of section 226 of the *Act*:

(a) an *unauthorised person* who was formerly a *firm* in respect of a *complaint* about an act or omission which occurred at the time when the *firm* was *authorised*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question;

(b) [deleted]

(c) a *person* who was formerly a *payment service provider* in respect of a *complaint* about an act or omission which occurred at the time when it was a *payment service provider*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question; and

(d) a *person* who was formerly an *electronic money issuer* in respect of a *complaint* about an act or omission which occurred at the time when it was an *electronic money issuer*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question.

(3) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Ombudsman Transitional Order*, an *unauthorised person* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(4) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, a former *firm* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(5) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and relevant new credit-related complaints.

(B) In the FCA Handbook:

(1) (in *DISP*, ■ FEES 5 and ■ CREDS 9) a *firm* (except an *AIFM qualifier* or a *UCITS qualifier*), *payment service provider*, *electronic money issuer*, or *VJ participant* covered by the *Compulsory Jurisdiction*, *Consumer Credit Jurisdiction* or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

(2) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, as a result of section 226 of the *Act*:

(a) an *unauthorised person* who was formerly a *firm* in respect of a *complaint* about an act or omission which occurred at the time when the *firm* was *authorised*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question;

[deleted]

(c) a *person* who was formerly a *payment service provider* in respect of a *complaint* about an act or omission which occurred at the time when it was a *payment service provider*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question; and

(d) a *person* who was formerly an *electronic money issuer* in respect of a *complaint* about an act or omission which occurred at the time when it was an *electronic money issuer*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question.

responsible
person

FCA PRA

(3) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Ombudsman Transitional Order*, an *unauthorised person* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(4) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, a former *firm* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(5) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and *relevant new credit-related complaints*.

(1) (except in COMP) (as defined in section 3(8) of the Child Trust Funds Act 2004) a *person* with *parental responsibility* in relation to a child under 16 who is not:

(a) a local authority or, in Northern Ireland, an authority within the meaning of the Children (Northern Ireland) Order 1995 (SI 1995/755 (NI 2)); or

(b) a *person* under 16.

(2) (in COMP) (in accordance with section 3 (1) of the Compensation Act 2006) a *person* who has negligently or in breach of statutory duty caused or permitted another *person* to be exposed to asbestos (including an *insurer* of such a *person*).

restricted
advice

FCA PRA

(a) a *personal recommendation* to a *retail client* in relation to a *retail investment product* which is not *independent advice*; or

(b) *basic advice*.

restricted credit

FCA PRA

a loan for which, as a result of an existing arrangement between a supplier and a *firm*, the *customer's* application to the *firm* is submitted through the supplier and the terms of the loan require that it be paid to the supplier for goods or services supplied to the *customer*, not including loans secured by a charge over land or loans or payments by *plastic card* (other than a *store card*).

restricted-use
credit
agreement

FCA

(1) (except in CONC) (in accordance with section 11 of the Consumer Credit Act 1974) an agreement:

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

(b) to finance a transaction between the *customer* and a person (the 'supplier') other than the *firm*;

(c) to refinance any existing indebtedness of the *customer's*, whether to the *firm* or another *person*.

(2) (in CONC) a *credit agreement*:

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

(b) to *finance* a transaction between the *borrower* and a ("the supplier") other than the *lender*; or

(c) to *refinance* any existing indebtedness of the *borrower's*, whether to the *lender* or another *person*,

and

(d) an agreement may fall within (b) even though the identity of the supplier is unknown at the time the agreement is made,

but

| | |
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| <p><i>restriction notice</i></p> <p>FCA PRA</p> | <p>(e) a <i>credit agreement</i> is not a restricted-use <i>credit</i> agreement if the credit is in fact provided in such a way as to leave the <i>borrower</i> free to use it as the <i>borrower</i> chooses, even though certain uses would contravene that or any other agreement.</p> <p>a notice served under sections 191B or 301J of the <i>Act</i>.</p> |
| <p><i>retail (investment) customer</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>firm's permission</i> and the <i>Financial Services Register</i>) a <i>retail client</i>.</p> |
| <p><i>retail (non-investment insurance) customer</i></p> <p>FCA PRA</p> | <p>(in relation to a <i>firm's permission</i> and the <i>Financial Services Register</i>) a <i>consumer</i> or a <i>customer</i> acting in the capacity of both a <i>consumer</i> and a <i>commercial customer</i> (see ■ ICOBS 2.1.3 G).</p> |
| <p><i>retail banking service</i></p> <p>FCA PRA</p> | <p>an arrangement with a <i>banking customer</i>, under which a <i>firm</i> agrees to accept a <i>deposit</i> from a <i>banking customer</i> on terms to be held in an account for that customer, and to provide services in relation to that <i>deposit</i> including but not limited to repayment to the customer.</p> |
| <p><i>retail client</i></p> <p>FCA PRA</p> | <p>(A) in the <i>PRA Handbook</i>:</p> <p>(1) (other than in relation to the <i>provision of basic advice on stakeholder products</i>) in accordance with ■ COBS 3.4.1 R, a <i>client</i> who is neither a <i>professional client</i> or an <i>eligible counterparty</i>; or</p> <p>[Note: article 4(1)(12) of <i>MiFID</i>]</p> <p>(2) (in relation to the provision of <i>basic advice</i> on a <i>stakeholder product</i> and in accordance with article 52B of the <i>RAO</i>) any <i>person</i> who is advised by a <i>firm</i> on the merits of opening or buying a <i>stakeholder product</i> where the advice is given in the course of a business carried on by that <i>firm</i> and it is received by a <i>person</i> not acting in the course of a business carried on by him.</p> <p>(B) in the <i>FCA Handbook</i>:</p> <p>(1) (other than in relation to the <i>provision of basic advice on stakeholder products</i> or to <i>credit-related regulated activities</i>) in accordance with ■ COBS 3.4.1 R, a <i>client</i> who is neither a <i>professional client</i> or an <i>eligible counterparty</i>; or</p> <p>[Note: article 4(1)(12) of <i>MiFID</i>]</p> <p>(2) (in relation to the provision of <i>basic advice</i> on a <i>stakeholder product</i> and in accordance with article 52B of the <i>RAO</i>) any <i>person</i> who is advised by a <i>firm</i> on the merits of opening or buying a <i>stakeholder product</i> where the advice is given in the course of a business carried on by that <i>firm</i> and it is received by a <i>person</i> not acting in the course of a business carried on by him; or</p> <p>(3) (in relation to <i>credit-related regulated activity</i>) a <i>customer</i>.</p> |

retail customer

FCA PRA

(in accordance with the meaning of 'consumer' in article 2(d) of the *Distance Marketing Directive* an individual who is acting for purposes which are outside his trade, business or profession.

retail exposure

FCA PRA

(1) (in relation to the *IRB approach* and with respect to an *exposure*) an *exposure* falling into the *IRB exposure class* listed in ■ BIPRU 4.3.2 R (4) (Retail exposures).

(2) (in relation to the *standardised approach* to credit risk and with respect to an *exposure*) an *exposure* falling into the *standardised credit risk exposure class* listed in ■ BIPRU 3.2.9 R (8) (Retail exposures).

retail investment

FCA PRA

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme*; or
- (ca) a *personal pension scheme*; or
- (d) an interest in an *investment trust savings scheme*; or
- (e) a *structured capital-at-risk product*.

retail investment activity

FCA PRA

- (a) *advising on investments*;
- (b) *arranging (bringing about) deals in investments*; or
- (c) *making arrangements with a view to transactions in investments*,

in relation to *retail investments*, except when carried on by a *firm* exclusively with or for *professional client* or *eligible counterparties*.

retail investment adviser

FCA PRA

an *employee* who carries on activities 2, 3, 4, 6, 12 and 13 in ■ TC Appendix 1.1.1 R (other than in relation to a *Holloway sickness policy* where the *Holloway policy special application conditions* are met).

retail investment firm

FCA PRA

a *firm* that has *permission* to carry on an activity which is a *retail investment activity*.

retail investment product

FCA PRA

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme* (including a *group stakeholder pension scheme*); or
- (d) a *personal pension scheme* (including a *group personal pension scheme*); or
- (e) an interest in an *investment trust savings scheme*; or
- (f) a *security* in an *investment trust*; or
- (g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or
- (h) a *structured capital-at-risk product*;

whether or not any of (a) to (h) are held within an *ISA* or a *CTF*.

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| | [Note: Section 238 of the <i>Act</i> and ■ COBS 4.12.3 R set out restrictions on the promotion of <i>non-mainstream pooled investments</i> to <i>retail clients</i> . See also ■ COBS 9.3.5 G (Non-mainstream pooled investments).] |
| <i>retail pool</i> | the pool of <i>classes</i> to which the <i>FSCS</i> allocates levies as described in ■ FEES 6.5A [<i>to follow</i>]. |
| <i>retail securitised derivative</i> FCA PRA | a <i>securitised derivative</i> which is not a specialist securitised derivative; in this definition, a "specialist securitised derivative" is a <i>securitised derivative</i> which, in accordance with the <i>listing rules</i> , is required to be admitted to listing with a clear statement on any disclosure document that the issue is intended for a purchase by only investors who are particularly knowledgeable in investment matters. |
| <i>retail SME</i> FCA PRA | (1) (in relation to the <i>IRB approach</i>) a small or medium sized entity, an <i>exposure</i> to which may be treated as a <i>retail exposure</i> under ■ BIPRU 4.6.2 R (Definition of retail exposures). (2) (in relation to the <i>standardised approach</i> to credit risk) a small or medium sized entity, an <i>exposure</i> to which may be treated as a retail exposure under ■ BIPRU 3.2.10 R (Definition of retail exposures). |
| <i>retail SME exposure</i> FCA PRA | (in relation to the <i>IRB approach</i> or the <i>standardised approach</i> to credit risk) an <i>exposure</i> to a <i>retail SME</i> . |
| <i>retirement annuity</i> FCA PRA | an individual <i>pension policy</i> effected before 1 July 1988 by a self-employed <i>person</i> or a <i>person</i> in non-pensionable employment which was approved under Chapter III, Part XIV of the Income and Corporation Taxes Act 1988 (when sections 618 to 628 of that Chapter were in force). |
| <i>retirement fund</i> FCA PRA | the amount which will be available, at the date on which the investor retires, for the provision of benefits. |
| <i>return</i> FCA PRA | the documents required (taken together) to be deposited under <i>IPRU(INS) rule 9.6(1)</i> . |
| <i>reverse repurchase agreement</i> FCA PRA | see <i>repurchase transaction</i> . |
| <i>reverse takeover</i> FCA PRA | (in <i>LR</i>) a transaction classified as a <i>reverse takeover</i> under ■ LR 5.6. |
| <i>reversion activity</i> FCA PRA | any of the <i>regulated activities</i> of: (a) <i>arranging (bringing about) a home reversion plan</i> (article 25B(1)); (b) <i>making arrangements with a view to a home reversion plan</i> (article 25B(2)); (c) <i>advising on a home reversion plan</i> (article 53B); (d) <i>entering into a home reversion plan</i> (article 63B(1)); |

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|---|--|
| <p><i>reversion administrator</i></p> <p>FCA PRA</p> | <p>(e) <i>administering a home reversion plan</i> (article 63B(2)); or</p> <p>(f) <i>agreeing to carry on a regulated activity</i> in (a) to (e) (article 64).</p> <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a home reversion plan</i>.</p> |
| <p><i>reversion adviser</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home reversion plan</i>.</p> |
| <p><i>reversion arranger</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home reversion plan</i>.</p> |
| <p><i>reversion intermediary</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>reversion mediation activity</i>.</p> |
| <p><i>reversion mediation activity</i></p> <p>FCA PRA</p> | <p>any of the following <i>regulated activities</i>:</p> <p>(a) <i>arranging (bringing about) a home reversion plan</i> (article 25B(1));</p> <p>(b) <i>making arrangements with a view to a home reversion plan</i> (article 25B(2));</p> <p>(c) <i>advising on a home reversion plan</i> (article 53B); or</p> <p>(d) <i>agreeing to carry on a regulated activity</i> in (a) to (c) (article 64).</p> |
| <p><i>reversion occupier</i></p> <p>FCA PRA</p> | <p>the individual (or trustees), specified in article 63B(3) of the <i>Regulated Activities Order</i>, who in summary:</p> <p>(a) is (or are) the <i>person</i> (or <i>persons</i>) from whom all or part of an interest in land is bought as part of an arrangement comprising a <i>home reversion plan</i>; and</p> <p>(b)</p> <p style="padding-left: 20px;">(i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or</p> <p style="padding-left: 20px;">(ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).</p> |
| <p><i>reversion provider</i></p> <p>FCA PRA</p> | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>entering into a home reversion plan</i>.</p> |
| <p>PAGE R39 <i>revolving exposure</i></p> <p>FCA PRA</p> | <p>(for the purpose of ■ BIPRU 9.13 (Securitisations of revolving exposures with early amortisation provisions) and in accordance with Article 100 of the Banking Consolidation Directive (Securitisations of revolving exposures)) an <i>exposure</i> whereby customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.</p> |
| <p>RIE</p> | <p><i>recognised investment exchange</i>.</p> |

FCA PRA

right of set-off

FCA PRA

(in BCOBS) any right of a *firm*, whether under a contract for a *retail banking service* or the general law, to set off or combine:

- (a) any debt due from a *consumer*; or
- (b) any debit balance on an account held by a *consumer*;

against or with:

- (c) any sum payable by the *firm* to the *consumer*; or
- (d) any credit balance on an account held by the *consumer*;

that has the effect of reducing, discharging or extinguishing the *firm's* liability to the *consumer* or the credit balance on the account held by the *consumer*.

rights issue

FCA PRA

(in LR and ■ DTR 5) an offer to existing *security* holders to subscribe or purchase further *securities* in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as "nil paid" rights) for a period before payment for the *securities* is due.

rights to or interests in investments

FCA PRA

the *investment*, specified in article 89 of the *Regulated Activities Order* (Rights to or interests in investments), which is in summary: any right to or interest in any other *specified investment*, but excluding:

- (a) interests under the trusts of an *occupational pension scheme*;
- (b) rights to or interests in a *contract of insurance* of the kind referred to in paragraph (1)(a) of article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements), or interests under a trust of the kind referred to in paragraph 1(b) of article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements);
- (c) any other *specified investment*.

risk capital margin

FCA PRA

the risk capital margin for a *with-profits fund* calculated in accordance with the *rules* in INSPRU 1.3.43R to INSPRU 1.3.103G.

risk capital requirement

FCA

(1) (in relation to the *FCA's rules*) one of the following:

- (a) the *credit risk capital requirement*;
- (b) the *fixed overheads requirement*;
- (c) the *market risk capital requirement*; or

(2) (in relation to the rules of another *regulatory body*) whatever corresponds to the items in (1) under the rules of that *regulatory body*.

risk concentration

FCA PRA

(in accordance with Article 2(19) of the *Financial Groups Directive* (Definitions)) all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position in general of the *regulated entities* in the *financial conglomerate*, whether such exposures are caused by counterparty risk /credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of these risks.

risk control rules

FCA

■ IFPRU 2.2.58 R to ■ IFPRU 2.2.60 R.

risk factors

FCA **PRA**

(in *PR*) (as defined in the *PD Regulation*) a list of risks which are specific to the situation of the issuer and/or the securities and which are material for taking investment decisions.

risk limit system

FCA **PRA**

(in *COLL* and in accordance with article 40(2)(d) of the *UCITS implementing Directive*) a documented system of internal limits concerning the measures used by a *management company* to manage and control the relevant risks for each *UCITS* it manages, taking into account all the risks which may be material to the *UCITS*, as referred to in the second paragraph of article 38(1) of the *UCITS implementing Directive* and ensuring consistency with the *UCITS'* risk profile.

risk of excessive leverage

FCA

has the meaning in article 4(1)(94) of the *EU CRR*.

risk position

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13** (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a risk number that is assigned to a transaction under the *CCR standardised method* following a predetermined algorithm.

risk weight

FCA **PRA**

(A) In the PRA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with :

(a) whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under **■ BIPRU 9** (Securitisation); or

(b) (for a *firm* to which **■ MIPRU 4** applies),
■ MIPRU 4.2A.10 R to **■ MIPRU 4.2A.13 R**.

(B) In the FCA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with :

(a) whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under **■ BIPRU 9** (Securitisation); or

(b) (for a *firm* to which **■ MIPRU 4** applies),
■ MIPRU 4.2A.10 R to **■ MIPRU 4.2A.13 R**.

risk weighted exposure amount

FCA **PRA**

(A) In the PRA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) the value of an *exposure* for the purposes of the calculation of (in the case of a *BIPRU firm*) the *credit risk capital component* or (in the case of a *firm* to which **■ MIPRU 4** applies) the credit risk capital requirement under **■ MIPRU 4.2A.4 R**, in both cases after application of a *risk weight*.

(B) In the FCA Handbook:

(in relation to an *exposure* for the purposes of *BIPRU*) the value of an *exposure* for the purposes of the calculation of (in the case of a *BIPRU firm*) the *credit risk capital component* or (in the case of a

RMAR

FCA PRA

firm to which ■ MIPRU 4 applies) the credit risk capital requirement under ■ MIPRU 4.2A.4 R, in both cases after application of a *risk weight*.

(in *SUP*) a Retail Mediation Activities Return, containing data specified in ■ SUP 16 Annex 18A and relevant to the *firm's* type and *regulated activities*.

ROIE

FCA PRA

recognised overseas investment exchange.

*rolling spot
forex contract*

FCA PRA

either of the following:

(a) a *future*, other than a *future* traded or expressed to be as traded on a *recognised investment exchange*, where the property which is to be sold under the contract is foreign exchange or sterling; or

(b) a *contract for differences* where the profit is to be secured or loss avoided by reference to fluctuations in foreign exchange; and

in either case where the contract is entered into for the purpose of speculation.

rollover risk

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the amount by which *expected positive exposure* is understated when future transactions with a counterparty are expected to be conducted on an ongoing basis; the additional *exposure* generated by those future transactions is not included in calculation of *expected positive exposure*.

*roll-up of
interest
mortgage*

FCA PRA

a *regulated mortgage contract* where no payment of interest on the amount borrowed (other than interest charged when all or part of the amount borrowed is repaid voluntarily by the *customer*), is due or capable of becoming due while the *customer* continues to occupy the mortgaged property as his main residence and fulfil his obligations under the *regulated mortgage contract*.

RPI

FCA

the Retail Prices Index.

RPPD

FCA PRA

the Regulatory Guide which contains a statement of the responsibilities of providers and distributors for the fair treatment of *customers*.

*RSRB
permission*

FCA PRA

(in *FEES*) an *authorisation* to carry on one or more *regulated sale and rent back activities*.

rule

FCA PRA

(in accordance with section 417(1) of the *Act* (Definitions)) a rule made by the *FCA* or the *PRA* under the *Act*, including:

(a) a *Principle*; and

(b) an *evidential provision*.

*rule on use of
dealing
commission*

■ COBS 11.6.3 R.

FCA PRA

*running-account
credit*

FCA

(1) (except in *CONC*) (in accordance with section 10(1)(a) of the Consumer Credit Act 1974) a facility under a contract by which the *customer* is enabled to receive from time to time (whether in his own person, or by another person) from the *firm* or a third party cash, goods and services (or any of them) to an amount or value such that, taking into account payments made by or to the credit of the customer, the credit limit (if any) is not at any time exceeded.

(2) (in *CONC*) a facility under a *credit agreement* under which the *borrower* or another *person* is enabled to receive from time to time from the *lender* or a third party *cash, goods* or services to an amount or value such that, taking into account *payments* made by or to the credit of the *borrower*, the *credit limit* (if any) is not at any time exceeded.

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|---|---|
| <i>scheme particulars</i> FCA PRA | <p>a <i>document</i> containing information about a <i>regulated collective investment scheme</i>.</p> |
| <i>scheme pension</i> FCA PRA | <p>a <i>scheme pension</i>, as defined in paragraph 2 of Schedule 28 to the Finance Act 2004, which is in summary a pension payable until a pension scheme member's death, or until the later of the member's death and the end of a term not exceeding 10 years.</p> |
| <i>scheme property</i> FCA PRA | <p>(a) (in relation to an <i>ICVC</i>) the property subject to the <i>collective investment scheme</i> constituted by it;</p> <p>(b) (in relation to an <i>AUT</i> or <i>ACS</i>) the <i>capital property</i> and the <i>income property</i>.</p> |
| <i>scheme report</i> FCA PRA | <p>(in ■ SUP 18) the report on the terms of an <i>insurance business transfer scheme</i> required by section 109 of the <i>Act</i> (Scheme reports).</p> |
| <i>scientific research based company</i> FCA PRA | <p>(in <i>LR</i>) a <i>company</i> primarily involved in the laboratory research and development of chemical or biological products or processes or any other similar innovative science based company.</p> |
| <i>SCLG</i> FCA | <p>the Office of Fair Trading's Second Charge Lending Guidance.</p> |
| <i>scope of advice, scope</i> FCA PRA | <p>the basis on which <i>personal recommendations on packaged products</i> is given by a <i>firm</i>, that is, one of the following:</p> <ol style="list-style-type: none"> (1) the whole market (or the whole of a named sector of the market); or (2) a limited number of <i>product providers</i>; or (3) a single <i>company</i> or single group of <i>companies</i>. <p>References to a <i>firm's</i> scope of <i>personal recommendations of packaged products</i> include, where the context requires, a reference to the scope of <i>personal recommendations</i> of the <i>firm's</i> <i>appointed representatives</i> or, where applicable, <i>tier agent</i>.</p> |
| <i>scope of basic advice</i> FCA PRA | <p>the basis on which a <i>firm</i> gives <i>basic advice on stakeholder products</i>, that is, with reference to the <i>stakeholder products</i> of one, or more than one, <i>stakeholder product</i> provider.</p> |
| <i>SCV implementation report</i> FCA PRA | <p>(in <i>COMP</i>) a report in accordance with ■ COMP 17.3.6 R explaining how the relevant <i>firm</i> has satisfied the <i>PRA's</i> <i>SCV requirements</i> .</p> |
| <i>SCV report</i> FCA PRA | <p>(in <i>COMP</i>) a report in accordance with ■ COMP 17.3.9 R from the relevant <i>firm's</i> board of directors confirming that the <i>firm's</i> <i>SCV system</i> satisfies the <i>PRA's</i> <i>SCV requirements</i>.</p> |
| <i>SCV system</i> FCA PRA | <p>(in <i>COMP</i>) a <i>firm's</i> system for satisfying the <i>PRA's</i> <i>SCV requirements</i> .</p> |

SDL

FCA PRA

(in BSOCS) the total of share and deposit liabilities, excluding amounts that qualify as *own funds* but including accrued interest not yet payable.

SDRT
provision

FCA PRA

a *charge* of such amount or at such rate as is determined by the *authorised fund manager* to be made as a provision for stamp duty reserve tax for which the ICVC may become liable under the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies)(Amendment No.2) Regulations 2000 or the *trustee* may become liable under Schedule 19 to the Finance Act 1999 in respect of a surrender of *units* to the *authorised fund manager*.

Second Life
Directive

FCA PRA

the Council Directive of 8 November 1990 on the coordination of laws, etc and laying down provisions relating to facilitate the effective exercise of freedom to provide services and amending Directive 79/267/EEC (No 90/619/EEC).

Second
Non-Life
Directive

FCA PRA

the Council Directive of 22 June 1988 on the coordination of laws, etc and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC (No 88/357/EEC).

secondary
material

FCA PRA

(as more fully described in section 394 of the *Act* (Access to FCA or PRA material)) material, other than that which the *appropriate regulator* relied on in reaching its decision, which:

- (a) the *appropriate regulator* considered in reaching its decision; or
- (b) the *appropriate regulator* obtained in connection with, that is, in the investigation of, the matter in question.

secondary
pooling event

FCA

(1) [deleted]

(2) (in ■ CASS 5) an event that occurs in the circumstances described in ■ CASS 5.6.14 R (Failure of a bank, other broker or settlement agent: secondary pooling events).

(3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.3.1R (Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events).

(4) (in ■ CASS 11) an event that occurs in the circumstances described in ■ CASS 11.13.10 R.

section 178
notice

FCA PRA

(in accordance with section 178(3) of the *Act*) a notice given to the *appropriate regulator* under section 178 of the *Act*.

section 43
capital
requirements

FCA PRA

the financial supervision requirements of the FSA for the purposes of the listing arrangements made under section 43 of the Financial Services Act 1986.

sectoral rules

FCA PRA

(A) In the PRA Handbook:

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

(a) (for the purposes of ■ GENPRU 3.1.12 R (Definition of financial conglomerate: Solvency requirement)) *EEA prudential sectoral legislation* for that *financial sector* together with as appropriate the rules and requirements in (c); or

(b) (for the purpose of calculating *solo capital resources* a *solo capital resources requirement* and *regulatory surplus value*):

(i) (to the extent provided for in paragraphs 6.4 to 6.6 of ■ GENPRU 3 Annex 1R) rules and requirements that are referred to in those paragraphs; and

(ii) the rules and requirements in (c); or

(c) (for all other purposes) rules and requirements of the *appropriate regulator*

and so that:

(d) (in relation to prudential rules about consolidated supervision for any *financial sector*) those requirements include ones relating to the form and extent of consolidation;

(e) (in relation to any *financial sector*) those requirements include ones relating to the eligibility of different types of capital;

(f) (in relation to any *financial sector*) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis;

(g) (in relation to the *insurance sector*) references in this definition to consolidated supervision are to supplementary supervision, similar expressions being interpreted accordingly; and

(h) references to the *appropriate regulator's sectoral rules* are to *sectoral rules* in the form of *rules*.

(B) In the FCA Handbook:

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

(a) (for the purposes of ■ GENPRU 3.1.12 R (Definition of financial conglomerate: Solvency requirement)) *EEA prudential sectoral legislation* for that *financial sector* together with as appropriate the rules and requirements in (c); or

(b) (for the purpose of calculating *solo capital resources* a *solo capital resources requirement* and *regulatory surplus value*):

(i) (to the extent provided for in paragraphs 6.4 to 6.6 of ■ GENPRU 3 Annex 1R) rules and

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| <p>requirements that are referred to in those paragraphs; and</p> <p>(ii) the rules and requirements in (c); or</p> <p>(c) (for all other purposes) rules and requirements of the <i>appropriate regulator</i></p> <p>and so that:</p> <p>(d) (in relation to consolidated supervision for any <i>financial sector</i>) those requirements include ones relating to the form and extent of consolidation;</p> <p>(e) (in relation to any <i>financial sector</i>) those requirements include ones relating to the eligibility of different types of capital;</p> <p>(f) (in relation to any <i>financial sector</i>) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis;</p> <p>(g) (in relation to the <i>insurance sector</i>) references in this definition to consolidated supervision are to supplementary supervision, similar expressions being interpreted accordingly; and</p> <p>(h) references to the <i>appropriate regulator's sectoral rules</i> are to <i>sectoral rules</i> in the form of <i>rules</i> and, as applicable, the <i>EU CRR</i>.</p> | <p>requirements that are referred to in those paragraphs; and</p> <p>(ii) the rules and requirements in (c); or</p> <p>(c) (for all other purposes) rules and requirements of the <i>appropriate regulator</i></p> <p>and so that:</p> <p>(d) (in relation to consolidated supervision for any <i>financial sector</i>) those requirements include ones relating to the form and extent of consolidation;</p> <p>(e) (in relation to any <i>financial sector</i>) those requirements include ones relating to the eligibility of different types of capital;</p> <p>(f) (in relation to any <i>financial sector</i>) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis;</p> <p>(g) (in relation to the <i>insurance sector</i>) references in this definition to consolidated supervision are to supplementary supervision, similar expressions being interpreted accordingly; and</p> <p>(h) references to the <i>appropriate regulator's sectoral rules</i> are to <i>sectoral rules</i> in the form of <i>rules</i> and, as applicable, the <i>EU CRR</i>.</p> |
| <p><i>secured debt</i></p> <p>FCA PRA</p> | <p>a debt fully secured on:</p> <p>(a) assets whose value at least equals the amount of debt; or</p> <p>(b) a letter of credit or guarantee from an <i>approved counterparty</i>.</p> |
| <p><i>secured lending</i></p> <p>FCA PRA</p> | <p>lending where the <i>mortgage lender</i> takes security on land for the loan provided to the <i>customer</i>.</p> |
| <p><i>secured lending transaction</i></p> <p>FCA</p> | <p>(in accordance with point 2 of Part 1 of Annex VIII of the <i>Banking Consolidation Directive</i> (Eligibility of credit risk mitigation) and for the purposes of <i>BIPRU</i>) any transaction giving rise to an <i>exposure</i> secured by collateral which does not include a provision conferring upon the <i>person</i> with the <i>exposure</i> the right to receive margin frequently.</p> |
| <p><i>securities and futures firm</i></p> <p>FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <p>a <i>firm</i> whose <i>permitted activities</i> include <i>designated investment business</i> or <i>bidding in emissions auctions</i>, which is not an <i>authorised professional firm</i>, <i>bank</i>, <i>BIPRU firm</i> (unless it is an <i>exempt BIPRU commodities firm</i>), <i>IFPRU investment firm</i> (unless it is an <i>exempt IFPRU investment firm</i>), <i>building society</i>, <i>collective portfolio management firm</i>, <i>credit union</i>, <i>friendly society</i>, <i>ICVC</i>, <i>insurer</i>, <i>media firm</i>, <i>service company</i>, <i>incoming EEA firm</i> (without a <i>top-up permission</i>), <i>incoming Treaty firm</i> (without a <i>top-up permission</i>) or <i>UCITS qualifier</i> (without a <i>top-up permission</i>), whose permission does not include a <i>requirement</i> that it comply with ■ <i>IPRU(INV) 5</i> (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g), (ga) or (h):</p> <p>(a) a <i>firm</i> (other than one falling within (d)):</p> |

(i) which was a member of *SFA* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *IMRO* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU(INV) 3 (Securities and futures firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and not a member of *IMRO*, *PIA* or *SFA*; and

(ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the *Act*):

(A) an activity carried on as a member of an exchange;

(B) making a market in *securities* or *derivatives*;

(C) *corporate finance business*;

(D) *dealing* (excluding, in the case of a *home finance provider*, *dealing as principal* in *contractually based investments* where this *activity* is carried out for risk management purposes and would have been excluded under article 16 of the *Regulated Activities Order* if the *firm* were an *unauthorised person* or under article 19 of the *Regulated Activities Order*), *arranging (bringing about) deals in investments* or *making arrangements with a view to transactions in investments*, in *securities* or *derivatives*;

(E) the provision of clearing services as a *clearing firm*;

(F) *managing investments*, where those *investments* are primarily *derivatives*;

(G) activities relating to *spread bets*;

(d) a *firm* that is:

(i) an *ex-section 43 firm* which was not authorised under the Financial Services Act 1986 immediately before *commencement*; or

(ii) an *ex-section 43 lead regulated firm*;

(e) an *energy market participant*;

(f) an *oil market participant*;

(g) an *exempt BIPRU commodities firm*;

(ga) an *exempt IFPRU commodities firm*;

(h) a *firm* that is exempt from MiFID under article 2(1)(i) whose *permitted activities* include *bidding in emissions auctions*.

(B) In the FCA Handbook:

a *firm* whose *permitted activities* include *designated investment business* or *bidding in emissions auctions*, which is not an *authorised professional firm*, *bank*, *BIPRU firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU investment firm*), *building society*, *collective portfolio management firm*, *credit union*, *friendly society*, *ICVC*, *insurer*, *media firm*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose permission does not include a *requirement* that it comply with ■ IPRU(INV) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g), (ga) or (h):

(a) a *firm* (other than one falling within (d)):

(i) which was a member of SFA immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or PIA or IMRO (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU(INV) 3 (Securities and futures firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and not a member of IMRO, PIA or SFA; and

(ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or

more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's financial year* preceding its *authorisation* under the Act):

(A) an activity carried on as a member of an exchange;

(B) making a market in *securities* or *derivatives*;

(C) *corporate finance business*;

(D) *dealing* (excluding, in the case of a *home finance provider*, *dealing as principal* in *contractually based investments* where this *activity* is carried out for risk management purposes and would have been excluded under article 16 of the *Regulated Activities Order* if the *firm* were an *unauthorised person* or under article 19 of the *Regulated Activities Order*), *arranging (bringing about) deals in investments* or *making arrangements with a view to transactions in investments*, in *securities* or *derivatives*;

(E) the provision of clearing services as a *clearing firm*;

(F) *managing investments*, where those *investments* are primarily *derivatives*;

(G) activities relating to *spread bets*;

(d) a *firm* that is:

(i) an *ex-section 43 firm* which was not authorised under the Financial Services Act 1986 immediately before *commencement*; or

(ii) an *ex-section 43 lead regulated firm*;

(e) an *energy market participant*;

(f) an *oil market participant*;

(g) an *exempt BIPRU commodities firm*;

(ga) an *exempt IFPRU commodities firm*;

(h) a *firm* that is exempt from *MiFID* under article 2(1)(i) whose *permitted activities* include *bidding in emissions auctions*.

a *derivative instrument admitted to trading* on a *regulated market* or *prescribed market*, the value of which is dependent on an underlying equity or debt instrument or index/basket of equity or debt instruments.

(1) (in *COBS*, in *CASS*) an instance of stock lending or stock borrowing or the lending or borrowing of other *financial instruments*, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

securities derivative

PAGE
S9

FCA PRA

securities financing transaction

FCA PRA

[Note: article 2(10) of the *MiFID Regulation*]

(2) (in any other case) any of the following:

- (a) a *repurchase transaction*; or
- (b) a *securities or commodities lending or borrowing transaction*; or
- (c) a *margin lending transaction*.

securities issued in a continuous and repeated manner

(in *PR*) (as defined in Article 2.1(l) of the *prospectus directive*) issues on tap or at least two separate issues of securities of a similar type and/or class over a period of 12 months.

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securities note

(in *Part 6 rules*) a securities note referred to in ■ PR 2.2.2 R.

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securities or commodities borrowing

see *securities or commodities lending or borrowing transaction*.

FCA PRA

securities or commodities lending

see *securities or commodities lending or borrowing transaction*.

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securities or commodities lending or borrowing transaction

(A) In the PRA Handbook:

(in accordance with Article 4(34) of the *Banking Consolidation Directive* and Article 3(1)(n) of the *Capital Adequacy Directive* (Definitions) and for the purposes of *BIPRU*) any transaction in which an *undertaking* or its counterparty transfers securities or *commodities* against appropriate collateral subject to a commitment that the borrower will return equivalent securities or *commodities* at some future date or when requested to do so by the transferor, that transaction being *securities or commodities lending* for the *undertaking* transferring the securities or *commodities* and being *securities or commodities borrowing* for the *undertaking* to which they are transferred.

(B) In the FCA Handbook:

(in accordance with Article 4(34) of the *Banking Consolidation Directive* and Article 3(1)(n) of the *Capital Adequacy Directive* (Definitions) and for the purposes of *BIPRU*) any transaction in which an *undertaking* or its counterparty transfers securities or *commodities* against appropriate collateral subject to a commitment that the borrower will return equivalent securities or *commodities* at some future date or when requested to do so by the transferor, that transaction being *securities or commodities lending* for the *undertaking* transferring the securities or *commodities* and being *securities or commodities borrowing* for the *undertaking* to which they are transferred.

securities PRR

FCA PRA

the *interest rate PRR*, the *equity PRR*, the *option PRR* (but only in relation to *positions* which under ■ BIPRU 7.6.5 R (Table: Appropriate calculation for an option or warrant) may be subject to one of the other *PRR* charges listed in this definition or which would be subject to such a *PRR* charge if ■ BIPRU 7.6.5 R did not require an *option PRR* to be calculated), the *CIU PRR* and the *PRR* calculated under ■ BIPRU 7.11 (Credit derivatives in the trading book) and so that:

- (a) the *securities PRR* includes any *PRR charge* calculated under a *CAD 1 permission*; and
- (b) the *securities PRR* does not include any *PRR charge* calculated under a *VaR model permission* unless the provision in question provides otherwise.

securitisation

FCA PRA

(1) (subject to (2)) a process by which assets are sold to a bankruptcy-remote *special purpose vehicle* in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions), in *BIPRU* and ■ MIPRU 4) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is *tranch*ed having the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and
- (b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(A) In the PRA Handbook:

(1) (subject to (2)) a process by which assets are sold to a bankruptcy-remote special purpose vehicle in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions) and in *BIPRU* and ■ MIPRU 4) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is *tranch*ed having the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and
- (b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(B) In the FCA Handbook:

(1) (subject to (2) and (3)) a process by which assets are sold to a bankruptcy-remote special purpose vehicle in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions) and in *BIPRU* and ■ MIPRU 4) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is *tranch*ed having the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and

securitisation position

FCA PRA

(b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(3) (in *IFPRU*) has the meaning in article 4(1)(61) of the *EU CRR*.

(A) In the PRA Handbook:

(in accordance with Article 4(40) (Definitions) and Article 96 (Securitisation) of the *Banking Consolidation Directive* and for the purposes of *BIPRU*) an *exposure* to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation; and so that:

(a) where there is an *exposure* to different *tranches* in a *securitisation*, the *exposure* to each *tranche* must be considered as a separate *securitisation position*;

(b) the providers of credit protection to *securitisation positions* must be considered to hold positions in the *securitisation*; and

(c) *securitisation positions* include *exposures* to a *securitisation* arising from interest rate or currency derivative contracts.

(B) In the FCA Handbook:

(1) (in *GENPRU* and *BIPRU*) (in accordance with Article 4(40) (Definitions) and Article 96 (Securitisation) of the *Banking Consolidation Directive*) an *exposure* to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation; and so that:

(a) where there is an *exposure* to different *tranches* in a *securitisation*, the *exposure* to each *tranche* must be considered as a separate *securitisation position*;

(b) the providers of credit protection to *securitisation positions* must be considered to hold positions in the *securitisation*; and

(c) *securitisation positions* include *exposures* to a *securitisation* arising from interest rate or currency derivative contracts.

(2) (in *IFPRU*) has the meaning in article 4(1)(62) of the *EU CRR*.

(A) In the PRA Handbook:

(in accordance with Article 4(44) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of securitisation), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

(B) In the FCA Handbook:

(in accordance with Article 4(44) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of securitisation),

securitisation special purpose entity

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securitised
derivative

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securitised
exposure

FCA PRA

security

FCA PRA

the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

an *option* or *contract for differences* which, in either case, is listed under ■ LR 19 of the listing rules (including such an *option* or *contract for differences* which is also a *debenture*).

(A) In the PRA Handbook:

(for the purposes of *BIPRU*) an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.

(B) In the FCA Handbook:

(for the purposes of *BIPRU*) an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.

(A) In the PRA Handbook:

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any of the following *investments* specified in that Order:

- (a) *share* (article 76);
- (b) *debenture* (article 77);
- (ba) *alternative debenture* (article 77A);
- (c) *government and public security* (article 78);
- (d) *warrant* (article 79);
- (e) *certificate representing certain securities* (article 80);
- (f) *unit* (article 81);
- (g) *stakeholder pension scheme* (article 82(1));
- (ga) *personal pension scheme* (article 82(2));
- (h) *rights to or interests in investments* in (a) to (g) (article 89).

(B) In the FCA Handbook

(1) (except in *LR* and *CONC*) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any of the following *investments* specified in that Order:

- (a) *share* (article 76);
- (b) *debenture* (article 77);
- (ba) *alternative debenture* (article 77A);
- (c) *government and public security* (article 78);
- (d) *warrant* (article 79);
- (e) *certificate representing certain securities* (article 80);
- (f) *unit* (article 81);

| | |
|--|---|
| | (g) <i>stakeholder pension scheme</i> (article 82(1)); |
| | (ga) <i>personal pension scheme</i> (article 82(2)); |
| | (h) <i>rights to or interests in investments</i> in (a) to (g) (article 89). |
| | (2) (in <i>LR</i>) (in accordance with section 102A of the <i>Act</i>) anything which has been, or may be admitted to the <i>official list</i> . |
| | (3) (in <i>CONC</i>) in accordance with article 60L of the <i>Regulated Activities Order</i> , in relation to a <i>credit agreement</i> or a <i>consumer hire agreement</i> , a mortgage, charge, pledge, bond, debenture, indemnity, guarantee, bill, note or other right provided by the <i>borrower</i> or <i>hirer</i> or at the implied or express request of the <i>borrower</i> or <i>hirer</i> to secure the carrying out of the obligations of the <i>borrower</i> or <i>hirer</i> under the agreement. |
| <i>security-based CTF</i> | a <i>CTF</i> , other than a <i>stakeholder CTF</i> , which is not limited to <i>deposit based investment</i> . |
| FCA PRA | |
| <i>segregated client</i> | a <i>client</i> whose <i>money</i> must be segregated by the <i>firm</i> under ■ CASS 4.3.3 R (Segregation). |
| FCA PRA | |
| <i>self-certified sophisticated investor</i> | a <i>person</i> who meets the requirements set out in article 23A of the <i>Promotion of Collective Investment Schemes Order</i> , in article 50A of the <i>Financial Promotions Order</i> or in ■ COBS 4.12.8 R. |
| FCA | |
| <i>self-invested personal pension scheme</i> | an arrangement which forms all or part of a <i>personal pension scheme</i> , which gives the member the power to direct how some or all of the member's contributions are invested. |
| FCA PRA | |
| <i>sell</i> | (in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) (in relation to any <i>investment</i>) sell in any way, including disposing of the <i>investment</i> for valuable consideration; in this definition, "disposing" includes: |
| FCA PRA | |
| | (a) (in relation to an <i>investment</i> consisting of rights under a contract): |
| | (i) surrendering, assigning or converting those rights; or |
| | (ii) assuming the corresponding liabilities under the contract; |
| | (b) (in relation to an <i>investment</i> consisting of rights under other arrangements) assuming the corresponding liabilities under the arrangements; and |
| | (c) (except in <i>COLL</i>) (in relation to any other <i>investment</i>) issuing or creating the <i>investment</i> or granting the rights or interests of which it consists. |
| <i>sending dematerialised instructions</i> | the <i>regulated activity</i> , specified in article 45(1) of the <i>Regulated Activities Order</i> , of sending, on behalf of another <i>person</i> , dematerialised instructions relating to a <i>security</i> , where those instructions are sent by means of a relevant system in respect of which an operator is approved under the 2001 Regulations; in this definition: |
| FCA PRA | |

senior
management

FCA PRA

(a) "the 2001 Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001/3755);

(b) "dematerialised instruction" and "operator" have the meaning given by regulation 3 of the 2001 Regulations.

(A) In the PRA Handbook:

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *firm*) the *firm's governing body* and those of the *firm's senior managers* and other senior management who have responsibilities relating to the measurement and control of the risks which the *firm's VaR model* is designed to measure or whose responsibilities require them to take into account those risks.

(B) In the FCA Handbook:

(1) (in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *firm*) the *firm's governing body* and those of the *firm's senior managers* and other senior management who have responsibilities relating to the measurement and control of the risks which the *firm's VaR model* is designed to measure or whose responsibilities require them to take into account those risks.

(2) (in SYSC and IFPRU and in accordance with article 3(9) of CRD) those *persons* who are a natural person and who exercise executive functions in an *institution* and who are responsible and accountable to the *management body* for the day-to-day management of the *institution*.

senior manager

FCA PRA

an individual other than a *director*:

(a) who is employed by:

(i) a *firm*; or

(ii) a *body corporate* within a *group* of which the *firm* is a member;

(b) to whom the *governing body* of the *firm*, or a member of the *governing body* of the *firm*, has given responsibility, either alone or jointly with others, for management and supervision;

(c) who, if the individual is employed by the *firm*, reports directly to:

(i) the *governing body*; or

(ii) a member of the *governing body*; or

(iii) the *chief executive*; or

(iv) the head of a significant business unit; and

(d) who, if the individual is employed by a *body corporate* within the *group*, reports directly to a *person* who is the equivalent of a *body* or *person* referred to in (c).

senior
personnel

FCA PRA

(1) those *persons* who effectively direct the business of the *firm*, which could include a *firm's governing body* and other *persons* who effectively direct the business of the *firm*.

(2) (in relation to a *management company* and in accordance with article 3(4) of the UCITS implementing Directive) the *person* or *persons* who effectively conduct the business of the *management company*.

senior staff
committee

FCA PRA

(in DEPP and EG) a committee consisting of senior FCA staff members that is empowered to make *statutory notice decisions* and *statutory notice associated decisions* by *executive procedures*.

series of transactions

FCA **PRA**

a series of transactions *executed* with a view to achieving one investment decision or objective.

SERV

FCA **PRA**

the Handbook Guide for service companies.

service company

FCA **PRA**

a *firm* whose only *permitted activities* are *making arrangements with a view to transactions in investments*, and *agreeing to carry on that regulated activity*, and whose *Part 4A permission* :

(a) incorporates a *limitation* substantially to the effect that the *firm* carry on *regulated activities* only with *market counterparties* or *intermediate customers*; and

(b) includes *requirements* substantially to the effect that the *firm* must not:

(i) guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the *firm* in carrying on *regulated activities*, of obligations undertaken by that participant in connection with those arrangements; or

(ii) *approve* any *financial promotion* on behalf of any other *person* or any specified class of *persons*; or

(iii) in carrying on its *regulated activities*, provide services otherwise than in accordance with *documents* (of a kind specified in the *requirement*) provided by the *firm* to the *FCA*.

service conditions

FCA **PRA**

(in accordance with paragraph 14 of Schedule 3 to the *Act* (EEA Passport Rights)) the conditions that:

(a) the *firm* has given its *Home State regulator* notice of its intent to provide services in the *United Kingdom*;

(b) if the *firm* falls within paragraph (a), (d), (e) or (f) in the definition of "*EEA firm*", the *FCA* or the *PRA* (as the case may be) has received notice from the *firm's Home State regulator* containing such information as may be prescribed;

(c) if the *firm* falls within paragraph (d) of that definition, its *Home State regulator* has informed it that the regulator's notice has been sent to the *FCA* or the *PRA* (as the case may be) ; and

(d) if the *firm* falls within paragraph (e) of that definition, one *month* has elapsed beginning with the date on which the *firm's Home State regulator* informed the *firm* that it had sent the regulator's notice to the *FCA* or the *PRA* (as the case may be).

services and costs disclosure document

FCA **PRA**

information about the breadth of advice or *scope of basic advice* and the nature and costs of the services offered by a *firm* as described in ■ COBS 6.3.7 G, which contains the keyfacts logo, headings and text described in

■ COBS 6 Annex 1 G.

SETS

FCA **PRA**

the Stock Exchange Electronic Trading Service.

settlement agent

a *person* with or through whom the *firm* effects settlement of *UK* -settled or foreign-settled transactions.

FCA PRA

settlement
decision
makers

(in *DEPP* and *EG*) two members of the *FCA*'s senior management, one of whom will be of at least director of division level (which may include an acting director) and the other of whom will be of at least head of department level, with responsibility for deciding whether to give *statutory notices* in the circumstances described in ■ *DEPP* 5. At least one of the decision makers will not be from the Enforcement and Financial Crime Division.

FCA PRA

settlement
decision
procedure

(in *DEPP*) the procedure for the making of *statutory notice decisions* in the circumstances described in ■ *DEPP* 5 .

FCA PRA

settlement
discount
scheme

(in *DEPP* and *EG*) the scheme described in ■ *DEPP* 6.7 by which the financial penalty that might otherwise be payable, or the length of the period of suspension or restriction that might otherwise be imposed, in respect of a *person's* misconduct or contravention may be reduced to reflect the timing of any settlement agreement.

FCA PRA

Settlement
Finality
Directive

Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

FCA

settlement
price

(in *LR*) (in relation to *securitised derivatives*), the reference price or prices of the *underlying instrument* or instruments stipulated by the *issuer* for the purposes of calculating its obligations to the holder.

FCA PRA

Seventh
Company Law
Directive

the Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC).

FCA PRA

SFA

the Securities and Futures Authority Limited.

FCA PRA

SFA
Complaints
Bureau

the first stage of the *SFA scheme*, which aimed to resolve complaints by conciliation.

FCA PRA

SFA Consumer
Arbitration
Scheme

the second stage of the *SFA scheme*, which determined complaints by means of arbitration.

FCA PRA

SFA scheme

the *former scheme* (including the *SFA Complaints Bureau* and the *SFA Consumer Arbitration Scheme*) set up by the *SFA* to handle complaints against members of the *SFA* under the Financial Services Act 1986.

FCA PRA

SFT

FCA PRA

*securities financing transaction.**shadow director*

FCA PRA

(in *LR*) as in sub-paragraph (b) of the definition of director in section 417(1) of the *Act*.*share*

FCA PRA

(1) (except in *COLL*, *LR*, *DTR*, *REC*, *SUP 11* (Controllers and close links) and *SUP 16* (Reporting requirements)) the *investment*, specified in article 76 of the *Regulated Activities Order* (Shares etc), which is in summary: a share or stock in the share capital of:

- (a) any *body corporate* (wherever incorporated);
- (b) any unincorporated body constituted under the law of a country or territory outside the *United Kingdom*.

(2) (in *COLL*):

- (a) (in relation to an *ICVC*) a *share* in the *ICVC* (including both *smaller denomination shares* and *larger denomination shares*);
- (b) (otherwise) an *investment* within (1).

(3) (in *DTR* and *LR*, and in *FEES* where relevant to *DTR* or *LR*) (in accordance with section 540(1) of the Companies Act 2006) a share in the share capital of a *company*, and includes:

- (a) stock (except where a distinction between shares and stock is express or implied);
- (b) *preference shares*; and
- (c) in chapters 4, 5, 6 and 7 of *DTR* a convertible share.

(4) (in *REC*) shares admitted to trading on a *regulated market*.

(5) (in *SUP 11* (Controllers and close links) and *SUP 16* (Reporting requirements)) (in accordance with section 422 of the *Act*):

- (a) in relation to an *undertaking* with share capital, allotted shares;
- (b) in relation to an *undertaking* with capital but no share capital, rights to share in the capital of the *undertaking*;
- (c) in relation to an *undertaking* without capital, interests:
 - (i) conferring any right to share in the profits, or liability to contribute to the losses, of the *undertaking*; or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the *undertaking* in the event of a winding up.

shared appreciation mortgage

FCA PRA

a *regulated mortgage contract*, a condition of which is that the *mortgage lender* will receive a share in any increase in value in the mortgaged property when the *customer* either sells the property or terminates the contract including a contract where, if there is a reduction in value, the *customer* is required to pay the *mortgage lender* all or part of the shortfall.

shareholder

FCA PRA

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

- (a) (in relation to a *share* that is represented by a *bearer certificate*) the *person* who holds the certificate;

(b) (in relation to a *share* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *share*.

(2) (in relation to chapters 5 [] of *DTR*) any natural person or legal entity governed by private or public law, who holds directly or indirectly:

(a) *shares* of the *issuer* in its own name and on its own account;

(b) *shares* of the *issuer* in its own name, but on behalf of another natural person or legal entity;

(c) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying *shares* represented by the depository receipts.

ships

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance* , specified in paragraph 6 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), upon vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels.

short selling regulation

regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps.

shortfall

FCA PRA

(1) (in relation to cancellation of an *investment agreement*) the amount a *firm* is entitled to charge a *customer* for the market loss in accordance with ■ COBS 15.4.3 R.

(2) (in relation to *client money*) the amount by which the *client money* in a *client bank account* is insufficient to satisfy the claims of *clients* in respect of that *money*, or not immediately available to satisfy such claims.

short-term annuity

FCA PRA

(as defined in paragraph 6 of Schedule 28 to the Finance Act 2004) in relation to a member of a pension scheme, an annuity payable to the member if:

(a) it is purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement;

(b) it is payable by an insurance company;

(c) the member had an opportunity to select an insurance company;

(d) it is payable for a term which does not exceed five years ; and

(e) it is either a level annuity, an increasing annuity or a relevant linked annuity.

short-term money market fund

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in ■ COLL 5.9.3 R (Investment conditions: short-term money market funds) and is not a *qualifying money market fund*.

sickness

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 2 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of loss to the *persons* insured attributable to sickness or infirmity, but excluding contracts within paragraph IV of Part II of Schedule 1 to the *Regulated Activities Order* (Permanent health).

sickness or distressed

any contract in accordance with which benefits are provided for the relief or maintenance of any *person* during sickness or when in distressed circumstances.

*circumstances
contract*

FCA **PRA**

SIFA

[deleted]

*significant
distribution*

FCA **PRA**

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) an initial or secondary offer of *relevant securities*, publicly announced and distinct from ordinary trading both in terms of the amount in value of the *securities* offered and the selling methods employed.

*significant
IFPRU firm*

FCA

has the meaning in **■ IFPRU 1.2** (Significant IFPRU firm).

*significant
management
function*

FCA **PRA**

(in the *FCA Handbook*) *FCA controlled functions* CF29 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in **■ SUP 10A.9.9 R**.

*significant-influence
function*

FCA **PRA**

(in accordance with section 59(7B) of the *Act* and in relation to the carrying on of a *regulated activity* by an *authorised person*) a function that is likely to enable the *person* responsible for its performance to exercise a significant influence on the conduct of the *authorised person's* affairs, so far as relating to the activity.

*simple capital
issuer*

FCA

a *BIPRU firm* that meets the following conditions:

- (a) it does not raise capital through a special purpose vehicle;
- (b) it only includes non-convertible and non-exchangeable *capital instruments* in its *capital resources*;
- (c) (if it includes *capital instruments* in its *capital resources* on which *coupons* are payable) such *coupons* are not subject to a *step-up*;
- (d) it only includes *capital instruments* in its *tier one capital resources* consisting of ordinary *shares*, perpetual non-cumulative preference *shares* or partnership or *limited liability partnership* capital accounts;
- (e) it only includes non-redeemable *capital instruments* in its *tier one capital resources*; and
- (f) (if it includes *capital instruments* in its *tier one capital resources* on which *coupons* are payable) such *coupons* are non-cumulative, non-mandatory and in cash.

*simplified
buffer
requirement*

FCA **PRA**

BIPRU 12.6.9R.

*simplified
equity method*

FCA **PRA**

the method of calculating the *equity PRR* set out in **■ BIPRU 7.3.29 R** (Simplified equity method).

- (o) *funeral plan contract* (article 87);
- (oa) *regulated mortgage contract* (article 61(3));
- (ob) *home reversion plan* (article 63B(3));
- (oc) *home purchase plan* (article 63F(3));
- (od) *regulated sale and rent back agreement* (article 63J(3));
- (oe) *emissions auction products* (article 82A);
- (p) *rights to or interests in investments* (article 89).

(B) In the FCA Handbook:

any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

- (a) *deposit* (article 74);
- (aa) *electronic money* (article 74A);
- (b) *contract of insurance* (article 75); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *general insurance contract*;
 - (ii) *long-term insurance contract*;

and then further sub-divided into *classes* of *contract of insurance*;

- (c) *share* (article 76);
- (d) *debenture* (article 77);
- (e) *government and public security* (article 78);
- (f) *warrant* (article 79);
- (g) *certificate representing certain securities* (article 80);
- (h) *unit* (article 81);
- (i) *stakeholder pension scheme* (article 82(1));
- (ia) *personal pension scheme* (article 82(2));
- (j) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and an *option* on a *commodity future*;
- (k) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (l) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;

- (m) *underwriting capacity of a Lloyd's syndicate* (article 86(1));
- (n) *membership of a Lloyd's syndicate* (article 86(2));
- (o) *funeral plan contract* (article 87);
- (oa) *regulated mortgage contract* (article 61(3));
- (ob) *home reversion plan* (article 63B(3));
- (oc) *home purchase plan* (article 63F(3));
- (od) *regulated sale and rent back agreement* (article 63J(3));
- (oe) *emissions auction products* (article 82A);
- (of) *credit agreement* (article 88D) for the purposes of the *permission* regime with respect to the *regulated activities* of *entering into a regulated credit agreement as lender* and *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement*, this is sub-divided into:
 - (i) a *credit agreement* (excluding *high-cost short-term credit*, a *home credit loan agreement* and a *bill of sale loan agreement*);
 - (ii) *high-cost short-term credit*;
 - (iii) a *home credit loan agreement*;
 - (iv) *bill of sale loan agreement*;

and this has effect as if the reference to a *credit agreement* includes a reference to an article 36H agreement within the meaning of article 36H (4) of the *Regulated Activities Order*;

- (og) *consumer hire agreement* (article 88E);
- (p) *rights to or interests in investments* (article 89).

sponsor

FCA **PRA**

(A) In the *PRA Handbook*:

(in *BIPRU*), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.

(B) In the *FCA Handbook*:

(1) (in *LR*) approved, under section 88 of the *Act* by the *FCA*, as a sponsor.

(2) (in *BIPRU*), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in **■** *MIPRU* 4 and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*, an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.

(3) (in *IFPRU* and *FUND*) has the meaning in article 4(1)(14) of the *EU CRR*.

sponsor service

FCA

a service relating to a matter referred to in **■** *LR* 8.2 that a *sponsor* provides or is requested or appointed to provide, including preparatory work that a *sponsor* may undertake before a decision is taken as to whether or not it will act as *sponsor* for a *listed company* or *applicant* or in relation to a particular transaction, and including all the *sponsor's* communications with the *FSA* in connection with the service. But nothing in this definition is to be taken as

(c) there is a properly documented *outsourcing* agreement between Firm C and Firm A the terms of which provide that when Firm C carries on any of the outsourced activities:

- (i) Firm C acts only on the instructions of Firm A;
- (ii) in any communication with a customer, Firm C represents itself as Firm B; and
- (iii) Firm C undertakes to co-operate fully with Firm A and Firm B in relation to any complaints arising from Firm C's performance of the outsourced activities, even if the complaint is made after Firm C has ceased to carry on the outsourced activities for Firm A.

third party prospectus

FCA **PRA**

a communication made by a *firm* if the communication is a prospectus that has been drawn up and published in accordance with the *Prospectus Directive* and the *firm* is not responsible under that directive for the information given in the prospectus.

[Note: recital 52 to the *MiFID implementing Directive*]

third-country banking and investment group

FCA **PRA**

a *banking and investment group* that meets the following conditions:

- (a) it is headed by:
 - (i) a *credit institution*; or
 - (ii) an *asset management company*; or
 - (iii) an *investment firm*; or
 - (iv) a *financial holding company*;

that has its head office outside the *EEA*; and

- (b) it is not part of a wider *EEA banking and investment group*.

third-country competent authority

FCA **PRA**

the authority of a country or territory which is not an *EEA State* that is empowered by law or regulation to supervise (whether on an individual or group-wide basis) *regulated entities*.

third-country countercyclical buffer authority

FCA

the authority of a *third country* empowered by law or regulation with responsibility for setting the *countercyclical buffer rate* for that *third country*.

third-country financial conglomerate

FCA **PRA**

a *financial conglomerate* that is of a type that falls under Article 5(3) of the *Financial Groups Directive*, which in summary is a *financial conglomerate* headed by a *regulated entity* or a *mixed financial holding company* that has its head office outside the *EEA*.

third-country group

FCA **PRA**

a *third-country financial conglomerate* or a *third-country banking and investment group*.

threshold condition

(in relation to a *regulated activity*) any of the conditions set out in or under Schedule 6 to the *Act* (Threshold conditions), including the additional conditions

FCA PRA

in the Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 2001/2507) (see COND).

tied agent

FCA PRA

a *person* who, under the full and unconditional responsibility of only one *MiFID investment firm* or *third country investment firm* on whose behalf it acts, promotes *investment services* and/or *ancillary services* to *clients* or prospective *clients*, receives and transmits instructions or orders from the *client* in respect of *investment services* or *financial instruments*, places *financial instruments* and/or provides advice to *clients* or prospective *clients* in respect of those *financial instruments* or *investment services*.

[Note: article 4(1)(25) of MiFID]

tied product

FCA PRA

a product, other than *linked borrowing* or a *linked deposit*, that a *customer* is obliged to purchase through a *mortgage lender* or *reversion provider* as a condition of taking out a *regulated mortgage contract* or *home reversion plan* with that *firm*.

tier 2 capital

FCA

as defined in article 71 of the EU CRR.

tier 2 instruments

FCA PRA

(A) (In the PRA Handbook):

a capital instrument that qualify as tier 2 instruments under article 62 of the EU CRR.

(B) (In the FCA Handbook):

a capital instrument that qualify as tier 2 instruments under article 62 of the EU CRR.

tier one capital

FCA PRA

(1) [deleted]

(2) (in BIPRU, GENPRU and INSPRU) 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 *capital resources table* .

tier one capital resources

FCA PRA

the sum calculated at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions) .

tier one instrument

FCA PRA

an item of capital that falls into GENPRU 2.2.62R (Tier one capital: General) and is eligible to form part of a *firm's tier one capital resources*.

tier three capital

FCA PRA

an item of capital that is *upper tier three capital* or *lower tier three capital*.

tier three capital resources

FCA PRA

the sum calculated at stage Q of the *capital resources table* (Total tier three capital).

tier three instrument

an item of capital that falls into GENPRU 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a *firm's upper tier three capital resources*.

| | |
|---|---|
| <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p><i>tier two capital</i></p> <p>(1) [deleted]</p> |
| <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>(2) (in <i>BIPRU</i>, <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stages G (Upper tier two capital) or H (Lower tier two capital) of the <i>capital resources table</i> .</p> |
| <p><i>tier two capital resources</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>the sum calculated at stage I (Total tier two capital) of the calculation in the <i>capital resources table</i> .</p> |
| <p><i>tier two instrument</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>a <i>capital instrument</i> that meets the conditions in <i>GENPRU</i> 2.2.159R (General conditions for eligibility as tier two capital instruments) or <i>GENPRU</i> 2.2.177R (Upper tier two capital: General) and is eligible to form part of a <i>firm's tier two capital resources</i>.</p> |
| <p><i>time-scheduled buy-back programme</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) a <i>buy-back programme</i> where the dates and quantities of <i>securities</i> to be traded during the time period of the programme are set out at the time of the public disclosure of the <i>buy-back programme</i>.</p> |
| <p><i>tontines</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>(in relation to a <i>class of contract of insurance</i>) tontines as specified in paragraph V of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance).</p> |
| <p><i>top-up cover</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>cover provided by the <i>compensation scheme</i> for <i>claims</i> against an <i>incoming EEA firm</i> (which is a <i>credit institution</i>, an <i>IMD insurance intermediary</i>, an <i>IMD reinsurance intermediary</i> , a <i>MiFID investment firm</i> , a <i>UCITS management company</i> or an <i>AIFM</i>) in relation to the <i>firm's passported activities</i> and in addition to, or due to the absence of, the cover provided by the <i>firm's Home State</i> compensation scheme (see ■ COMP 14 (Participation by EEA firms)).</p> |
| <p><i>top-up permission</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; margin-left: 5px;">PRA</div> | <p>a <i>Part 4A permission</i> given to an <i>incoming EEA firm</i>, an <i>incoming Treaty firm</i> or a <i>UCITS qualifier</i>.</p> |
| <p><i>total amount of credit</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> | <p>(in <i>CONC</i>) the <i>credit limit</i> or the total sums made available under a <i>regulated credit agreement</i>.</p> |
| <p><i>total amount payable</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> | <p>(1) (except in <i>CONC</i>) the <i>total charge for credit</i> plus the total amount of credit advanced.</p> <p>(2) (in <i>CONC</i>) the sum of the <i>total charge for credit</i> and the <i>total amount of credit</i> payable under the <i>credit agreement</i>, as well as any <i>advance payment</i>.</p> |
| <p><i>total charge for credit</i></p> <div style="border: 1px solid black; display: inline-block; padding: 2px;">FCA</div> | <p>(1) (except in <i>CONC</i>) the total of the charges (determined as at the date of making the contract) specified in ■ MCOB 10.4.2 R as applying in relation to the <i>secured lending</i> but excluding the charges specified in ■ MCOB 10.4.4 R.</p> <p>(2) (in <i>CONC</i>) the true cost to the <i>borrower</i> of the <i>credit</i> provided, or to be provided, under an actual or prospective <i>credit agreement</i> calculated in accordance with ■ CONC App 1.</p> |

| | |
|--|---|
| | (3) (in CONC in relation to a <i>financial promotion</i> about a <i>credit agreement</i> secured on <i>land</i>) the sum calculated in accordance with the rules in ■ CONC App 1.1 and, in relation to <i>financial promotions</i> , the rules in ■ CONC 3.6.9 R. |
| | (in CONC in relation to a <i>financial promotion</i> about all other <i>credit agreements</i>) the sum calculated in accordance with the rules in ■ CONC App 1.2 and, in relation to <i>financial promotions</i> , the rules in ■ CONC 3.5.13 R. |
| <i>total cost of credit to the borrower</i> FCA | (in ■ CONC App 1.2) all costs, including interest, commissions, taxes and any other kind of fees which are required to be paid by, or on behalf of, the <i>borrower</i> or a <i>relative</i> of the <i>borrower</i> in connection with the <i>regulated credit agreement</i> , whether payable to the <i>lender</i> or to any other <i>person</i> , and which are known to the <i>lender</i> , except for notarial costs. |
| <i>total exposure</i> | [deleted] |
| <i>total group tier one capital</i> FCA PRA | the sum calculated at stage A of the calculation in INSPRU 6.1.43R. |
| <i>total group tier two capital</i> FCA PRA | the sum calculated at stage B of the calculation in INSPRU 6.1.43R. |
| <i>total non-deferred shares</i> FCA PRA | (in CREDS) means the total of members' share balances in a <i>credit union</i> shown in the most recent annual return to have been sent to the <i>appropriate regulator</i> under ■ SUP 16.7.62 R or ■ SUP 16.12.5 R (see ■ CREDS 8.2.3 G), excluding any <i>deferred shares</i> in the <i>credit union</i> . |
| <i>total relevant liabilities</i> FCA PRA | (in CREDS) means the sum of: <ul style="list-style-type: none"> (a) <i>unattached shares</i> in the <i>credit union</i>, and <i>deposits</i> by persons too young to be members of the <i>credit union</i>; and (b) liabilities (other than liabilities for shares) with an original or remaining maturity of less than three <i>months</i> (including overdrafts and instalments of loans). |
| <i>total risk exposure amount</i> FCA | the total risk exposure amount of a <i>firm</i> calculated in accordance with article 92(3) of the <i>EU CRR</i> (Own funds requirements). |
| <i>TPF rules</i> FCA PRA | the rules and guidance in ■ COBS 20.2.1 G to ■ COBS 20.2.39 R and ■ COBS 20.2.51 R to ■ COBS 20.2.57 G. |
| <i>tradable renewable energy credit</i> FCA PRA | an allowance, licence, permit, right, note, unit, credit, asset, certificate or instrument (the "credit") where: <ul style="list-style-type: none"> (a) the credit confers or may result in a benefit or advantage to its holder or someone else; and |

trade
confirmation
information

FCA PRA

(b) the credit, or the benefit or advantage in (a), is linked to the supply, distribution or consumption of energy derived from renewable sources by the holder of the credit or someone else.

the information identified in column 1 of the table in ■ COBS 16 Annex 1R R.

traded life
policy

FCA PRA

a *life policy* which is to be or has been assigned for value by the *policyholder* to another *person*.

traded life
policy
investment

FCA

an *investment* in relation to which one of the following conditions applies:

- (a) it is a *traded life policy* other than an *endowment assurance policy*;
- (b) its underlying assets are wholly or predominately *traded life policies* other than *endowment assurance policies*;
- (c) its investment returns, or the issuer's payment obligations, are linked to, contingent on, or highly sensitive to, the performance of *traded life policies* other than *endowment assurance policies*.

trading book

FCA PRA

(A) In the PRA Handbook:

(1) (in *UPRU*) in relation to a *firm's* business or *exposures*, means:

(a) its proprietary positions in financial instruments:

- (i) which are held for resale and/or are taken on by the firm with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;
- (ii) arising from matched principal broking;
- (iii) taken in order to hedge other elements of the trading book;

(b) *exposures* due to unsettled securities transactions, free deliveries, *OTC derivative* instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and

(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.

(2) (in *BIPRU* and *GENPRU* in relation to a *BIPRU firm*) has the meaning in ■ *BIPRU* 1.2 (Definition of the trading book) which is in summary, all that *firm's positions* in *CRD financial instruments* and *commodities* held either with trading intent or in order to hedge other elements of the *trading book*, and which are either free of any restrictive covenants on their tradability or able to be hedged.

(3) (in *BIPRU* and *GENPRU* and in relation to a *person* other than a *BIPRU firm*) has the meaning in (2) with references to a *firm* replaced by ones to a *person*.

(4) (in *IFPRU* and in relation to an *IFPRU investment firm*) has the meaning in article 4(1)(86) of the *EU CRR*.

(B) In the FCA Handbook:

(1) (in *UPRU*) in relation to a *firm's* business or *exposures*, means:

(a) its proprietary positions in financial instruments:

(i) which are held for resale and/or are taken on by the firm with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;

(ii) arising from matched principal broking;

(iii) taken in order to hedge other elements of the trading book;

(b) *exposures* due to unsettled securities transactions, free deliveries, *OTC derivative* instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and

(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.

(2) (in *BIPRU* and *GENPRU* in relation to a *BIPRU firm*) has the meaning in ■ *BIPRU 1.2* (Definition of the trading book) which is in summary, all that *firm's positions* in *CRD financial instruments* and *commodities* held either with trading intent or in order to hedge other elements of the *trading book*, and which are either free of any restrictive covenants on their tradability or able to be hedged.

(3) (in *BIPRU* and *GENPRU* and in relation to a *person* other than a *BIPRU firm*) has the meaning in (2) with references to a *firm* replaced by ones to a *person*.

(4) (in *IFPRU* and in relation to an *IFPRU investment firm*) has the meaning in article 4(1)(86) of the *EU CRR*.

*trading book
concentration
risk excess*

[deleted]

*trading book
policy
statement*

FCA **PRA**

(A) In the PRA Handbook:

has the meaning in *BIPRU 1.2.29R* (Trading book policy statements) which is in summary a single document of a *person* recording the policies and procedures referred to in *BIPRU 1.2.26R* and *BIPRU 1.2.27R*.

(B) In the FCA Handbook:

trading book systems and controls rules

FCA PRA

(1) (in *BIPRU*) has the meaning in BIPRU 1.2.29R (Trading book policy statements) which is in summary a single document of a *person* recording the policies and procedures referred to in BIPRU 1.2.26R and BIPRU 1.2.27R.

(2) (in *IFPRU*) the statement of policies and procedures relating to the *trading book*.

GENPRU 1.3.13R(2) to (3) (General requirements: Methods of valuation and systems and controls), GENPRU 1.3.14R to GENPRU 1.3.16R (Marking to market), GENPRU 1.3.17R to GENPRU 1.3.25R (Marking to model), GENPRU 1.3.26R to GENPRU 1.3.28R (Independent price verification), GENPRU 1.3.30R to GENPRU 1.3.33R (Valuation adjustments or reserves), GENPRU 2.2.86R (Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments) and GENPRU 2.2.248R to GENPRU 2.2.249R (Tier three capital: lower tier three capital resources).

trading day

FCA

(1) (in ■ MAR 7 (Disclosure of information on certain trades undertaken outside a regulated market or MTF) and ■ SUP 17 (Transaction reporting)) in relation to post-trade information to be made public about a share under ■ MAR 7.2.10 EU, any day of normal trading in a share on a *trading venue* in the *relevant liquid market* for this share.

[Note: article 4(2) of the *MiFID Regulation*]

(2) other than in (1) or (3), a day included in the calendar of trading days published by the *appropriate regulator* at [web address tbc]

(3) (in *FINMAR*) as defined in article 2(1)(p) of the *short selling regulation*, a trading day as referred to in article 4 of Regulation (EC) No 1287/2006.

trading information

FCA PRA

information of the following kinds:

(1) that *investments* of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation; or

(2) that *investments* of a particular kind have not been or are not to be acquired or disposed of; or

(3) the quantity of *investments* acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation; or

(4) the price (or range of prices) at which *investments* have been or are to be acquired or disposed of or the price (or range of prices) at which *investments* whose acquisition or disposal is under consideration or the subject of negotiation may be acquired or disposed of; or

(5) the identity of the *persons* involved or likely to be involved in any capacity in an acquisition or disposal.

trading plan

FCA PRA

(in *LR*) a written plan between a restricted person and an independent third party which sets out a strategy for the acquisition and/or disposal of *securities* by a specified person and:

(a) specifies the amount of *securities* to be dealt in and the price at which and the date on which the *securities* are to be dealt in; or

(b) gives discretion to that independent third party to make trading decisions about the amount of *securities* to be dealt in and the price at which and the date on which the *securities* are to be dealt in; or

(c) includes a written formula or algorithm, or computer program, for determining the amount of *securities* to be dealt in and the price at which and the date on which the *securities* are to be dealt in.

trading venue

FCA PRA

(1) (except in *FINMAR*) a *regulated market*, *MTF* or *systematic internaliser* acting in its capacity as such, and, where appropriate, a system outside the *EU* with similar functions to a *regulated market* or *MTF*.

[Note: article 2(8) of the *MIFID Regulation*]

(2) (in *FINMAR*) (as defined in article 2(1)(l) of the *short selling regulation*) a *regulated market* or an *MTF*.

traditional securitisation

FCA

(in accordance with Article 4(37) of the *Banking Consolidation Directive* (Definitions) and for the purpose of *BIPRU*) a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) involving the economic transfer of the *exposures* being *securitised* to a *securitisation special purpose entity* which issues securities; and so that:

(a) this must be accomplished by the transfer of ownership of the *securitised exposures* from the *originator* or through sub-participation; and

(b) the securities issued do not represent payment obligations of the *originator*.

tranche

FCA

(in accordance with Article 4(39) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation and for the purposes of *BIPRU*) a contractually established segment of the credit risk associated with an *exposure* or number of *exposures*, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

transaction

FCA PRA

(A) In the PRA Handbook

only the purchase and sale of a *financial instrument*. For the purposes of the *MiFID Regulation*, excluding Chapter II, this does not include:

- (a) *securities financing transactions*; or
- (b) the exercise of options or covered warrants; or
- (c) primary market transactions (such as issuance allotment or subscription) in *financial instruments* falling within Article 4(1)(18)(a) and (b) of *MiFID*.

[Note: article 5 of the *MiFID Regulation*]

(B) In the FCA Handbook

(1) (except in ■ CONC App 1.1) only the purchase and sale of a *financial instrument*. For the purposes of the *MiFID Regulation*, excluding Chapter II, this does not include:

- (a) *securities financing transactions*; or
- (b) the exercise of options or covered warrants; or
- (c) primary market transactions (such as issuance allotment or subscription) in *financial instruments* falling within Article 4(1)(18)(a) and (b) of *MiFID*.

(2) (in ■ CONC App 1.3, except in ■ CONC App 1.1.6R (1)(c)) a *credit agreement*, any transaction which is a *linked transaction*, any contract for the provision of *security* relating to the *credit agreement*, any *credit broking* contract relating to the *credit agreement* and any other contract to which the *borrower* or a

relative of his is a party and which the *lender* requires to be made or maintained as a condition of the making of the *credit agreement*.

[Note: article 5 of the *MiFID Regulation*]

transaction report

FCA PRA

a report of a transaction which meets the requirements of ■ SUP 17.4.1 EU.1 R and ■ SUP 17.4.2 R (Information to appear in transaction reports).

transaction-specific advice

FCA PRA

advice on investments:

(a) given in connection with :

- (i) *dealing in investments as principal*; or
- (ii) *dealing in investments as agent*; or
- (iii) acting as an *arranger*; or

(b) with a view to carrying on any such activities;

with or for the *eligible counterparty* to whom the advice is given.

transferable security

FCA PRA

(1) (in *PR* and *LR*) (as defined in section 102A of the *Act*) anything which is a transferable security for the purposes of *MiFID*, other than money-market instruments for the purposes of that directive which have a maturity of less than 12 months.

(2) (in *COLL*) an *investment* within ■ COLL 5.2.7 R (Transferable securities) in relation to *schemes* falling under ■ COLL 5.

(3) those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

- (a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
- (b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities; and
- (c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, *commodities* or other indices or measures.

[Note: article 4(1)(18) of *MiFID*]

Transparency Directive

FCA PRA

the European Parliament and Council Directive on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market or through a comparable mechanism for the disclosure of information under national requirements of a Member State concerning the dissemination of information (No. 2004/109/EC).

transparency rules

FCA PRA

(in accordance with sections 73A(1) and 89A of the *Act*) *rules* relating to the notification and dissemination of information in respect of *issuers* of *transferable securities* and relating to major shareholdings.

treasury shares

FCA PRA

shares which meet the conditions set out in paragraphs (a) and (b) of subsection 724(5) of the Companies Act 2006.

Treaty

FCA PRA

the Treaty on the Functioning of the European Union.

| | |
|---|---|
| <p><i>Treaty activity</i> FCA PRA</p> | <p>(as defined in section 417(1) of the <i>Act</i> (Definitions)) an activity carried on under a <i>permission</i> obtained in accordance with Schedule 4 to the <i>Act</i> (Treaty Rights).</p> |
| <p><i>Treaty firm</i> FCA PRA</p> | <p>(as defined in paragraph 1 of Schedule 4 to the <i>Act</i> (Treaty Rights)) a <i>person</i>:</p> <ul style="list-style-type: none"> (a) whose head office is situated in an <i>EEA State</i> (its "<i>Home State</i>") other than the <i>United Kingdom</i>; and (b) which is recognised under the law of that State as its national. |
| <p><i>Treaty right</i> FCA PRA</p> | <p>the entitlement of a <i>Treaty firm</i> to qualify for <i>authorisation</i> under Schedule 4 to the <i>Act</i> (Treaty Rights).2001/7</p> |
| <p><i>Tribunal</i> FCA PRA</p> | <p>the Upper Tribunal, namely the Tribunal established under section 3 of the Tribunals, Courts and Enforcement Act 2007, and to which the functions of the Financial Services and Markets Tribunal were transferred on 6 April 2010 by the Transfer of Tribunal Functions Order 2010.</p> |
| <p><i>trust deed</i> FCA PRA</p> | <p>(A) In the PRA Handbook:</p> <ul style="list-style-type: none"> (1) (in <i>LR</i>) a trust deed or equivalent document securing or constituting <i>debt securities</i>. (2) (in <i>COLL</i>) the deed referred to in ■ COLL 3.2.3 R (The trust deed for AUTs), together with any deed expressed to be supplemental to it, made between the <i>manager</i> and the <i>trustee</i> (or, in the case of a <i>recognised scheme</i> that is a <i>unit trust scheme</i>, the <i>instrument constituting the scheme</i> as amended from time to time). <p>(B) In the FCA Handbook:</p> <ul style="list-style-type: none"> (1) (in <i>LR</i>) a trust deed or equivalent document securing or constituting <i>debt securities</i>. (2) (in <i>COLL</i>) the deed referred to in ■ COLL 3.2.3 R (The trust deed for AUTs), together with any deed expressed to be supplemental to it, made between the <i>manager</i> and the <i>trustee</i> (or, in the case of a <i>recognised scheme</i> that is a <i>unit trust scheme</i>, the <i>instrument constituting the fund</i> as amended from time to time). |
| <p><i>trust scheme rules</i> FCA PRA</p> | <p>rules in <i>COLL</i> made by the <i>FCA</i> under section 247(1) of the <i>Act</i> (Trust scheme rules) in relation to:</p> <ul style="list-style-type: none"> (a) the constitution, management and operation of <i>AUTs</i>; (b) the powers, duties, rights and liabilities of the <i>manager</i> and <i>trustee</i> of any such <i>scheme</i>; (c) the rights and duties of the <i>participants</i> in any such <i>scheme</i>; and (d) the winding up of any such <i>scheme</i>. |
| <p><i>trustee</i> FCA PRA</p> | <p>(in accordance with section 237(2) of the <i>Act</i> (Other definitions)) (in relation to a <i>unit trust scheme</i>) the <i>person</i> holding the property in question on trust for the <i>participants</i>.</p> |
| <p><i>trustee firm</i> FCA PRA</p> | <p>a <i>firm</i> which is not an <i>OPS firm</i> and which is acting as a:</p> <ul style="list-style-type: none"> (a) trustee; or (b) personal representative. |
| <p><i>turnover</i> FCA PRA</p> | <p>(in relation to a <i>financial instrument</i>) means the sum of the results of multiplying the number of units of that instrument exchanged between buyers</p> |

and sellers in a defined period of time, pursuant to *transactions* taking place on a *trading venue* or otherwise, by the unit price applicable to each such *transaction*.

[Note: article 2(9) of the *MiFID Regulation*]

two-day emissions spot

FCA PRA

an *emissions allowance* where delivery is to be made at an agreed date no later than the second trading day from the day of an auction on an *auction platform* (within the meaning of article 3(3) of the *auction regulation*).

Type P projection

FCA PRA

(in relation to a *pension scheme* or a *stakeholder pension scheme*) a *projection* in real value terms based on prices where the period to the *projection date* is one year or more.

Type Q projection

FCA PRA

(in relation to *pension scheme* or a *stakeholder pension scheme*) a *projection* in real value terms based on earnings where the period to the *projection date* is one year or more.

typical APR

FCA

an *APR* at or below which the *firm communicating* or *approving* the *financial promotion* reasonably expects, at the date on which the *financial promotion* is *communicated* or *approved*, that *credit* would be provided under at least 66% of the agreements which will be entered into as a result of the *financial promotion*.

Definitions

| | |
|---|--|
| <p>UK Corporate Governance Code</p> <p>FCA PRA</p> | <p>the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council.</p> |
| <p>UK countercyclical buffer authority</p> <p>FCA</p> | <p>the Bank of England, designated for the purpose of article 136(1) of the CRD in article 7 of The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014.</p> |
| <p>UK depositary</p> <p>FCA</p> | <p>a <i>depositary established</i> in the UK.</p> |
| <p>UK designated investment firm</p> <p>FCA PRA</p> | <p>(A) (In the PRA Handbook): (in ■ BIPRU 12 and ■ SUP 16) a <i>designated investment firm</i> which is a <i>body corporate</i> or <i>partnership</i> formed under the law of any part of the UK.</p> <p>(B) (In the FCA Handbook): (in ■ BIPRU 12) a <i>designated investment firm</i> which is a <i>body corporate</i> or <i>partnership</i> formed under the law of any part of the UK.</p> |
| <p>UK DLG by modification</p> <p>FCA PRA</p> | <p>a <i>DLG by modification (firm level)</i> in which each member is a UK ILAS BIPRU firm. A firm with a UK DLG by modification cannot also have a <i>non-UK DLG by modification (firm level)</i>.</p> |
| <p>UK domestic firm</p> <p>FCA PRA</p> | <p>a <i>firm</i> that has its registered office (or, if it has no registered office, its head office) in the <i>United Kingdom</i>.</p> |
| <p>UK financial sector company</p> <p>FCA PRA</p> | <p>a company that is a:</p> <ul style="list-style-type: none"> (a) UK bank; or (b) UK insurer; or (c) UK incorporated <i>parent undertaking</i> of a company referred to in (a) or (b) where the main business of the <i>group</i> to which the <i>parent undertaking</i> and the company belong is financial services . |
| <p>UK financial system</p> <p>FCA PRA</p> | <p>(as defined in section 11 of the Act (Meaning of "the UK financial system")) the financial system operating in the <i>United Kingdom</i> including:</p> <ul style="list-style-type: none"> (a) financial markets and exchanges; (b) <i>regulated activities</i>; and (c) other activities connected with financial markets and exchanges. |
| <p>UK firm</p> <p>FCA PRA</p> | <p>(1) (except in REC) (as defined in paragraph 10 of Schedule 3 to the Act (EEA Passport Rights)) a <i>person</i> whose head office is in the <i>United Kingdom</i> and who has an <i>EEA right</i> to carry on activity in an <i>EEA State</i> other than the <i>United Kingdom</i>.</p> <p>(2) (in REC) means an <i>investment firm</i> or <i>credit institution</i> which has a <i>Part 4A permission</i> to carry on one or more <i>regulated activities</i>.</p> |

UK ILAS
BIPRU firm

FCA PRA

an *ILAS BIPRU firm* which has its registered office (or, if it does not have a registered office, its head office) in the *United Kingdom*.

UK insurance
intermediary

FCA PRA

a *UK domestic firm* which has *Part 4A permission* to carry on *insurance mediation activity* but no other *regulated activity*.

UK insurer

FCA PRA

an *insurer*, other than a *pure reinsurer* or a *non-directive insurer*, whose head office is in the *United Kingdom*.

UK ISPV

FCA PRA

an *ISPV* with a *Part 4A permission* to *effect or carry out contracts of insurance*.

UK lead
regulated firm

FCA PRA

(A) In the PRA Handbook:

a *UK firm* that:

(a) is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*; or

(b) is part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* and that group is not part of a wider group that is subject to consolidated supervision by a *regulatory body* other than the *FCA* or the *PRA*.

For the purposes of this definition:

(c) Consolidated supervision of a group of *persons* means supervision of the adequacy of financial and other resources of that group on a *consolidated basis*. For example, this includes supervision under ■ BIPRU 8 (Group risk consolidation).

(d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* and *EU CRR* or the *Financial Groups Directive*.

(e) If the group is a *UK consolidation group* or *financial conglomerate* of which the *FCA* or the *PRA* is lead regulator that is headed by an *undertaking* that is not itself the *subsidiary undertaking* of another *undertaking* the *firm* is a 'UK lead regulated firm'.

This definition is not related to the defined term *lead regulated firm*.

(B) In the FCA Handbook:

a *UK firm* that:

(a) is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*; or

(b) is part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* and that group is not part of a wider group that is subject to

consolidated supervision by a *regulatory body* other than the *FCA* or the *PRA*.

For the purposes of this definition:

(c) Consolidated supervision of a group of persons means supervision of the adequacy of financial and other resources of that group on a *consolidated basis*.

(d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* and *EU CRR* or the *Financial Groups Directive*.

(e) If the group is a *consolidation group* or *financial conglomerate* of which the *FCA* or the *PRA* is lead regulator that is headed by an *undertaking* that is not itself the *subsidiary undertaking* of another *undertaking* the *firm* is a 'UK lead regulated firm'.

This definition is not related to the defined term *lead regulated firm*.

UK MCR

FCA **PRA**

the MCR calculated in accordance with INSPRU 1.5.44R by a *non-EEA direct insurer* (except a *UK-deposit insurer*, an *EEA-deposit insurer* or a *Swiss general insurer*) in relation to business carried on by the *firm* in the *United Kingdom*.

UK MiFID
investment
firm

FCA **PRA**

a *MiFID investment firm* whose *Home State* is the *United Kingdom* (this may include a natural *person* provided the conditions set out in Article 4(1)(1) of *MiFID* are satisfied).

UK parent
financial
holding
company in a
Member State

FCA **PRA**

a *parent financial holding company* in a *Member State* where the *EEA State* in question is the *United Kingdom*.

UK parent
mixed financial
holding
company in a
Member State

FCA

a *parent mixed financial holding company* in a *Member State* where the *EEA State* in question is the *UK*.

UK pure
reinsurer

FCA **PRA**

a *pure reinsurer* whose head office is in the *United Kingdom*.

UK RCH

FCA **PRA**

a *clearing house* which is declared by an order made by the Bank of England under section 290 of the *Act* and for the time being in force to be a recognised clearing house.

UK recognised
body

FCA **PRA**

a *UK RIE* or *RAP*.

UK regulated
EEA financial
conglomerate

FCA PRA

a *financial conglomerate* (other than a *third-country financial conglomerate*) that satisfies one of the following conditions:

- (a) ■ GENPRU 3.1.29 R (Capital adequacy calculations for *financial conglomerates*) applies with respect to it; or
- (b) a *firm* that is a member of that *financial conglomerate* is subject to obligations imposed through its *Part 4A permission* to ensure that *financial conglomerate* meets levels of capital adequacy based or stated to be based on Annex I of the *Financial Groups Directive*.

UK RIE

FCA PRA

an *RIE* that is not an *ROIE*.

UK UCITS
management
company

FCA PRA

a *management company* that is established in the *United Kingdom* and is *authorised* and regulated by the *FCA*.

UK-deposit
insurer

FCA PRA

a *non-EEA insurer* that has made a deposit in the *United Kingdom* under article 23 of the *First Non-Life Directive* in accordance with article 26 of that Directive or under article 51 of the *Consolidated Life Directive* in accordance with article 56 of that Directive.

UKLA

FCA PRA

the *FCA* acting in its capacity as the *competent authority* for the purposes of Part VI of the *Act* (Official Listing).

ultimate EEA
insurance
parent
undertaking

FCA PRA

an *EEA insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *EEA insurance parent undertaking*.

ultimate EEA
mixed financial
holding
company

FCA PRA

a *mixed financial holding company* which has its head office in an *EEA State* and which is not itself the *subsidiary undertaking* of another *mixed financial holding company*, *insurance parent undertaking* or *financial holding company* which has its head office in an *EEA State*.

ultimate
insurance
parent
undertaking

FCA PRA

an *insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *insurance parent undertaking*.

ultimate mixed
financial
holding
company

FCA PRA

a *mixed financial holding company* which is not itself the *subsidiary undertaking* of another *mixed financial holding company*, *insurance parent undertaking*, or *financial holding company*.

ultimate parent undertaking

FCA **PRA**

(in relation to an *insurer*) a *parent undertaking* of the *insurer* that is not itself the *subsidiary undertaking* of another *undertaking*.

umbrella

FCA **PRA**

(A) In the PRA Handbook:

(in *FEES*, *COLL* and *COBS*) a *collective investment scheme* whose *instrument constituting the scheme* provides for such pooling as is mentioned in section 235(3)(a) of the *Act* (Collective investment schemes) in relation to separate parts of the *scheme property* and whose are entitled to exchange rights in one part for rights in another.

(B) In the FCA Handbook:

(in *FEES*, *COLL* and *COBS*) a *collective investment scheme* whose *instrument constituting the fund* provides for such pooling as is mentioned in section 235(3)(a) of the *Act* (Collective investment schemes) in relation to separate parts of the *scheme property* and whose are entitled to exchange rights in one part for rights in another.

umbrella collective investment scheme

FCA **PRA**

(in *PR*) (as defined in the *PD Regulation*) a collective investment undertaking invested in one or more collective investment undertakings, the asset of which is composed of separate class(es) or designation(s) of securities.

unattached shares

FCA **PRA**

(in *CREDS*) means the total shares in the *credit union* other than any *attached shares* or *deferred shares*.

unauthorised AIF

FCA **PRA**

an *AIF* which is not an *authorised fund*.

unauthorised AIFM

FCA

a person who is not an *authorised person* but who is:

(a) a *small registered UK AIFM*; or

(b) a small registered EEA AIFM, i.e. an *EEA AIFM* that is a *small AIFM* that has not opted in to become a *full-scope EEA AIFM*; or

(c) a *full-scope EEA AIFM* that is entitled to *market* an *AIF* in the *United Kingdom* following a notification under regulation 57 of the *AIFMD UK regulation*; or

(d) an *small non-EEA AIFM* that is entitled to *market* an *AIF* in the *United Kingdom* following a notification under regulation 58 of the *AIFMD UK regulation*; or

(e) an *above-threshold non-EEA AIFM* to which the requirement at regulation 59(3) of the *AIFMD UK regulation* applies; or

(f) a *full-scope EEA AIFM* that is exercising a right to *market* an *AIF* in the *United Kingdom* arising out of the *EuSEF regulation* or the *EuVECA regulation*.

unauthorised fund

FCA **PRA**

a *fund* which is not an *authorised fund*.

unauthorised person

FCA PRA

a *person* who is not an *authorised person*.

unauthorised reversion provider

FCA PRA

a *person* who carries on, or proposes to carry on, the activity specified in article 63B(1) of the *Regulated Activities Order* which is entering into a *home reversion plan* as plan provider, and who does not have *permission* for, and is not an *exempt person* in relation to, *entering into a home reversion plan*.

unauthorised SRB agreement provider

FCA PRA

a *person* who carries on, or proposes to carry on, the activity specified in article 63J(1) of the *Regulated Activities Order* which is entering into a *regulated sale and rent back agreement* as agreement provider, and who does not have *permission* for, and is not an *exempt person* in relation to, *entering into a regulated sale and rent back agreement*; and in this definition references to an agreement provider include a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*.

underlying instrument

FCA PRA

(in *LR*) (in relation to *securitised derivatives*) means either:

- (a) if the *securitised derivative* is an *option* or *debt security* with the characteristics of an *option*, any of the underlying investments listed in article 83 of the *Regulated Activities Order*; or
- (b) if the *securitised derivative* is a *contract for differences* or *debt security* with the characteristics of a *contract for differences*, any factor by reference to which a profit or loss under article 85 of the *Regulated Activities Order* can be calculated.

undertaking

FCA PRA

(as defined in section 1161(1) of the Companies Act 2006 (Meaning of "undertaking" and related expressions)):

- (a) a *body corporate* or *partnership*; or
- (b) an unincorporated association carrying on a trade or business, with or without a view to profit.

underwrite

FCA PRA

(for the purposes of ■ BIPRU 7 (Market risk)) to undertake a firm commitment to buy a specified quantity of new *securities* on a given date and at a given price if no other has purchased or acquired them; and so that:

- (a) new is defined in BIPRU 7.8.12R (New securities);
- (b) a *firm* still underwrites *securities* at a time before the exact quantity of *securities* being underwritten or their price has been determined if it is committed at that time to underwrite them when the quantity and price is fixed;
- (c) (in the case of provisions of the *Handbook* that distinguish between *underwriting* and sub-*underwriting*) *underwriting* does not include sub-*underwriting*; and
- (d) (in any other case) *underwriting* includes sub-*underwriting*.

underwriting agent

FCA PRA

a *firm* permitted by the *Council* to act as an underwriting agent at Lloyd's.

underwriting capacity of a Lloyd's syndicate

the *investment*, specified in article 86(1) of the *Regulated Activities Order*, which is the underwriting capacity of a *syndicate*.

FCA PRA

*underwriting member*a *person* admitted to the *Society* as an underwriting member.

FCA PRA

*unearned premium*the amount set aside by a *firm* at the end of its *financial year* out of *premiums* in respect of risks to be borne by the *firm* after the end of the *financial year* under *contracts of insurance* entered into before the end of that year.

FCA PRA

Unfair Terms Regulations

the Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended by SI 2001/1186 and SI 2001/3649.

FCA PRA

UNFCOG

the Unfair Contract Terms Regulatory Guide.

FCA PRA

unfunded credit protection(1) (in *BIPRU* and in accordance with Article 4(32) of the *Banking Consolidation Directive* (Definitions)) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the *undertaking* of a third party to pay an amount in the event of the default of the borrower or on the occurrence of other specified events.

FCA

(2) (in *IFPRU*) has the meaning in article 4(1)(59) of the *EU CRR*.*unit*(1) (in relation to a *collective investment scheme*) the investment, specified in article 81 of the *Regulated Activities Order* (Units in a collective investment scheme) and defined in section 237(2) of the *Act* (Other definitions)), which is the right or interest (however described) of the *participants* in a *collective investment scheme*; this includes:

FCA PRA

(a) (in relation to an *AUT*) a unit representing the rights or interests of the *unitholders* in the *AUT*;(aa) (in relation to an *ACS*) a unit representing the rights or interests of the *unitholders* in the *ACS*; and(b) (in relation to an *ICVC*) a *share* in the *ICVC*.; and(2) (in relation to an *alternative investment fund*) the right or interest (however described) of an investor in an *alternative investment fund*.*unit trust scheme*(as defined in section 237(1) of the *Act* (Other definitions)) a *collective investment scheme* under which the property in question is held on trust for the *participants*, except that it does not include an *authorised contractual scheme*.

FCA PRA

United Kingdom

England and Wales, Scotland and Northern Ireland (but not the Channel Islands or the Isle of Man).

FCA PRA

unitholder(a) (in relation to an *ICVC*, *ACS* or an *AUT* as appropriate, and subject to ■ COLL 4.4.4 R (Special meaning of unitholder in ■ COLL 4.4)):

FCA PRA

(i) (in relation a *unit* which is represented by a *bearer certificate*) the *person* who holds that certificate; or(ii) (in relation to a *unit* that is

| | |
|--|--|
| <p><i>unitisation</i></p> <p>FCA</p> | <p>not represented by a <i>bearer certificate</i>) the <i>person</i> whose name is entered on the <i>register</i> in relation to that <i>unit</i>; or</p> <p>(b) (in relation to a <i>unit</i> in <i>collective investment scheme</i> not within (a)):</p> <p style="padding-left: 20px;">(i) the holder of the <i>bearer certificate</i> representing that <i>unit</i>; or</p> <p style="padding-left: 20px;">(ii) the <i>person</i> who entered on the <i>register</i> of the <i>scheme</i> as the holder of that <i>unit</i>.</p> |
| <p><i>units of a collective investment scheme</i></p> <p>FCA PRA</p> | <p>arrangements for a newly formed <i>AUT</i> or <i>ACS</i> under which:</p> <p style="padding-left: 20px;">(a) the whole or part of the property of a <i>body corporate</i> (or a <i>collective investment scheme</i>) becomes the first <i>scheme property</i> of the <i>AUT</i> or <i>ACS</i>; and</p> <p style="padding-left: 20px;">(b) the <i>holders</i> of:</p> <p style="padding-left: 40px;">(i) <i>shares</i> in the <i>body corporate</i> being wound up; or</p> <p style="padding-left: 40px;">(ii) <i>units</i> in the <i>collective investment scheme</i>, the property of which is being transferred;</p> <p>become the first <i>participants</i> in the <i>AUT</i> or <i>ACS</i>.</p> |
| <p><i>unpaid initial fund</i></p> <p>FCA PRA</p> | <p>(in <i>PR</i>) (as defined in Article 2.1(p) of the <i>prospectus directive</i>) securities issued by a collective investment undertaking as representing the rights of the participants in such an undertaking over its assets.</p> |
| <p><i>unrated position</i></p> <p>FCA PRA</p> | <p>part of the <i>initial fund</i> of a <i>mutual</i> which the <i>mutual</i> is prevented from including in its <i>tier one capital resources</i> as <i>permanent share capital</i> by reason of GENPRU 2.2.64R because it is not fully paid.</p> |
| <p><i>unrecognised scheme</i></p> <p>FCA</p> | <p>(for the purposes of BIPRU 9 (Securitisation), in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions) and in relation to a <i>securitisation position</i>) describes a <i>securitisation position</i> which does not have an eligible credit assessment by an <i>eligible ECAI</i>.</p> |
| <p><i>unregulated activity</i></p> <p>FCA PRA</p> | <p>(in <i>LR</i>) a <i>collective investment scheme</i> which is neither a <i>recognised scheme</i> nor a scheme that is constituted as an <i>authorised unit trust scheme</i> or <i>authorised contractual scheme</i>.</p> |
| <p><i>unregulated collective investment scheme</i></p> <p>FCA PRA</p> | <p>an activity which is not a <i>regulated activity</i>.</p> |
| <p><i>unrestricted-use credit agreement</i></p> | <p>a <i>collective investment scheme</i> which is not a <i>regulated collective investment scheme</i>.</p> |
| | <p>a <i>credit agreement</i> which is not a <i>restricted-use credit agreement</i>.</p> |

| | |
|---|---|
| <p>FCA</p> <p><i>unsecured debt</i></p> <p>FCA PRA</p> <p><i>unsecured lending</i></p> <p>FCA PRA</p> <p><i>unsolicited real time financial promotion</i></p> <p>FCA PRA</p> <p><i>unsustainable</i></p> <p>FCA</p> <p><i>upper tier three capital</i></p> <p>FCA PRA</p> <p><i>upper tier three capital resources</i></p> <p>FCA PRA</p> <p><i>upper tier three instrument</i></p> <p>FCA PRA</p> <p><i>upper tier two capital</i></p> <p>FCA PRA</p> <p><i>upper tier two capital resources</i></p> <p>FCA PRA</p> <p><i>upper tier two instrument</i></p> <p>FCA PRA</p> <p><i>UPRU</i></p> <p>FCA PRA</p> | <p>debt that does not fall within the definition of <i>secured debt</i>.</p> <p>(in accordance with article 8 of the <i>Financial Promotion Order</i>) a <i>real time financial promotion</i> which is not a <i>solicited real time financial promotion</i>.</p> <p>(in CONC) has the meaning given in ■ CONC 5.3.1 G.</p> <p>an item of capital that is specified in stage O of the <i>capital resources table</i> (Upper tier three).</p> <p>the sum calculated at stage O of the <i>capital resources table</i> (Upper tier three).</p> <p>an item of capital that meets the conditions in GENPRU 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a <i>firm's upper tier three capital resources</i>.</p> <p>(1) [deleted]</p> <p>(2) (in <i>BIPRU</i>, <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stage G of the <i>capital resources table</i> (Upper tier two capital) .</p> <p>the sum calculated at stage G of the calculation in the <i>capital resources table</i> (Upper tier two capital) .</p> <p>a <i>capital instrument</i> that meets the conditions in ■ GENPRU 2.2.177 R (Upper tier two capital: General) and is eligible to form part of a <i>firm's upper tier two capital resources</i>.</p> <p>the Prudential sourcebook for UCITS Firms.</p> |
|---|---|

Senior Management Arrangements, Systems and Controls

Detailed application of SYSC

| Part 1 | | Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society | |
|--------|------|--|--|
| | Who? | | |
| 1.1 | R | SYSC 2 and SYSC 3 only apply to an <i>insurer, a managing agent and the Society</i> except that: | |
| [FCA] | | | |
| [PRA] | | | |
| | | (1) | for an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> : <ul style="list-style-type: none"> (a) SYSC 2.1.1 R and SYSC 2.1.2 G do not apply; (b) SYSC 2.1.3 R to SYSC 2.2.3 G apply, but only in relation to allocation of the function in SYSC 2.1.3 R (2) and only in so far as responsibility for the matter in question is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i>; and (c) SYSC 3 applies, but only in so far as responsibility for the matter in question is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i>; |
| | | (2) | for an <i>incoming EEA firm</i> which has <i>permission only for cross border services</i> and which does not carry on <i>regulated activities in the United Kingdom</i> , SYSC 2 and SYSC 3 do not apply; |
| | | (3) | for an <i>incoming Treaty firm</i> which has <i>permission only for cross border services</i> and which does not carry on <i>regulated activities in the United Kingdom</i> , SYSC 3.2.6A R to SYSC 3.2.6J G do not apply; |
| | | (4) | for a <i>sole trader</i> : <ul style="list-style-type: none"> (a) SYSC 2 applies but only if he employs any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements); (b) SYSC 3.2.6I R does not apply if he has no <i>employees</i>; and |
| | | (5) | SYSC 2 and SYSC 3 do not apply to an <i>incoming ECA provider</i> acting as such. |
| 1.2 | G | (1) | Question 12 in SYSC 2.1.6 G contains guidance on SYSC 1 Annex 1.1.1R(1)(b) and SYSC 1 Annex 1.1.1R(1)(c). |
| [FCA] | | | |
| [PRA] | | | |

Part 1 Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society

- (2) SYSC 1 Annex 1.1.8R further restricts the territorial application of SYSC 2 and SYSC 3 for an *incoming EEA firm* or an *incoming Treaty firm*.
- (3) SYSC 1 Annex 1.1.1R(3) puts an *incoming EEA firm* on an equal footing with unauthorised *overseas persons* who utilise the *overseas persons* exclusions in article 72 of the *Regulated Activities Order*.
- (4) Further *guidance* on which matters are reserved to a *firm's Home State regulator* can be found at SUP 13A Annex 2 G.

What?

1.3 R SYSC 2 and SYSC 3 apply with respect to the carrying on of:

[FCA]
[PRA]

- (1) *regulated activities*;
- (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc); and
- (3) *ancillary activities* in relation to *designated investment business*, *home finance activity* and *insurance mediation activity*;

except that SYSC 3.2.6A R to SYSC 3.2.6J G do not apply as described in SYSC 1 Annex 1.1.4R.

1.4 R SYSC 3.2.6A R to SYSC 3.2.6J G do not apply:

[FCA]

- (1) with respect to the activities described in SYSC 1 Annex 1.1.3R(2) and SYSC 1 Annex 1.1.3R(3); or
- (2) in relation to the following *regulated activities*:
 - (a) *general insurance business*;
 - (b) *insurance mediation activity* in relation to a *general insurance contract* or *pure protection contract*;
 - (c) *long-term insurance business* which is outside the *Consolidated Life Directive* (unless it is otherwise one of the *regulated activities* specified in this rule);
 - (d) business relating to contracts which are within the *Regulated Activities Order* only because they fall within paragraph (e) of the definition of "contract of insurance" in article 3 of that Order;

| Part 1 | | Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society |
|--------|---|--|
| | | <p>(e) (i) arranging, by the <i>Society</i>, of deals in <i>general insurance contracts</i> written at Lloyd's; and</p> <p>(ii) <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;</i></p> <p>(f) <i>home finance mediation activity and administering a home finance transaction; and</i></p> <p>(g) <i>reversion activity.</i></p> |
| 1.5 | R | <p>SYSC 2 and SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also apply with respect to the <i>communication and approval of financial promotions</i> which:</p> |
| [FCA] | | <p>(1) if <i>communicated</i> by an <i>unauthorised person</i> without <i>approval</i> would contravene section 21(1) of the <i>Act</i> (Restrictions on financial promotion); and</p> <p>(2) may be <i>communicated</i> by a <i>firm</i> without contravening section 238(1) of the <i>Act</i> (Restrictions on promotion of collective investment schemes).</p> |
| 1.6 | R | <p>SYSC 2 and SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also:</p> |
| [FCA] | | |
| [PRA] | | <p>(1) apply with respect to the carrying on of <i>unregulated activities</i> in a <i>prudential context</i>; and</p> <p>(2) take into account any activity of other members of a <i>group</i> of which the <i>firm</i> is a member.</p> |
| 1.7 | G | <p>SYSC 1 Annex 1.1.6R(2) does not mean that inadequacy of a <i>group</i> member's systems and controls will automatically lead to a <i>firm</i> contravening, for example, SYSC 3.1.1 R. Rather, the potential impact of a <i>group</i> member's activities, including its systems and controls, and any systems and controls that operate on a <i>group</i> basis, will be relevant in determining the appropriateness of the <i>firm's</i> own systems and controls.</p> |
| | | <p>Where?</p> |
| 1.8 | R | <p>SYSC 2 and SYSC 3 apply with respect to activities carried on from an establishment maintained by the <i>firm</i> (or its <i>appointed representative</i> or, where applicable, its <i>tier agent</i>) in the <i>United Kingdom</i> unless another applicable <i>rule</i> which is relevant to the activity has a wider territorial scope, in which case SYSC 2 and SYSC 3 apply with that wider scope in relation to the activity described in that <i>rule</i>.</p> |
| [FCA] | | |
| [PRA] | | |
| 1.9 | R | <p>SYSC 2 and SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also apply in a <i>prudential context</i> to a <i>UK domestic firm</i> with respect to activities wherever they are carried on.</p> |
| [PRA] | | |

| Part 1 | | Application of SYSC 2 and SYSC 3 to an insurer, a managing agent and the Society |
|--------|---|---|
| 1.10 | R | SYSC 3, except SYSC 3.2.6A R to SYSC 3.2.6J G, also applies in a prudential context to an overseas firm (other than an incoming EEA firm or an incoming Treaty firm) with respect to activities wherever they are carried on. |
| [PRA] | | |
| 1.11 | G | (1) In considering whether to take regulatory action under SYSC 2 or SYSC 3 in relation to activities carried on outside the United Kingdom, the appropriate regulator will take into account the standards expected in the market in which the firm is operating. |
| [FCA] | | |
| [PRA] | | |
| | | (2) Most of the rules in SYSC 3 are linked to other requirements and standards under the regulatory system which have their own territorial limitations so that those SYSC rules are similarly limited in scope. |
| | | Actions for damages |
| 1.12 | R | A contravention of the rules in SYSC 2 and SYSC 3 does not give rise to a right of action by a private person under section 138D of the Act (and each of those rules is specified under section 138D(3) of the Act as a provision giving rise to no such right of action). |
| [FCA] | | |

| Part 2 | | Application of the common platform requirements (SYSC 4 to 10) |
|--------|---|--|
| | | Who? |
| 2.1 | R | The common platform requirements apply to every firm apart from an insurer, a managing agent and the Society unless provided otherwise in a specific rule. |
| [FCA] | | |
| [PRA] | | |
| 2.2 | R | For an incoming EEA firm or an incoming Treaty firm: |
| [FCA] | | |
| [PRA] | | |
| | | (1) the rule on responsibility of senior personnel (SYSC 4.3) does not apply; |
| | | (2) the common platform requirements apply only in so far as responsibility for the matter in question is not reserved by an EU instrument to the firm's Home State regulator; |
| | | (3) for an incoming EEA firm which has permission only for cross-border services and which does not carry on regulated activities in the United Kingdom, the common platform requirements do not apply; |
| | | (4) for an incoming Treaty firm which has permission only for cross-border services and which does not carry on regulated activities in the United Kingdom, the common platform requirements on financial crime do not apply. |
| 2.3 | R | For a sole trader: |

| Part 2 | | Application of the common platform requirements (SYSC 4 to 10) |
|--------|---|--|
| [FCA] | | <p>(1) SYSC 4.3 and 4.4 do not apply as long as he does not employ any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements);</p> <p>(2) SYSC 4.1.4 R and SYSC 6.3.9 R do not apply if he has no <i>employees</i>.</p> |
| 2.4 | R | For a <i>UCITS</i> <i>qualifier</i> : |
| [FCA] | | <p>(1) the <i>rule</i> on responsibility of senior personnel (SYSC 4.3) does not apply; and</p> <p>(2) the <i>common platform requirements</i> apply in relation to the <i>communication</i> and <i>approval</i> of <i>financial promotions</i> only as set out in SYSC 1 Annex 1.2.12R.</p> <p>[Note: section 266 of the <i>Act</i>.]</p> |
| 2.4A | R | For an <i>AIFM</i> <i>qualifier</i> : |
| [FCA] | | <p>(1) the <i>rule</i> on responsibility of senior personnel (SYSC 4.3) does not apply; and</p> <p>(2) the <i>common platform requirements</i> apply in relation to the <i>communication</i> and <i>approval</i> of <i>financial promotions</i> only as set out in SYSC 1 Annex 1, 2.12R.</p> |
| 2.5 | R | For an <i>authorised professional firm</i> when carrying on <i>non-mainstream regulated activities</i> , the <i>common platform requirements</i> on <i>financial crime</i> , <i>conflicts of interest</i> and <i>Chinese walls</i> do not apply. |
| [FCA] | | |
| 2.5A | R | The <i>common platform requirements</i> on <i>financial crime</i> do not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i> , and not the <i>FCA</i> , acts as the supervisory authority for the purposes of those regulations. |
| [FCA] | | |
| 2.6 | R | The <i>common platform requirements</i> do not apply to an <i>incoming ECA provider</i> acting as such. |
| [FCA] | | |
| [PRA] | | |
| 2.6A | R | The <i>common platform requirements</i> do not apply to a <i>firm</i> (including an <i>incoming EEA firm</i>) in relation to its carrying on of <i>auction regulation bidding</i> , except for: |
| [FCA] | | |
| [PRA] | | |
| | | <p>(1) SYSC 6.1.1 R which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including</p> |

Part 2 Application of the common platform requirements (SYSC 4 to 10)

| | | |
|---------------|-----|---|
| | | its managers, employees and <i>appointed representatives</i>) might be used to further <i>financial crime</i> ; and |
| | (2) | SYSC 6.3 (Financial crime). |
| 2.6B [FCA] | R | Subject to SYSC 1 Annex 1 2.6CR, the <i>common platform requirements</i> do not apply to a <i>full-scope UK AIFM</i> of an <i>unauthorised AIF</i> except for: |
| | (1) | SYSC 4.1.1 R to SYSC 4.1.2 R and SYSC 4.1.2B R to SYSC 4.1.2D R; |
| | (2) | SYSC 4.2.1 R, SYSC 4.2.1B R, SYSC 4.2.2 R to SYSC 4.2.5 G, SYSC 4.2.7 R and SYSC 4.2.8 G; |
| | (3) | SYSC 6.1.1 R, which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers and <i>employees</i>) might be used to further <i>financial crime</i> ; |
| | (4) | SYSC 6.1.4A G; SYSC 6.1.4B G |
| | (5) | SYSC 6.3; |
| | (6) | SYSC 7.1.7BA G |
| | (7) | SYSC 10.1.1 R and SYSC 10.1.22 R to SYSC 10.1.26 R; and |
| | (8) | SYSC 10.2. |
| 2.6C [FCA] | R | The <i>common platform requirements</i> apply to an <i>AIFM investment firm</i> which is a <i>full-scope UK AIFM</i> in respect of its <i>MiFID business</i> in line with Column A of Part 3. |
| 2.6D [FCA] | R | The <i>common platform requirements</i> apply to a <i>full-scope UK AIFM</i> of an <i>authorised AIF</i> in line with column A++ of Part 3. |
| 2.6E [FCA] | G | The <i>common platform requirements</i> apply to a <i>small authorised UK AIFM</i> in line with Column B of Part 3 (unless such a <i>firm</i> is also a <i>common platform firm</i> , in which case they must comply with Column A). |
| 2.6F [FCA] | R | The <i>common platform requirements</i> do not apply to an <i>incoming EEA AIFM branch</i> in respect of its management of a <i>UK AIF</i> , except for: |
| | (1) | those <i>common platform requirements</i> which are <i>AIFMD host state requirements</i> ; |
| | (2) | SYSC 6.1.1 R which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers and <i>employees</i>) might be used to further <i>financial crime</i> ; and |
| | (3) | SYSC 6.3. |

| Part 2 | | Application of the common platform requirements (SYSC 4 to 10) |
|--------|-------|---|
| 2.7 | G | <i>EEA MiFID investment firms</i> are reminded in particular that they must comply with the <i>common platform record-keeping requirements</i> in relation to a <i>branch</i> in the <i>United Kingdom</i> . |
| [FCA] | | |
| 2.7A | G | <i>EEA UCITS management companies</i> are also reminded that they must comply with: |
| [FCA] | | |
| | | <ol style="list-style-type: none"> (1) the <i>common platform requirements</i> indicated in Column A+ (Application to a management company) in Part 3 of this Annex; (2) the <i>common platform record-keeping requirements</i>; and (3) the <i>common platform requirements on financial crime</i>; <p>in relation to activities carried on from a <i>branch</i> in the <i>United Kingdom</i>. Where the <i>common platform requirement</i> addresses matters within the scope of article 12 of the <i>UCITS Directive</i>, an <i>EEA UCITS management company</i> should note that those matters may also be subject to the rules of its <i>Home State regulator</i>.</p> <p>[Note: articles 12(1)(b), 14(1)(c), 14(1)(d), 17(4), 18(3) and 19(1) of the <i>UCITS Directive</i> and articles 4(1)(e), 10(1), 10(2) and 10(3) of the <i>UCITS implementing Directive</i>]</p> |
| | What? | |
| 2.8 | R | The <i>common platform organisational requirements</i> apply with respect to the carrying on of the following (unless provided otherwise within a specific <i>rule</i>): |
| [FCA] | | |
| [PRA] | | |
| | | <ol style="list-style-type: none"> (1) <i>regulated activities</i>; (2) activities that constitute <i>dealing in investments as principal</i>, disregarding the exclusion in article 15 of the <i>Regulated Activities Order</i> (Absence of holding out etc); (3) <i>ancillary activities</i>; (4) in relation to <i>MiFID business, ancillary services</i> ; and (5) <i>collective portfolio management</i>. |
| 2.9 | G | The application of the provisions on the conflicts of interest in SYSC 10 is set out in SYSC 10.1.1 R and SYSC 10.2.1 R |
| [FCA] | | |
| [PRA] | | |
| 2.10 | R | The provisions on record-keeping in SYSC 9 apply as set out in SYSC 1 Annex 1.2.8R, except that they only apply to the carrying on of <i>ancillary activities</i> that are performed in relation to: |
| [FCA] | | |
| | | <ol style="list-style-type: none"> (1) <i>designated investment business</i>; (2) <i>home finance activity</i>; (3) <i>insurance mediation activity</i>; |

Part 2 Application of the common platform requirements (SYSC 4 to 10)

| | | |
|-------|---|---|
| 2.11 | R | <p>(4) credit-related regulated activity.</p> <p>The <i>common platform requirements on financial crime</i> apply as set out in SYSC 1 Annex 1.2.8R, except that they do not apply:</p> |
| [FCA] | | <p>(1) with respect to:</p> <p>(a) activities that constitute <i>dealing in investments as principal</i>, disregarding the exclusion in article 15 of the <i>Regulated Activities Order</i> (Absence of holding out etc); and</p> <p>(b) <i>ancillary activities</i>; or</p> <p>(2) in relation to the following <i>regulated activities</i>:</p> <p>(a) <i>general insurance business</i>;</p> <p>(b) <i>insurance mediation activity</i> in relation to a <i>general insurance contract</i> or <i>pure protection contract</i>;</p> <p>(c) <i>long-term insurance business</i> which is outside the <i>Consolidated Life Directive</i> (unless it is otherwise one of the <i>regulated activities</i> specified in this rule);</p> <p>(d) business relating to contracts which are within the <i>Regulated Activities Order</i> only because they fall within paragraph (e) of the definition of "contract of insurance" in article 3 of that Order;</p> <p>(e) (i) arranging by the <i>Society</i> of deals in <i>general insurance contracts</i> written at Lloyd's; and</p> <p>(ii) <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i>;</p> <p>(f) <i>home finance mediation activity</i> and <i>administering a home finance transaction</i>;</p> <p>(g) <i>reversion activity</i>; and</p> <p>(h) <i>meeting of repayment claims</i> and <i>managing dormant account funds (including the investment of such funds)</i>.</p> |
| 2.12 | R | <p>The <i>common platform organisational requirements</i>, except the <i>common platform requirements on financial crime</i>, also apply with respect to the <i>communication and approval of financial promotions</i> which:</p> |
| [FCA] | | <p>(1) if <i>communicated</i> by an <i>unauthorised person</i> without <i>approval</i> would contravene section 21(1) of the Act (Restrictions on financial promotion); and</p> <p>(2) may be <i>communicated</i> by a <i>firm</i> without contravening section 238(1) of the Act (Restrictions on promotion of collective investment schemes).</p> |

| Part 2 | | Application of the common platform requirements (SYSC 4 to 10) |
|--------|---|---|
| 2.13 | R | The <i>common platform organisational requirements</i> , except the <i>common platform requirements on financial crime</i> , also: |
| [FCA] | | |
| [PRA] | | |
| | | (1) apply with respect to the carrying on of <i>unregulated activities</i> in a <i>prudential context</i> ; and |
| | | (2) take into account any activity of other members of a <i>group</i> of which the <i>firm</i> is a member. |
| 2.13A | R | SYSC 6.3 only applies to a <i>firm</i> in relation to carrying on a <i>credit-related regulated activity</i> to which the <i>Money Laundering Regulations</i> also apply. |
| [FCA] | | |
| 2.13B | R | SYSC 6.3.8 R and SYSC 6.3.9 R do not apply to a <i>firm</i> with a <i>limited permission</i> for entering into a <i>regulated credit agreement as lender</i> . |
| [FCA] | | |
| 2.13C | G | The <i>persons</i> to whom the <i>Money Laundering Regulations</i> apply are set out in regulation 3 of the <i>Money Laundering Regulations</i> . The <i>persons</i> include <i>credit institutions</i> (for example, banks) and financial institutions (for example, <i>persons</i> who carry on <i>regulated activities</i> which consist of or include entering into <i>regulated credit agreements as lender</i>). These expressions are defined in regulation 3 of those Regulations. |
| [FCA] | | |
| 2.14 | G | SYSC 1 Annex 1.2.13R(2) does not mean that inadequacy of a <i>group</i> member's systems and controls will automatically lead to a <i>firm</i> contravening any of the <i>common platform organisational requirements</i> . Rather, the potential impact of a <i>group</i> member's activities, including its systems and controls, and any systems and controls that operate on a <i>group</i> basis, will be relevant in determining the appropriateness of the <i>firm's</i> own systems and controls. |
| [FCA] | | |
| [PRA] | | |
| | | Where? |
| 2.15 | R | The <i>common platform requirements</i> , except the <i>common platform record-keeping requirements</i> , apply to a <i>firm</i> in relation to activities carried on by it from an establishment in the <i>United Kingdom</i> . |
| [FCA] | | |
| [PRA] | | |
| 2.16 | R | The <i>common platform requirements</i> , except the <i>common platform requirements on financial crime</i> and the <i>common platform record-keeping requirements</i> , apply to a <i>firm</i> that is not a <i>UK UCITS management company</i> in relation to <i>passported activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> . |
| [FCA] | | |
| [PRA] | | |
| 2.16A | R | (1) The <i>common platform requirements</i> referred to in Column A+ of Part 3 (below) apply to a <i>UK UCITS management company</i> in relation to <i>passported activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> . |
| [FCA] | | |
| | | (2) Any other <i>common platform requirement</i> applies to a <i>UK UCITS management company</i> in relation to <i>passported activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> to the extent that |

Part 2 Application of the common platform requirements (SYSC 4 to 10)

the requirement addresses matters within the scope of article 12 of the *UCITS Directive*.

| | | |
|-------|---|---|
| 2.16B | G | The matters referred to in paragraph 2.16AR of this Annex may also be subject to the rules of the <i>UK UCITS management company's Host State regulator</i> . |
| [FCA] | | |
| 2.16C | R | The <i>common platform requirements</i> apply to a <i>full-scope UK AIFM</i> in respect of its management of an <i>AIF</i> where carried on from an establishment in the <i>UK</i> . |
| [FCA] | | |
| 2.16D | R | The <i>common platform requirements</i> , except those which are <i>AIFMD host state requirements</i> , apply to a <i>full-scope UK AIFM</i> in respect of its management of an <i>EEA AIF</i> from a <i>branch</i> in another <i>EEA State</i> . |
| [FCA] | | |
| 2.16E | R | The <i>common platform requirements</i> apply to an <i>AIFM investment firm</i> which is a <i>full-scope UK AIFM</i> in respect of its <i>MiFID business</i> where carried on from an establishment in the <i>UK</i> . |
| [FCA] | | |
| 2.16F | R | The <i>common platform requirements</i> , except the <i>common platform requirements on financial crime</i> and the <i>common platform record-keeping requirements</i> , apply to an <i>AIFM investment firm</i> in respect of its <i>MiFID business</i> where carried on from a <i>branch</i> in another <i>EEA State</i> . |
| [FCA] | | |
| 2.17 | R | The <i>common platform record-keeping requirements</i> apply to activities carried on by a firm from an establishment maintained in the <i>United Kingdom</i> , unless another applicable <i>rule</i> which is relevant to the activity has a wider territorial scope, in which case the <i>common platform record-keeping requirements</i> apply with that wider scope in relation to the activity described in that <i>rule</i> . |
| [FCA] | | |
| [PRA] | | |
| | | [Note: article 13(9) of <i>MiFID</i>] |
| 2.18 | R | The <i>common platform organisational requirements</i> , except the <i>common platform requirements on financial crime</i> , also apply in a <i>prudential context</i> to a <i>UK domestic firm</i> and to an <i>overseas firm</i> (other than an <i>incoming EEA firm</i> or an <i>Incoming Treaty firm</i>) with respect to activities wherever they are carried on. |
| [FCA] | | |
| [PRA] | | |
| | | Actions for damages |
| 2.19 | R | A contravention of a <i>rule</i> in the <i>common platform requirements</i> does not give rise to a right of action by a <i>private person</i> under section 138D of the <i>Act</i> (and each of those <i>rules</i> is specified under section 138D(3) of the <i>Act</i> as a provision giving rise to no such right of action). |
| [FCA] | | |

Part 3 Tables summarising the application of the common platform requirements to different types of firm

| | | |
|-------|---|---|
| 3.1 | G | The <i>common platform requirements</i> apply in the following four ways (subject to the provisions in Part 2 of this Annex). |
| [FCA] | | |
| [PRA] | | |

| Part 3 Tables summarising the application of the common platform requirements to different types of firm | | |
|--|---|---|
| 3.2 [FCA] [PRA] | G | For a <i>common platform firm</i> , they apply in accordance with Column A in the table below. |
| 3.2A [FCA] | G | For a <i>management company</i> , they apply in accordance with Column A+ in the table below. |
| 3.2B [FCA] [PRA] | R | For a <i>full-scope UK AIFM of an authorised AIF</i> , they apply in line with Column A++ in the table below. |
| 3.3 [FCA] [PRA] | G | For all other <i>firms</i> apart from <i>insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs</i> , they apply in accordance with Column B in the table below. For these <i>firms</i> , where a <i>rule</i> is shown modified in Column B as 'Guidance', it should be read as <i>guidance</i> (as if "should" appeared in that rule instead of "must") and should be applied in a proportionate manner, taking into account the nature, scale and complexity of the firm's business. |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|---------------------------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 4.1.1 R [FCA] [PRA] | Rule | Rule | Rule | Rule |
| SYSC 4.1.1A R [FCA] [PRA] | Not applicable | Not applicable | Rule | Not applicable |
| SYSC 4.1.1B R | Not applicable | Not applicable | Rule | Not applicable |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|----------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| [FCA] | | | | |
| SYSC 4.1.1C R | Rule for a <i>BIPRU firm</i> | Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| [FCA] | | | | |
| SYSC 4.1.2 R | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Rule | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.2A G | Not applicable | Guidance for a <i>UCITS firm</i> ; not applicable to a <i>UCITS investment firm</i> | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.2AA R | Rule for a <i>BIPRU firm</i> | Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| [FCA] | | | | |
| SYSC 4.1.2B R | Not applicable | Rule | Rule | Not applicable |
| [FCA] | | | | |
| SYSC 4.1.2C R | Not applicable | | Rule | Not applicable |
| [FCA] | | | | |
| SYSC 4.1.2D R | Not applicable | Not applicable | Rule | Not applicable |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.3 R | [deleted] | [deleted] | [deleted] | [deleted] |
| [FCA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|---------------|---|--|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| [PRA] | | | | |
| SYSC 4.1.4 R | Rule | Rule | Not applicable | (1) and (3) Guidance (2) Rule |
| [FCA] [PRA] | | | | |
| SYSC 4.1.4A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.5 R | Rule applies only to a <i>MiFID investment firm</i> | Rule | Not applicable | Not applicable |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.6 R | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.7 R | Rule | Rule | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.7A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.8 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|----------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 4.1.9 R | Rule | Rule | Not applicable | Not applicable |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.10 R | Rule | Rule | Not applicable | Guidance - except reference to SYSC 4.1.9 R which does not apply to these firms |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.10A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.11 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.13 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 4.1.14 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--|---|--|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 4.2.1 R [FCA] [PRA] | Rule | Rule | Rule | - UK branch of <i>non-EEA bank</i> - rule applies. - Other <i>firms</i> - Guidance |
| SYSC 4.2.1A G [FCA] [PRA] | Not applicable | Not applicable | Not applicable | Guidance |
| SYSC 4.2.2 R [FCA] [PRA] | Rule | Rule | Rule | - UK branch of a <i>non-EEA bank</i> - Rule applies - Other <i>firms</i> - this provision does not apply |
| SYSC 4.2.3 G - 4.2.5 G [FCA] [PRA] | Guidance | Guidance | Guidance | - UK branch of a <i>non-EEA bank</i> - Guidance - Other <i>firms</i> - these provisions do not apply |
| SYSC 4.2.6 R [FCA] [PRA] | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise not applicable | Not applicable | - UK branch of a <i>non-EEA bank</i> - Rule applies - Other <i>firms</i> - this provision does not apply |
| SYSC 4.2.7 R [FCA] | Not applicable | Not applicable | Rule | Not applicable |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|------------------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| [PRA] SYSC 4.2.8 G | Not applicable | Not applicable | Rule | Not applicable |
| [FCA] | | | | |
| [PRA] SYSC 4.2.9G | Not applicable | Not applicable | Guidance | Not applicable |
| [FCA] | | | | |
| [PRA] SYSC 4.3.1 R | Rule | Rule | Not applicable | Rule (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>) |
| [FCA] | | | | |
| [PRA] SYSC 4.3.2 R | Rule | Rule | Not applicable | Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>) |
| [FCA] | | | | |
| [PRA] SYSC 4.3.2A G | Not applicable | Not applicable | Not applicable | Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>) |
| [FCA] | | | | |
| [PRA] SYSC 4.3.3 G | Guidance | Guidance | Not applicable | Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>) |
| [FCA] | | | | |
| [PRA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|---------------------------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 4.3A.1 R [FCA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.1 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.2 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.3 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.4 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.5 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.7 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|----------------------------------|---|---|--|--|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 4.3A.8 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.9 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.10 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.3A.11 R [FCA] [PRA] | Rule applicable to <i>CRR firms</i> | Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 4.4.1 R [PRA] | Not applicable | Not applicable | Not applicable | Rule applies this section only: <i>(1) an authorised professional firm in respect of its non-mainstream regulated activities unless the firm is also conducting other regulated activities and has appointed approved persons to perform the gov-</i> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | <p>Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs</p> <p><i>erning functions with equivalent responsibilities for the firm's non-mainstream regulated activities and other regulated activities;</i></p> <p>2) activities carried on by a firm whose principal purpose is to carry on activities other than regulated activities and which is:</p> <p>(a) an oil market participant;</p> <p>(b) a service company;</p> <p>(c) an energy market participant;</p> <p>(d) a wholly-owned subsidiary of:</p> <p>(i) a local authority;</p> <p>(ii) a registered social landlord;</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|------------------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| | | | | <p>(e) a firm with permission to carry on insurance mediation activity in relation to non-investment insurance contracts but no other regulated activity;</p> <p>3) an incoming Treaty firm, an incoming EEA firm and a UCITS qualifier, (but only SYSC 4.4.5 R (2) applies for these firms); and</p> <p>(4) a sole trader, but only if he employs any person who is required to be approved under section 59 of the Act (Approval for particular arrangements).</p> |
| SYSC 4.4.1A R [FCA] | Not applicable | Not applicable | Not applicable | <p>Rule applies this section only to:</p> <p>(1) an authorised professional firm in respect of its non-mainstream regulated activities unless the firm is</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| | | | | <p>also conducting other regulated activities and has appointed <i>approved persons</i> to perform the governing functions with equivalent responsibilities for the firm's non-mainstream regulated activities and other regulated activities;</p> <p>(2) activities carried on by a firm whose principal purpose is to carry on activities other than regulated activities and which is:</p> <p>(a) an oil market participant;</p> <p>(b) a service company;</p> <p>(c) an energy market participant;</p> <p>(d) a wholly-owned subsidiary of:</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|--|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | <p>Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs</p> <p>(i) a local authority;</p> <p>(ii) a registered social landlord;</p> <p>(e) a firm with permission to carry on insurance mediation activity in relation to non-investment insurance contracts but no other regulated activity;</p> <p>(2A) a credit firm which holds a limited permission (other than a not-for-profit debt advice body) with respect to the relevant credit activity (as defined in paragraph 2G of Schedule 6 to the Act) for which it has limited permission;</p> <p>(3) an incoming Treaty firm, an incoming EEA firm and a UCITS qualifier, (but only SYSC 4.4.5 R (2) ap-</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--------------------------------|---|---|--|--|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| | | | | plies for these firms); and (4) a sole trader, but only if he employs any person who is required to be approved under section 59 of the Act (Approval for particular arrangements). |
| SYSC 4.4.2 G [FCA] [PRA] | Not applicable | Not applicable | Not applicable | Guidance only applying to the firms specified in SYSC 4.4.1 R or SYSC 4.4.1A R |
| SYSC 4.4.3 R [FCA] [PRA] | Not applicable | Not applicable | Not applicable | Rule only applying to the firms specified in SYSC 4.4.1 R or SYSC 4.4.1A R |
| SYSC 4.4.4 G [FCA] [PRA] | Not applicable | Not applicable | Not applicable | Guidance only applying to the firms specified in SYSC 4.4.1 R or SYSC 4.4.1A R |
| SYSC 4.4.5 R [FCA] [PRA] | Not applicable | Not applicable | Not applicable | Rule only applying to the firms specified in SYSC 4.4.1 R or SYSC 4.4.1A R |
| SYSC 4.4.6 G [FCA] | Not applicable | Not applicable | Not applicable | Guidance only applying to the firms |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--------------|---|---|--|---|
| SYSC 4 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| [PRA] | | | | specified in SYSC 4.4.1 R or SYSC 4.4.1A R |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|----------------------|---|---|--|---|
| SYSC 5 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 5.1.1 R | Rule | Rule | Not applicable | Rule |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.2 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.3 G | Guidance | Guidance | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.4 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| SYSC 5.1.4A G | Guidance | Guidance | Guidance | Guidance |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|---------------|---|---|--|---|
| SYSC 5 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.5 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.5A G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.6 R | Rule | Rule | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.7 R | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.7A G | Not applicable | Not applicable to a <i>UCITS investment firm</i> ; otherwise guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.8 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.9 G | Guidance | Guidance | Guidance | Guidance |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|----------------|---|---|---|---|
| SYSC 5 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.10 G | Guidance | Guidance | Guidance, but not applicable for the segregation of risk management functions | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.11 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.12 R | Rule | Rule | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.12A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.13 R | Rule | Rule | Not applicable | Rule |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.14 R | Rule | Rule | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 5.1.15 G | Not applicable | Not applicable | Not applicable | Guidance |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|---|
| SYSC 5 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs |

[FCA]

[PRA]

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |

SYSC 6.1.1 R

Rule

Rule

Rule but only regarding the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the *firm* (including its managers and employees) might be used to further *financial crime*

Rule

[FCA]

[PRA]

SYSC 6.1.1A G

Guidance

Guidance

Guidance

Guidance

[FCA]

[PRA]

SYSC 6.1.2 R

Rule

Rule

Not applicable

Guidance

[FCA]

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|---------------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| [PRA] | | | | |
| SYSC 6.1.2A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 6.1.3 R | Rule | Rule | Not applicable | - Guidance |
| [FCA] | | | | <p>This provision shall be read with the following additional sentence at the start. "Depending on the nature, scale and complexity of its business, it may be appropriate for a <i>firm</i> to have a separate compliance function. Where a <i>firm</i> has a separate compliance function, the <i>firm</i> should also take into account 6.1.3 R and 6.1.4 R as guidance."</p> |
| [PRA] | | | | |
| | | | | |
| SYSC 6.1.3A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] [PRA] | | | | |
| SYSC 6.1.4 R | Rule | Rule | Not applicable | (1) (3) and (4) Guidance (2) - Rule for <i>firms</i> which carry on <i>designated invest-</i> |
| [FCA] | | | | |
| [PRA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--------------------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.1.4A G | Not applicable | Not applicable | Rule | <i>ment business with or for retail clients or professional clients.</i> - Guidance for all other firms. Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 6.1.4BG [FCA] | Not applicable | Not applicable | Guidance | Not applicable |
| SYSC 6.1.4A R | Not applicable | Not applicable | Not applicable | Rule for firms which carry on designated investment business with or for retail clients or professional clients. |
| [FCA] | | | | |
| SYSC 6.1.4C R | Not applicable | Not applicable | Not applicable | Rule for debt management firms and credit repair firms. |
| [FCA] | | | | |
| SYSC 6.1.5 R | | | Not applicable | - Guidance |
| [FCA] | | | | |
| [PRA] | | | | - "investment services and activities" shall be read as "financial services and activities" |
| SYSC 6.1.6 R | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-------------------|---|--|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.1.7 R[FCA] | Rule | Rule for a <i>UCITS investment firm</i>; otherwise not applicable | Not applicable | Guidance |
| SYSC 6.2.1 R | Rule | Rule | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 6.2.1A G | Not applicable | Not applicable | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 6.2.2 G | Guidance | Guidance | Not applicable | Guidance |
| [FCA] | | | | |
| [PRA] | | | | |
| SYSC 6.3.1 R | Rule | Rule | Rule | Rule |
| [FCA] | | | | For firms carrying on a credit-related regulated activity, applies only where the <i>Money Laundering Regulations</i> apply to the firm. Rule does not apply to a firm for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------------------|---|---|--|--|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.3.2 G [FCA] | Guidance | Guidance | Guidance | <p>as the supervisory authority for the purposes of those regulations.(FCA Handbook only)</p> <p>Guidance</p> <p>For <i>firms</i> carrying on a <i>credit-related regulated activity</i>, applies only where the <i>Money Laundering Regulations</i> apply to the <i>firm</i>. Guidance does not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations.(FCA Handbook only)</p> |
| SYSC 6.3.3 R [FCA] | Rule | Rule | Rule | <p>Rule</p> <p>For <i>firms</i> carrying on a <i>credit-related regulated activity</i>, applies only where the <i>Money Laundering Regulations</i> apply to the <i>firm</i>. Rule does not ap-</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------------------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.3.4 G [FCA] | Guidance | Guidance | Guidance | <p>ply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> <p>Guidance</p> <p>For <i>firms</i> carrying on a <i>credit-related regulated activity</i>, applies only where the <i>Money Laundering Regulations</i> apply to the <i>firm</i>. Guidance does not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--------------|---|---|--|--|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.3.5 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | For <i>firms</i> carrying on a <i>credit-related regulated activity</i> , applies only where the <i>Money Laundering Regulations</i> apply to the <i>firm</i> . Guidance does not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i> , and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only) |
| SYSC 6.3.6 G | Guidance | Guidance | Guidance | Guidance |
| [FCA] | | | | For <i>firms</i> carrying on a <i>credit-related regulated activity</i> , applies only where the <i>Money Laundering Regulations</i> apply to the <i>firm</i> . Guidance does not apply to a <i>firm</i> for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i> , and |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------------------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.3.7 G [FCA] | Guidance | Guidance | Guidance | not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only) Guidance For firms carrying on a credit-related regulated activity, applies only where the Money Laundering Regulations apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only) |
| SYSC 6.3.8 R [FCA] | Rule | Rule | Rule | Rule For firms carrying on a credit-related regulated activity, applies only where the Money Laundering Regulations apply to the firm. |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--------------|---|---|--|--|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.3.9 R | Rule | Rule | Rule | <p>Rule does not apply to a firm with a limited permission for entering into a regulated credit agreement as lender. Rule does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> <p>Rule</p> <p>For firms carrying on a credit-related regulated activity, applies only where the Money Laundering Regulations apply to the firm. Rule does not apply to a firm with a limited permission for entering into a regulated credit agreement as lender. Rule does not apply to a firm for which a profes-</p> |
| [FCA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|------------------------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 6.3.10 G [FCA] | Guidance | Guidance | Guidance | <p>sional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> <p>Guidance</p> <p>For firms carrying on a credit-related regulated activity, applies only where the <i>Money Laundering Regulations</i> apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the <i>Money Laundering Regulations</i>, and not the <i>FCA</i>, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)</p> |
| SYSC 6.3.11 G [FCA] | Guidance | Guidance | Guidance | <p>Guidance</p> <p>For firms carrying on a credit-related</p> |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|---|
| SYSC 6 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs |

regulated activity, applies only where the Money Laundering Regulations apply to the firm. Guidance does not apply to a firm for which a professional body listed in Schedule 3 to the Money Laundering Regulations, and not the FCA, acts as the supervisory authority for the purposes of those regulations. (FCA Handbook only)

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|-----------|---|---|--|--|
| SYSC 7 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs |

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|--------------|----------|-----------------------------------|----------------|----------|
| SYSC 7.1.1 G | Guidance | Guidance | Not applicable | Guidance |
| [FCA] [PRA] | | | | |
| SYSC 7.1.2 R | Rule | Rule for a UCITS investment firm; | Not applicable | Guidance |
| [FCA] [PRA] | | | | |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|------------------------------|---|---|--|--|
| SYSC 7 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 7.1.2A G [FCA] [PRA] | Not applicable | otherwise guidance Not applicable to a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.2B G [FCA] [PRA] | Not applicable | Guidance | Not applicable | Not applicable |
| SYSC 7.1.3 R [FCA] [PRA] | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.4 R [FCA] [PRA] | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.4A G [FCA] [PRA] | Not applicable | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.4B G [FCA] [PRA] | Not applicable | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.5 R [FCA] [PRA] | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.6 R [FCA] [PRA] | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|------------------------------|---|---|--|--|
| SYSC 7 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 7.1.7 R [FCA] [PRA] | Rule | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.7A G [FCA] [PRA] | Not applicable | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Not applicable | Guidance |
| SYSC 7.1.7B G [FCA] [PRA] | Guidance applies only to a <i>BIPRU firm</i> | Rule for a <i>UCITS investment firm</i> ; otherwise guidance | Guidance | Guidance |
| SYSC 7.1.7BA G [FCA] | Not applicable | Not applicable | Guidance | Not applicable |
| SYSC 7.1.7BB G [FCA] | Guidance applies only to a <i>BIPRU firm</i> | Guidance applies only to a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i> | Not applicable | Not applicable |
| SYSC 7.1.7C G [FCA] [PRA] | Guidance | Guidance | Guidance | Guidance |
| SYSC 7.1.8 G [FCA] [PRA] | [deleted] | [deleted] | [deleted] | [deleted] |
| SYSC 7.1.9 R [FCA] [PRA] | Rule applies to a <i>BIPRU firm</i> | Rule for a <i>UCITS investment firm</i> ; otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.10 R [FCA] [PRA] | Rule applies to a <i>BIPRU firm</i> | Rule for a <i>UCITS investment firm</i> ; otherwise not applicable | Not applicable | Not applicable |

| Provision | COLUMN A | COLUMN A+ | COLUMN A++ | COLUMN B |
|--|---|--|--|--|
| SYSC 7 | Application to a common platform firm other than to a UCITS investment firm | Application to a UCITS management company | Application to a full-scope UK AIFM of an authorised AIF | Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs |
| SYSC 7.1.11 R [FCA] [PRA] | Rule applies to a <i>BIPRU firm</i> | Rule for a <i>UCITS investment firm</i> ; otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.12 G [FCA] [PRA] | Guidance applies to a <i>BIPRU firm</i> | Rule for a <i>UCITS investment firm</i> ; otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.13 R - 7.1.16 R [FCA] [PRA] | Rule applies to a <i>BIPRU firm</i> | Rule for a <i>UCITS investment firm</i> ; otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.16A G [FCA] | Guidance applies to a <i>BIPRU firm</i> | Guidance for a <i>UCITS investment firm</i> otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.16B G [FCA] | Guidance applies to a <i>BIPRU firm</i> | Guidance for a <i>UCITS investment firm</i> otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.16C R [FCA] | Rule applies to a <i>CRR firm</i> | Not applicable | Not applicable | Not applicable |
| SYSC 7.1.17 R [FCA] [PRA] | Rule applies to a <i>CRR firm</i> | Rule for a <i>UCITS investment firm</i> that is a <i>CRR firm</i> , otherwise not applicable | Not applicable | Not applicable |
| SYSC 7.1.18 R [FCA] [PRA] | Rule applies to a <i>CRR firm</i> | Rule for a <i>UCITS investment firm</i> that is a <i>CRR firm</i> , otherwise not applicable | Not applicable | Not applicable |

Chapter 19B

AIFM Remuneration Code

19B.1 Application

19B.1.1

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The *AIFM Remuneration Code* applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

19B.1.1A

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- (1) *Full-scope UK AIFMs* are advised that *ESMA* published Guidelines on sound remuneration policies under the *AIFMD* on 3 July 2013, which *full-scope UK AIFMs* should comply with in applying the *rules* in this section. The Guidelines can be found at: http://www.esma.europa.eu/system/files/2013-232_aifmd_guidelines_on_remuneration_-_en.pdf
- (2) The *FCA* has provided additional *guidance* on the application of principles of proportionality to remuneration policies of *AIFM*. The *guidance* also addresses several other aspects of the *AIFM Remuneration Code* and the Guidelines. The *guidance* can be found at: [<http://www.fca.org.uk/your-fca/documents/finalised-guidance/fg14-02>.]

Remuneration policies and practices

19B.1.2

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An *AIFM* must establish, implement and maintain *remuneration* policies and practices for *AIFM Remuneration Code staff* that are consistent with, and promote, sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile of the *instrument constituting the fund* of the *AIFs* it manages.

[Note: article 13(1) of *AIFMD*]

19B.1.3

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AIFM Remuneration Code staff comprise those categories of staff whose professional activities have a material impact on the risk profiles of the *AIFMs* or of the *AIFs* the *AIFM* manages. This includes senior management, risk takers, control functions, and any *employees* receiving total *remuneration* that takes them into the same *remuneration* bracket as senior management and risk takers.

[Note: article 13(1) of *AIFMD*]

Training and Competence

Appendix 1

TC Appendix 1

1.1 Activities and Products/Sectors to which TC applies subject to TC Appendices 2 and 3

App 1.1.1 **R**
FCA

| Activity | Products/Sectors | Is there an appropriate qualification requirement? |
|--|--|--|
| <i>Designated investment business carried on for a retail client</i> | | |
| Providing basic advice | 1. <i>Stakeholder products excluding a deposit-based stakeholder product</i> | No |
| Advising | 2. <i>Securities which are not stakeholder pension schemes, personal pension schemes or broker funds</i> | Yes |
| | 3. <i>Derivatives</i> | Yes |
| | 4. <i>Retail investment products which are not broker funds</i> | Yes |
| | 5. <i>Friendly Society life policies where the employee is not reasonably expected to receive a remuneration of greater than £1000 a year in respect of such sales</i> | No |
| | 6. <i>Friendly Society tax-exempt policies (other than Holloway sickness policies where the Holloway policy special application conditions are met)</i> | Yes |
| | 7. <i>Long-term care insurance contracts</i> | Yes |
| | 8. <i>Investments in the course of corporate finance business</i> | Yes |

| Activity | Products/Sectors | Is there an appropriate qualification requirement? |
|--|--|--|
| Undertaking the activity in column 2 | 9. <i>Advising on syndicate participation at Lloyd's</i> | Yes |
| | 10. <i>Broker fund adviser</i> | Yes |
| | 11. <i>Pension transfer specialist</i> | Yes |
| Advising and dealing | 12. <i>Securities which are not stakeholder pension schemes , personal pension schemes or broker funds</i> | Yes |
| Dealing | 13. <i>Derivatives</i> | Yes |
| | 13A. <i>Securities which are not stakeholder pension schemes , personal pension schemes or broker funds</i> | No |
| | 13B . <i>Derivatives</i> | No |
| MiFID business bidding | 13C. <i>Emissions auction products that are financial instruments</i> | No |
| Managing | 14. <i>Investments</i> | Yes |
| Overseeing on a day-to-day basis | 15. <i>Operating a collective investment scheme or undertaking the activities of a trustee or depositary of a collective investment scheme</i> | Yes |
| | 16. <i>Safeguarding and administering investments or holding client money</i> | Yes |
| | 17. <i>Administrative functions in relation to managing investments</i> | Yes |
| | 18. <i>Administrative functions in relation to effecting or carrying out contracts of insurance which are life policies</i> | Yes |
| | 19. <i>Administrative functions in relation to the operation of stakeholder pension schemes</i> | Yes |
| Mortgage Activity and reversion activity carried on for a customer | | |
| Advising; arranging (bringing about) an execution-only sale, excluding variations to an existing home finance transac- | 20 <i>Regulated mortgage contracts for a non-</i> | Yes |
| | 20A <i>Regulated mortgage contracts for a</i> | No |
| | 21 <i>Equity release transactions</i> | Yes |

| Activity | Products/Sectors | Is there an appropriate qualification requirement? |
|---|--|--|
| <p><i>tion except where the effect is to change all or part of the home finance transaction from one interest rate to another.</i></p> <p>See Note 3, which for the avoidance of doubt forms part of this rule.</p> | | |
| <p>Designing scripted questions for execution-only sales</p> | <p>21A <i>Regulated mortgage contracts for a non-business purpose</i></p> <p>21B <i>Regulated mortgage contracts for a business purpose</i></p> | <p>Yes</p> <p>No</p> |
| <p>Overseeing execution-only sales on a day-to-day basis</p> | <p>22 <i>Equity release transactions</i></p> <p>23. <i>Equity release transactions</i></p> | <p>Yes</p> <p>Yes</p> |
| <p>Advising</p> | <p>24. <i>Non-investment insurance business carried on for a consumer</i> <i>Non-investment insurance contracts</i></p> | <p>No</p> |
| <p>Advising</p> | <p>25. <i>Regulated sale and rent back activity carried on for a customer</i> <i>Regulated sale and rent back agreements</i></p> | <p>No</p> |
| <p>Overseeing an execution-only sale on a day-to-day basis</p> | <p>26. <i>Regulated sale and rent back agreements</i></p> | <p>No</p> |
| <p>Notes:</p> <p>1.</p> | <p>In the Appendix the heading and types of business specified in the headings are to be read in conjunction with the paragraphs appearing beneath them.</p> | |

| Activity | Products/Sectors | Is there an appropriate qualification requirement? |
|----------|--|--|
| 2. | <p>Thus, for example, paragraph 24 consistent with the heading above it, refers only to advice on <i>non-investment insurance contracts</i> given to a <i>consumer</i>.</p> | |
| 3. | <p>For the purpose of product numbers 20, 20A and 21 the activity of arranging (bringing about) referred to in the activity column:</p> <p>(a) includes activity which would be arranging (bringing about) but for the exclusion in article 28A of the <i>Regulated Activities Order</i>; and</p> <p>(b) does not include activities which taken on their own would not fall within the definition of that activity. For these purposes no account should be taken of the fact that for an activity to be a regulated activity it must be carried on by way of business (see PERG 4.3).</p> | |

| Activity Number | Activity | Key - extent to which qualification meets qualification requirement |
|-----------------|--|--|
| 17 | <p>Overseeing on a day to day basis <i>administrative functions</i> in relation to <i>managing investments</i>:</p> <p>(i) arranging settlement;</p> <p>(ii) monitoring and processing corporate actions;</p> <p>(iii) <i>client</i> account administration, liaison and reporting including valuation and performance measurement;</p> <p>(iv) <i>ISA</i> or <i>CTF</i> administration;</p> <p>(v) <i>Investment trust savings scheme</i> administration.</p> | |
| 18 | <p>Overseeing on a day to day basis <i>administrative functions</i> in relation to <i>effecting</i> or <i>carrying out contracts of insurance</i> which are <i>life policies</i>:</p> <p>(i) new business administration;</p> <p>(ii) <i>policy</i> alterations including surrenders and <i>policy</i> loans;</p> <p>(iii) preparing <i>projections</i>;</p> <p>(iv) processing claims, including pension payments;</p> <p>(v) fund switching</p> | <p>1 or</p> <p>(2 + 3) or</p> <p>(4 + 5 + 6)</p> <p>Meets full qualification requirement</p> |

| Activity Number | Activity | Key - extent to which qualification meets qualification requirement |
|-----------------|--|---|
| 19 | <p>Overseeing on a day to day basis <i>administrative functions</i> in relation to the operation of <i>stakeholder pension schemes</i>:</p> <ul style="list-style-type: none"> (i) new business administration; (ii) receipt of or alteration to contributions; (iii) preparing <i>projections</i> and annual statements; (iv) administration of transfers; (v) handling claims, including pension payments; (vi) fund allocation and switching. | |
| 20 | <p>Advising on a <i>regulated mortgage contract</i> for a non-business purpose; or</p> <p>Arranging (bringing about) an <i>execution-only sale</i> of a <i>regulated mortgage contract</i> for a non-business purpose, excluding variations to an existing <i>regulated mortgage contract</i>, except where the effect is to change all or part of the <i>regulated mortgage contract</i> from one interest rate to another</p> | |

| Activity Number | Activity | Key - extent to which qualification meets qualification requirement |
|-----------------|--|---|
| 21 | <p>Advising on <i>equity release transactions</i> ; or</p> <p>Arranging (bringing about) an <i>execution-only sale</i> of an <i>equity release transaction</i>, excluding variations to an existing <i>equity release transaction</i>, except where the effect is to change all or part of the <i>equity release transaction</i> from one interest rate to another</p> | |
| 21A | Designing scripted questions for an <i>execution-only sale</i> of a <i>regulated mortgage contract</i> for a non-business purpose | |
| 22 | Designing scripted questions for an <i>execution-only sale</i> of an <i>equity release transaction</i> | |
| 23 | Overseeing non-advised sales on a day-to-day basis of <i>equity release transactions</i> | |

Part 2: Appropriate Qualifications Tables

| Qualification provider | Qualification | Activity Number(s) | Key |
|---------------------------------------|--|--------------------|-----|
| ACI The Financial Markets Association | ACI Diploma (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 3, 12, 13 | a |
| | ACI Dealing Certificate when combined with Chartered Institute of Securities and Investment (CISI) Introduction to Securities and Investments and one of the | 15, 17 | 4 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|--|---|--------------------|-----|
| | Regulatory units of the Investment Operations Certificate (IOC) | | |
| | ACI Operations Certificate when combined with Chartered Institute of Securities and Investment (CISI) Introduction to Securities and Investments and one of the Regulatory units of the Investment Operations Certificate (IOC) | | |
| Association of Accounting Technicians | Member | 15, 16, 17, 18, 19 | 4 |
| Association of Certified International Investment Analysts (ACIIA) | CIIA qualification (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 3, 12, 13 | a |
| | Certified International Investment Analyst (CIIA) | 14 and 10 | 2 |
| Association of Chartered Certified Accountants | Member or Affiliate | 8 | 1 |
| | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| Association of Corporate Treasurers | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| Association of International Wealth Management (AIWM) | Certified International Wealth Manager Diploma (CIWM) | 2, 3, 12, 13 | a |
| | | 14 and 10 | 1 |
| Blackburn College - University Centre | Foundation Degree Award in Financial Services | 4 and 6 | a |
| Bournemouth University | BA in Financial Services (1995 to 2001) | | |
| | MA in Financial Services (1995 to 2001) | 4 and 6 | b |
| | Post Graduate in Financial Services (1995 to 2001) | | |
| Calibrand / Scottish Qualifications Authority | Diploma in Professional Financial Advice | | |
| | Diploma in Professional Financial Advice (NMBA - Alternative Assessment method) | 4 and 6 | a |

| Qualification provider | Qualification | Activity Number(s) | Key |
|-------------------------------|---|--------------------|-----|
| Canadian Securities Institute | Canadian Securities Course (CSC) and Conduct and Practices Handbook Course (CPH) - must include a pass in both modules (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation) - both courses must be completed | 2, 12 | b |
| | Canadian Securities Course (CSC), Conduct and Practices Handbook (CPH), the Futures Licensing Course (FLC), the Derivatives Fundamentals Course (DCF) and the Options Licensing Course (OLC) - must include a pass in all modules (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation) - all courses must be completed | 3, 13 | b |
| | Canadian Securities Course (CSC), Conduct and Practices Handbook (CPH), the Futures Licensing Course (FLC) and the Derivatives Fundamentals and Options Licensing Course (DFOL) - must include a pass in all modules (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation) - all courses must be completed | | |
| CASS Business School | MSC in Banking and International Finance (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 3, 12, 13 | a |
| | MSC in Investment Management pre 2003 syllabus (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation) | 2, 3, 12, 13 | b |

| Qualification provider | Qualification | Activity Number(s) | Key |
|---|--|--------------------|-----|
| CFA Institute and the CFA Society of the UK | Level 1 of CFA Program plus Investment Management Certificate (Level 4) | | |
| | Completion of CFA Program plus Investment Management Certificate Unit 1: The investment environment (Level 4) | 2, 3, 12, 13 | a |
| | Holder of Associate qualification (associate member) | | |
| | Level 1 of CFA Program plus Investment Management Certificate (Level 3) | | |
| | Completion of CFA Program plus Investment Management Certificate Unit 1: UK Regulation and Markets (level 3) | 2, 3, 12, 13 | b |
| | Holder of Associate qualification (Fellow) | | |
| | CFA Program (Level 1) | 14 and 10 | 2 |
| | Fellow or Associate by examination | 8 | 1 |
| | | 14 and 10 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | Investment Management Asset Allocation Qualification | 14 and 10 | 2 |
| | Investment Regulation and Practice Paper of the Associate Examination | 15, 16, 17 | 5 |
| CFA Society of UK (Formerly the UK Society of Investment Professionals/ Institute of Investment Management and Research (IIMR)) | Investment Management Certificate (Level 4) plus other qualifications that meet specialist standards for advising on securities | 2, 12 | |
| | Investment Management Certificate (Level 4) plus other qualifications that meet specialist standards for advising on packaged products | 4 and 6 | a |
| | Investment Management Certificate (Level 4) plus other qualifications that meet specialist standards for advising on derivatives | 3, 13 | |

| Qualification provider | Qualification | Activity Number(s) | Key |
|--|---|--------------------|-----|
| | Investment Management Certificate (Level 3 or 4) | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17 | 5 |
| | | 14 and 10 | 1 |
| | Investment Practice Paper (Unit 2) of Investment Management Certificate (Level 3 or 4) | 14 and 10 | 2 |
| | | 8 | 2 |
| | Investment Management Certificate Unit 1: UK Regulation and Markets (Level 3) or Investment Management Certificate Unit 1: The Investment Environment (Level 4) | 8 | 3 |
| | | 15, 16, 17, 19 | 5 |
| | | 18 | 6 |
| | | 14 and 10 | 3 |
| Chartered Alternative Investment Analysis Association (CAIA) | CAIA Level 1 (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation) | 2, 12 | b |
| Chartered Institute of Bankers in Ireland | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| Chartered Institute of Bankers in Scotland | Diploma in Investment Planning (Existing Adviser) Post 2010 examination standards | | |
| | | | |
| | Diploma in Investment Planning (New Adviser) Post 2010 examination standards | | |
| | Diploma in Investment Planning (Retail Banking) (New Adviser) Post 2010 examination standards | 4 and 6 | a |
| | Diploma in Investment Planning (Retail Banking) (Existing Adviser) Post 2010 examination standards | | |
| | Diploma in investment planning (work based assessment) | | |
| | Associate (March 1992 to July 1994 syllabus (including top-up test)) | 4 and 6 | b |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|---|--------------------------------------|--------|
| | Associate (post August 1994 syllabus) | | |
| | Certificate in Investment Planning (Pre 17/09/2004) | | |
| | Chartered Banker (where candidates hold UK Financial Services and Investment modules) | | |
| | Diploma in Investment Planning (current) | | |
| | Associateship - (must include a pass in the Investment Paper) | 2, 3, 12, 13 | b |
| | Certificate in Investment Planning - Paper 1 | 15, 16, 18, 19 15, 16, 17, 18, 19 | 4 5 |
| | Certificate in Investment Planning | 17 | 4 |
| | Member or Associate | 15, 16, 17, 18, 19 | 4 |
| | Mortgage Advice and Practice Certificate | 20 | 1 |
| | Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004) | 20, 21, 22 | 1 |
| | MAPC bridge paper plus entry requirements (Pre 31/10/2004) | 20 | 1 |
| | Certificate in Investment Planning - Paper 1 (Pre 16/09/2004) | 20, 21, 22 | 3 |
| | MAPC - Paper 1 (Pre 16/09/2004) | 20 | 3 |
| | Mortgage Advice and Practice Certificate - Paper 1 (Post 17/09/2004) | 20, 21 | 3 |
| | Equity Release Mortgage Advice and Practice Certificate (ERMAPC) | | |
| | Lifetime Mortgage Advice and Practice Certificate | 21, 22 | 1 |
| | MAPC Bridge paper plus entry requirements (Pre 16/09/2004) | | |
| | Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004) - Paper 1 | 21, 22 | 3 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|--|---|------------------------------------|--------|
| | Equity Release Mortgage Advice and Practice Certificate (ERMAPC) | 23 | 4 |
| | | 23 | 5 |
| | | 23 | 6 |
| Chartered Institute of Management Accountants | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| Chartered Institute of Public Finance and Accountancy | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| Chartered Institute for Securities and Investment (CISI) - (Formerly the Securities and Investment Institute (SII); formerly The Securities Association) | Investment Advice Diploma (where candidate holds 3 modules including the private client advice module) | 4 and 6 | |
| | Investment Advice Diploma (where candidate holds 3 modules including the derivatives module) | 3, 13 | a |
| | Investment Advice Diploma (where candidate holds 3 modules including the securities module) | 2, 12 | |
| | Masters in Wealth Management (Post 2010 examination standards) | 2, 3, 4 and 6, 12, 13 | |
| | Certificate in Private Client Investment Advice and Management | 2, 3, 4 and 6, 12, 13 14 and 10 | b 1 |
| | Certificate in Private Client Investment Advice and Management (attained through a CISI competency interview and presentation only) | 2, 3, 4 and 6, 12, 13 14 and 10 | b 1 |
| | Diploma (where candidate holds 3 modules as recommended by the firm) | 2, 3, 4 and 6, 12, 13 | b |
| | Investment Advice Certificate | 2, 3, 4 and 6, 12, 13 | b |
| | Masters in Wealth Management (Pre 2010 examination standards) | 2, 3, 4 and 6, 12, 13 | b |
| | Member of the Securities Institute (MSI Dip) (where candidate holds 3 modules as recommended by the firm) | 2, 3, 4 and 6, 12, 13 | b |
| | Certificate in Corporate Finance | 8 | 1 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|--|--------------------|-----|
| | | 15, 16, 17, 18, 19 | 4 |
| | Certificate in Derivatives - Paper 2 | 15, 16, 17, 18, 19 | 4 |
| | Certificate in Investment and Financial Advice - Paper 1 | 21, 22 | 3 |
| | Certificate in Investment Management (Level 3, pre 31 December 2013) | 8 | 1 |
| | | 15, 16, 17, 19 | 4 |
| | | 15, 16, 17 | 5 |
| | | 14 and 10 | 1 |
| | Certificate in Investment Management (Level 4) | 14 and 10 | 1 |
| | Certificate in Investment Management - Paper 2 | 8 | 2 |
| | | 14 and 10 | 2 |
| | Certificate in Securities | 8 | 1 |
| | Certificate in Securities - Paper 2 | 15, 16, 17, 18, 19 | 4 |
| | Certificate in Securities and Derivatives - Paper 2 | 19 | 4 |
| | Certificate in Securities and Financial Derivatives | 8 | 1 |
| | Certificate in Securities and Financial Derivatives - Paper 2 | 15, 16, 17, 18 | 4 |
| | Client Services Qualification | 15, 16, 17, 18, 19 | 4 |
| | Diploma | 15, 16, 17, 18, 19 | 4 |
| | Diploma - Corporate Finance Paper | 8 | 2 |
| | Diploma - Global Operations Management Module | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17 | 5 |
| | | | 6 |
| | Diploma - International Operations Management Module | 15 | 4 |
| | | | 5 |
| | | 15, 16 | 6 |
| | | | 4 |
| | | 17 | 5 |
| | | | 6 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|---|--------------------|-----|
| | Diploma - International Operations Module | 16, 18, 19 | 4 |
| | Diploma - Operations Management Module | 15, 16, 17, 18, 19 | 4 |
| | | 15, 17 | 5 |
| | | 15, 16, 17 | 6 |
| | Diploma - Regulation and Compliance Module | 8 | 3 |
| | | 14 and 10 | 3 |
| | | 15, 16, 17, 18, 19 | 5 |
| | Diploma (must include a pass in Regulation and Compliance Paper) | 8 | 1 |
| | Diploma (where candidate holds 3 modules as recommended by the firm) | 14 and 10 | 1 |
| | Diploma in Corporate Finance (awarded jointly with The Institute of Chartered Accountants in England and Wales) | 8 | 1 |
| | Investment Administration Qualification - Asset Servicing Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Basics of CREST Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Bond Settlement Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Collective Investment Schemes Administration Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - CREST Settlement Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Derivatives Operations Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Exchange - Traded Derivative Administration Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - FSA Regulatory Environment Module | 15, 16, 17 | 5 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|--|--------------------------------------|--------|
| | Investment Administration Qualification - Global Custody Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Global Securities Operations Module | 16, 17 | 6 |
| | Investment Administration Qualification - Global Settlement Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - IMRO Regulatory Environment Module | 8 14 and 10 15, 16, 17, 18, 19 | 3 5 |
| | Investment Administration Qualification - Introduction to Securities and Investment Module | 15, 16, 17, 18, 19 | 4 |
| | Investment Administration Qualification - ISA Administration Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - ISA and CTF Administration Module | 17 | 6 |
| | Investment Administration Qualification - ISA and PEP Administration Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Life Policy Administration Module | 18 | 6 |
| | Investment Administration Qualification - OEIC Administration Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - Operational Risk Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - OTC Derivatives Administration Module | 15, 16 | 6 |
| | Investment Administration Qualification - Pensions Administration Module | 19 | 6 |
| | Investment Administration Qualification - PEP Administration Module | 15, 16, 17 | 6 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|--|----------------------------------|--------|
| | Investment Administration Qualification - Portfolio Performance Measurement Module | 15, 16 | 6 |
| | Investment Administration Qualification - Private Client Administration Module | 15, 16, 17 | 6 |
| | Investment Administration Qualification - SFA Regulatory Environment Module | 8 14 and 10 15, 16, 17, 18 | 3 5 |
| | Investment Administration Qualification - Unit 2 FSA Regulatory Environment - (Formerly the Investment Administration Qualification - Regulatory Environment Module) | 8 14 and 10 18, 19 | 3 5 |
| | Investment Administration Qualification - Unit Trust Administration Module | 15, 16, 17 | 6 |
| | Investment Advice Certificate | 14 and 10 | 1 |
| | Investment Advice Certificate - Paper 1 | 15, 16, 17, 18, 19 | 4 5 |
| | Investment Advice Certificate - Paper 1 (No new registrations) | 20, 21, 22 | 3 |
| | Investment Advice Certificate - Paper 2 | 18, 19 | 6 |
| | Investment Advice Diploma (where candidates hold technical modules as recommended by the firm) | 14 and 10 | 1 |
| | Investment Operations Certificate - Asset Servicing Module | 15, 16, 17 | 6 |
| | Investment Operations Certificate - Collective Investment Schemes Administration Module | 15, 16, 17 | 6 |
| | Investment Operations Certificate - CREST Settlement Module | 15, 16, 17 | 6 |
| | Investment Operations Certificate - Exchange - Traded Derivative Administration Module | 15, 16, 17 | 6 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|--|-------------------------|--------|
| | Investment Operations Certificate - UK Financial Regulation Module | 8 14 and 10 | 3 |
| | | 15, 16, 17, 18, 19 | 5 |
| | Investment Operations Certificate - Global Securities Module | 17 | 6 |
| | Investment Operations Certificate - Global Securities Operation Module | 16 | 6 |
| | Investment Operations Certificate - Introduction to Securities and Investment Module | 15, 16, 17, 18, 19 | 4 |
| | Investment Operations Certificate - ISA Administration Module | 15, 16, 17 | 6 |
| | Investment Operations Certificate - Operational Risk Module | 15, 16, 17 | 6 |
| | Investment Operations Certificate - OTC Derivatives Administration Module | 15, 16 | 6 |
| | Investment Operations Certificate - Administration of Settlement & Investments Module (previously known as the Private Client Admin- istration Module) | 15, 16, 17 | 6 |
| | Level 3 Certificate in Investments (Derivatives) - Unit 3 | 15, 16, 17, 18, 19 | 4 |
| | Level 3 Certificate in Investments (Investment Management) | 14 and 10 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17 | 5 |
| | Level 3 Certificate in Investments (Investment Management) - Unit 5 | 8 14 and 10 | 2 |
| | Level 3 Certificate in Investments (Securities and Financial Deriva- tives) | 8 15, 16, 17, 18, 19 | 1 4 |
| | Level 3 Certificate in Investments (Securities) | 8 | 1 |
| | Level 3 Certificate in Investments (Securities) - Unit 2 | 15, 16, 17, 18, 19 | 4 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|-------------------------------|--|--------------------|-----|
| | Level 6 Diploma in Wealth Management | 14 and 10 | 1 |
| | Masters in Wealth Management | 14 and 10 | 1 |
| | Member of the Securities Institute by examination | 15, 17, 19 | 4 |
| | Principles of UK Financial Regulation | 8 | 3 |
| | | 18, 19 | 5 |
| | SFA Corporate Finance Representative Examination | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | SFA Futures and Options Representative Examination | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17 | 5 |
| | SFA Registered Persons Examination - Section 1 (Regulation) | 8 | 3 |
| | | 14 and 10 | |
| | | 15, 16, 17, 18, 19 | 5 |
| | SFA Securities and Financial Derivatives Representative Examination | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17 | 5 |
| | SFA Securities Representative Examination | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | | 16, 17 | 5 |
| | TSA Registered Representative Examinations | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16 | 5 |
| | Unit 1 - Financial Regulation | 14 and 10 | 3 |
| | Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper) | 8 | 3 |
| | | 15, 16, 17, 18, 19 | 5 |
| | Unit 6 - Principles of UK Financial Regulation | 14 and 10 | 3 |
| | | 15, 16, 17 | 5 |
| Chartered Insurance Institute | Certificate in Securities Advice and Dealing | 2, 12 | a |
| | Diploma in Regulated Financial Planning | 4 and 6 | a |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|--|-----------------------|-----|
| | Diploma in Regulated Financial Planning (attained through a CII alternative assessment day) | | |
| | Fellow or Associate (life and pensions route only) | 2, 3, 12, 13 | b |
| | Advanced Financial Planning Certificate | 2, 3, 4 and 6, 12, 13 | b |
| | Diploma in Financial Planning Fellow (FCII) (where candidates hold appropriate life and pensions modules) | | |
| | Fellow (FLIA Dip) | | |
| | Advanced Diploma in Financial Planning | 4 and 6 | b |
| | Associate (ACII) (where candidate holds appropriate life and pension modules) | | |
| | Associate (ALIA Dip) | | |
| | Diploma in Financial Planning plus a pass in J12: Securities advice and dealing | 2, 12 | a |
| | Certificate in Financial Planning plus the Award in Long Term Care Insurance | | |
| | G80 paper of Advanced Financial Planning Certificate (October 2004) plus appropriate exam requirements for TC 2.1.4R(1)(f) | 7 | 1 |
| | G70 Paper of the Advanced Financial Planning Certificate | 8 | 1 |
| | Award in London Market Insurance | 9 | 1 |
| | Fellow or Associate including three pensions-related subjects as confirmed by the examining body | | |
| | G60 paper of Advanced Financial Planning Certificate | 11 | 1 |
| | Unit AF3 of the Advanced Diploma in Financial Planning | | |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|--|--------------------|-----|
| | Certificate of Insurance Practice | 18 | 4 |
| | Certificate of Insurance Practice (life or pensions route) | | |
| | FA1 - Life office administration | | |
| | Fellow or Associate (life and pensions route only) | 18 | 6 |
| | Life assurance paper (735) from the Associateship | | |
| | Certificate of Insurance Practice (Pensions route) | 19 | 6 |
| | Fellow or Associate (Pensions route) | | |
| | Certificate in Mortgage Advice | 20 | 1 |
| | Certificate in Equity Release (Formerly known as Certificate in Financial Planning and Lifetime Mortgages) | 21 | 1 |
| | Certificate in Equity Release | 22 | 1 |
| | | 23 | 4 |
| | | 23 | 5 |
| | | 23 | 6 |
| | Advanced Financial Planning Certificate (must include a pass in G70 paper) | 14 and 10 | 1 |
| | Certificate in Discretionary Investment Management | | |
| | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| | Financial Planning Certificate - Paper 1 | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17, 18, 19 | 5 |
| | CF1 - UK financial services, regulation and ethics | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17, 18, 19 | 5 |
| | RO1 Paper: Regulation and Ethics | 15, 16, 17, 18, 19 | 4 |
| | | 15, 16, 17, 18, 19 | 5 |
| | FA2 - Pensions administration paper | 18, 19 | 6 |
| | Financial Planning Certificate - Paper 2 | | |

| Qualification provider | Qualification | Activity Number(s) | Key |
|--|--|------------------------------------|--------|
| | Pensions law, taxation and administration paper (740) from the Associateship | | |
| | Certificate in Investment Operations: Collective Investment Scheme Administration paper (FA4) | 15, 16, 17 | 6 |
| | Certificate in Investment Operations: Individual Savings Account Administration paper (FA5) | 15, 16, 17 | 6 |
| | Certificate in Investment Operations: Investment Client Servicing paper (FA6) | 15, 16, 17 | 6 |
| | Certificate in Mortgage Advice - Paper 1 | 20, 21 | 3 |
| | Mortgage Advice Qualification (MAQ) plus entry requirements | 20, 21, 22 | 1 |
| | Financial Planning Certificate - Paper 1 (No new registrations after 17/12/2004) | 20, 21, 22 | 3 |
| Deutsche Boerse AG | Certified Securities Trader (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 12 | b |
| Deutsche Boerse AG | Certified Derivatives Trader (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 12 3, 13 | b a |
| EFFAS Societies with accredited examinations | Certified European Financial Analyst | 14 and 10 | 2 |
| Faculty or Institute of Actuaries | Fellow or Associate or where the individual has passed all of the following modules CT1, CT2, CT4, CT5, CT6, CT7 and CT8 | 2, 3, 4 and 6, 12, 13 14 and 10 | a 1 |
| | Associate - achieved by examination passed before 1 December 2001 (must include a pass in Subject 301 - Investment and Asset | 14 and 10 | 1 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|--|--|--------------------|-----|
| | Management (syllabus in force from 1998) | | |
| | Associate - achieved by examination passed after 1 December 2001 (must include a pass in subject 301 - Investment and Asset Management (syllabus in force from 1998)) | 14 and 10 | 2 |
| | Fellow - achieved by examination (must include a pass in subjects 301 and 401 Investment and Asset Management (syllabus in force from 1998)) | 14 and 10 | 1 |
| | Fellow or Associate | 11 | 1 |
| | | 16, 17, 18, 19 | 4 |
| | | 18, 19 | 6 |
| | Fellow or Associate by examination (must include Investment Paper E (Syllabus in force until 1998)) | 14 and 10 | 1 |
| | Fellow or where the individual has passed all of the following modules CA1 and SA2 | 18 | 4 |
| Financial Industry Regulatory Authority (FINRA) - Formerly the National Association of Securities Dealers (NASD) | Series 7 - General Securities Representatives Examination (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation) | 2, 3, 12, 13 | b |
| Financial & Legal Skills Partnership (formerly the Financial Skills Partnership/Financial Services Skills Council (FSP/ FSSC)) | FLSP Advanced /Modern Apprenticeship in Advising on Financial Products (Long Term Care Insurance Pathway) | 7 | 1 |
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (Investment Administration or Operations Pathway including either Asset Servicing / CREST Settlement / Global Securities or ISA and CTF Administration) | 17 | 6 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|------------------------|---|--------------------|-----|
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (Investment Administration or Operations Pathway including FSA Regulatory Environment or Principles of Financial Regulation) | 17 | 5 |
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (investment Administration or Operations Pathway including the Introduction to Securities and Investment module) | 17 | 4 |
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (Long Term Insurance or Life, Pensions and Investments or Pensions Administration Pathway including CF1) | 18 | 4 |
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (Long Term Insurance or Life, Pensions and Investments or Pensions Administration Pathway including CF1) | 18 | 5 |
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (Long Term Insurance or Life, Pensions and Investments or Pensions Administration Pathway including CF1 and either FA1 or FA2) | 18 | 6 |
| | FLSP Level 3 Advanced /Modern Apprenticeship in Retail or Providing Financial Services (Long Term Insurance or Life, Pensions and Investments or Pensions Administration Pathway including CF1 and FA2) | 19 | 1 |
| | FLSP Level 3 Advanced Apprenticeship in Advising on Financial Products (Mortgage Advice Pathway) or Level 3 Advanced Appren- | 20 | 1 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|---|---|-----------------------|--------|
| | Associateship in Providing Mortgage Advice | | |
| ICMA Centre/ University of Reading (Formerly ISMA Centre/ University of Reading) | Diploma in Capital Markets, Regulation and Compliance | 17 | 5 |
| | Operations Certificate Programme (OCP) | 16, 17 | 6 |
| ifs University College(formerly the ifs School of Finance/Chartered Institute of Bankers) | Diploma for Financial Advisers (post 2010 examination standards) | | |
| | Professional Certificate in Banking (PCertB) (where candidate has passed the Practice of Financial Advice module) | 4 and 6 | a |
| | Associateship - (must include a pass in the Investment / Investment Management Paper) | 2, 3, 4 and 6, 12, 13 | b |
| | Diploma for Financial Advisers (pre 2010 examination standards) | 4 and 6 | b |
| | Professional Investment Certificate | | |
| | Certificate for Financial Advisers and Certificate in Long-term Care Insurance | 7 | 1 |
| | Pensions paper of Professional Investment Certificate | 11 | 1 |
| | Certificate for Financial Advisers - Paper 1 | 15 | 5 |
| | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| | Certificate for Financial Advisers - Paper 1 (Pre 31/10/2004) | 15, 16, 17, 18, 19 | 4 5 |
| | | 20, 21, 22 | 3 |
| | Certificate for Financial Advisers - Paper 1 (Post 01/11/2004) | 18, 19 | 4 5 |
| | Certificate for Financial Advisers - Paper 2 (Pre 31/10/2004) | 18, 19 | 6 |
| | CeMAP Bridge paper plus entry requirements | 20 | 1 |
| | Certificate in Mortgage Advice and Practice (Post 01/11/2004) | 20 | 1 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|---|---|--------------------|-----|
| | Diploma for Mortgage Advice and Practice DipMAP (plus entry requirements) | 20 | 1 |
| | CeMAP bridge paper plus entry requirements (Pre 31/10/2004) | 21, 22 | 1 |
| | Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004) - Paper 1 | 20, 21 | 3 |
| | Certificate in Mortgage Advice and Practice (Post 01/11/2004) - Paper 1 | 20, 21 | 3 |
| | Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004) | 20, 21, 22 | 1 |
| | Certificate in Regulated Equity Release (Formerly known as Certificate in Lifetime Mortgages) | 21, 22 | 1 |
| | | 23 | 4 |
| | | 23 | 5 |
| | | 23 | 6 |
| Institute of Chartered Accountants in England and Wales | Fellow or Associate | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | Initial Test of Competence | 18, 19 | 6 |
| | Diploma in Corporate Finance (awarded jointly with The Institute of Chartered Accountants in England and Wales) | 8 | 2 |
| Institute of Chartered Accountants in Ireland | Fellow or Associate | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | Initial Test of Competence | 19 | 6 |
| Institute of Chartered Accountants in Scotland | Member | 8 | 1 |
| | | 15, 16, 17, 18, 19 | 4 |
| | Initial Test of Competence | 19 | 6 |
| Institute of Chartered Secretaries and Administrators | Certificate in Collective Investment Scheme Administration | 15, 16, 17, 18 | 4 |
| | | 15, 16 | 5 |
| | | 15, 16 | 6 |
| | | 19 | 4 |
| | Certificate in Company Secretarial Practice and Share Registration | 15, 16, 17 | 4 |

| Qualification provider | Qualification | Activity Number(s) | Key |
|---|--|--------------------|--------|
| | Practice (including the Regulatory module within the examination) | | 5 6 |
| | Fellow or Associate | 15, 16, 17, 18, 19 | 4 |
| Institute of Financial Planning | Certified Financial Planner Fellowship | 4 and 6 | b |
| Insurance Sector Education and Training Authority | National Diploma: Financial Services Long-Term Risk Assessment | 7 | 2 |
| Investment Management Association | Investment Administration Management Award | 15, 16, 17 | 6 |
| Investment Property Forum | IPF Certificate in Property Investment | 14 and 10 | 2 |
| Japanese Bankers Association | Registered Representative of Public Securities Examination (pre-April 1990) | 8 | 2 |
| | Representative of Public Securities Qualification - Class 1 | | |
| Japanese Securities Dealers Association | Representative of Public Securities Qualification - Type 1 (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 3, 12, 13 | b |
| | Representative of Public Securities Examination (pre April 1990) | 8 | 2 |
| | Representative of Public Securities Qualification - Type 1 | | |
| Law Society of England and Wales | Module B(ii), Securities and Portfolio Management | 8 | 2 |
| | Module B(i), Retail Branded/Packaged Products | 18, 19 | 6 |
| Law Society of England and Wales/ Law Society of Northern Ireland | Solicitor | 15 | 4 |
| Law Society of England and Wales/ Law Society of Scotland/ Law Soci- | Solicitor | 17, 18, 19 | 4 |

| Qualification provider | Qualification | Activity Number(s) | Key | |
|---|--|--|-----------------------|---|
| City of Northern Ireland | | | | |
| Lloyd's | Lloyd's and London Market Introductory Test (Formerly the Lloyd's Introductory Test) | 9 | 1 | |
| Lloyd's/ Chartered Insurance Institute | Lloyd's Market Certificate | 9 | 1 | |
| London Stock Exchange (records are now kept by The Chartered Institute for Securities and Investment (CISI); Formerly the Securities and Investment Institute (SII); formerly The Securities Association) | London Stock Exchange Full Membership Exams (and other regional stock exchanges as merged with London Stock Exchange) - where candidate holds three or four papers or holds both the Stock Exchange Practice and Techniques of Investment papers | 2, 3, 4 and 6, 12, 13 14 and 10 | b 1 | |
| | Stock Exchange Registered Representative Examination | 8 15, 16, 17, 18, 19 15, 16 | 1 4 5 | |
| | Manchester Metropolitan University | BA (Hons) Financial Services, Planning and Management | 2, 3, 4 and 6, 12, 13 | a |
| | N/A | In-house module (only where the firm can demonstrate that none of the listed examinations are appropriate) | 15, 16, 17, 18, 19 | 6 |
| NIBE SVV the Dutch Institute for the Banking, Insurance and Stock-broking Industry | Examination | 8 | 2 | |
| Pensions Management Institute | Diploma in Regulated Retirement Advice | 4 and 6 11 | a 1 | |
| | Fellow or Associate by examination | 11 | 1 | |
| | Module 201: Providing for Retirement | 19 | 4 5 | |
| | | | 6 | |
| | Fellow or Associate | 15, 16, 17, 18, 19 | 4 | |

| Qualification provider | Qualification | Activity Number(s) | Key |
|---|--|-----------------------|-----|
| Sheffield Hallam University | Diploma in Member-Directed Pension Scheme Administration | 18 | 6 |
| | Fellow or Associate by examination | 18, 19 | 6 |
| | BA in Financial Services (1995 to 2001) | | |
| | MA in Financial Services (1995 to 2001) | 4 and 6 | b |
| SIX Swiss Exchange | Post Graduate in Financial Services (1995 to 2001) | | |
| | Certified Securities Trader the Swiss Markets Insight course (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 12 | b |
| Society of Investment Analysts in Ireland | Certificate in Investment Management (at least 3 papers passed by examination) | 14 and 10 | 2 |
| South African Institute of Financial Markets | Ordinary and Senior Certificates | 8, 14 and 10 | 2 |
| Swiss Finance Institute | Dual degree Executive MBA in Asset and Wealth Management | 14 and 10 | 2 |
| The Securities Analysts Association of Japan (SAAJ) | CMA Level 2 (for individuals advising before 30 June 2009) | | |
| | CMA Level 2 (for individuals not advising before 30 June 2009 - provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation) | 2, 3, 12, 13 | b |
| | CMA Level 2 | 8 | 2 |
| University of Stirling | Chartered Member | 14 and 10 | 2 |
| | BA in Finance | 2, 4 and 6, 12 | b |
| | BA in Finance and Accounting | 2, 3, 4 and 6, 12, 13 | b |
| | MSc in Finance | 2, 3, 12, 13 | b |

| Qualification provider | Qualification | Activity Number(s) | Key | |
|--|--|---|---------|---|
| University of the West of England | MSc in international Accounting and Finance (where candidates hold modules as recommended by the firm) | 2, 3, 12, 13 | b | |
| | | 8 | 2 | |
| | | 14 and 10 | 1 | |
| | MSc in Investment Analysis | 2, 3, 12, 13 | b | |
| | | 14 and 10 | 1 | |
| | BA in Financial Services (1995 to 2001) | MA in Financial Services (1995 to 2001) | 4 and 6 | b |
| Post Graduate in Financial Services (1995 to 2001) | | | | |

Training and Competence

TC TP 8 Transitional provisions relating to time limits for attaining qualifications

FCA

- | | | |
|-----|---|---|
| 8.1 | R | An <i>employee</i> who is carrying on an activity specified in TC Appendix 1 on 1 January 2011 will, for the purposes of TC 2.2A.1 R, be regarded as starting to carry on that activity on that date. |
| 8.2 | R | <p>An <i>employee</i> who is carrying on the activities specified in TC App 1 of:</p> <ol style="list-style-type: none">(1) <i>arranging (bringing about) regulated mortgage contracts or home reversion plans</i> or (for a <i>mortgage lender or home reversion provider</i>) an activity which would be <i>arranging (bringing about)</i> but for the exclusion in article 28A <i>Regulated Activities Order</i> (Arranging contracts to which the arranger is a party) for a non-business purpose; or(2) <i>designing scripted questions for execution-only sales of regulated mortgage contracts</i> for a non-business purpose; <p>as at 26 April 2014 will, for the purposes of TC 2.2A.1 R, be regarded as carrying on such activities only with effect from that date; and, in relation to such an <i>employee</i>, a <i>firm</i> need not (in relation to such activities only) comply with TC 2.1.6 R until 26 October 2016. TP 8.1 does not apply in respect of such an <i>employee</i>.</p> |

Fees Manual

- (j) [deleted]
- (k) [deleted]
- (l) [deleted]
- (m) [deleted]
- (n) [deleted]
- (o) [deleted]
- (p) [deleted]
- (q) [deleted]
- (r) [deleted]
- (s) [deleted]

(2) ■ FEES 1, ■ 2 and ■ 4 apply to:

- (a) every *firm* (except an *AIFM qualifier*, *ICVC* or *UCITS qualifier*);
- (b) every *authorised fund manager* of an *authorised unit trust* or *authorised contractual scheme*;
- (c) every *ACD* of an *ICVC*;
- (d) every *person* who, under the constitution or founding arrangements of a *recognised scheme*, is responsible for the management of the property held for or within the *scheme*;
- (e) every *designated professional body*;
- (f) every *recognised body*;
- (g) under the Listing Rules every *issuer* of *shares*, depositary receipts and *securitised derivatives*;
- (h) under the Listing Rules (*LR*) every *sponsor*;
- (i) under the Disclosure Rules and Transparency Rules (*DTR*) every *issuer* of *shares*, depositary receipts and securitised derivatives ;
- (j) every *fee-paying payment service provider*;
- (k) every *fee-paying electronic money issuer* ;
- (l) every *issuer* of a *regulated covered bond*;
- (m) every *AIFM* applying to become a *small registered UK AIFM* and every *small registered UK AIFM*; and
- (n) every *AIFM* notifying the *FCA* under regulation 57, 58 and 59 of the *AIFMD UK regulation* and every *AIFM* which has made such a notification.

- (3) ■ FEES 1, ■ 2 and ■ 5 apply to:
- (a) every *firm* (except to the extent it is *bidding in emissions auctions*), *fee-paying payment service provider* and *fee-paying electronic money issuer* which is subject to the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*; and
 - (b) every other *person* who is subject to the *Compulsory Jurisdiction* in relation to *relevant complaints*.
- (4) ■ FEES 1, ■ 2 and ■ 6 apply to:
- (a) every *participant firm* ;
 - (b) the *FSCS*; and
 - (c) the *Society*.
- (5) ■ FEES 1, ■ 2 and ■ 7 apply to:
- (a) every *person* having a *Part 4A permission*;
 - (b) an *incoming EEA firm*;
 - (c) an *incoming Treaty firm*;
 - (d) the *Society*;
 - (e) every *fee-paying payment service provider* except the Bank of England, government departments and local authorities;
 - (f) every *fee-paying electronic money issuer* except the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.
- (6) ■ FEES App 1 Annex 1 applies to every:
- (a) *registered society*; or
 - (b) *sponsoring body*; or
 - (c) *person* who submits a proposal for the registration of a *registered society*;

each as defined in ■ FEES Appendix 1.

■ FEES 1, ■ 2 and ■ 7 do not apply to an *incoming EEA firm* or an *incoming Treaty firm* that has not established a *branch* in the *United Kingdom*.

The application statement at ■ FEES 1.1.2 R (3) does not apply to
 ■ FEES 5.5A, ■ FEES 5 Annex 2R or ■ FEES 5 Annex 3R.

Part 1: Application, notification and vetting fees

| | |
|--|--|
| report before the latest time specified in DTR 4.2.2 R (2). | report before the latest time specified in DTR 4.2.2 R (2), £250 in respect of that half-yearly financial report. |
|--|--|

[Note: *Guidance* on how a *firm* liable to pay a fee under both rows (s) and (ze) of this table for the same transaction should expect to be treated is set out in ■ FEES 3 Annex 11 G.]

3.2.7A

PRA

R

Table Table of application, notification and vetting fees payable to the PRA

| (1) Fee payer | (2) Fee payable | Due date |
|---|--|---|
| (a) Any applicant for Part 4A permission (including an <i>incoming firm</i> applying for <i>top-up permission</i>) which includes a <i>PRA-regulated activity</i> | <p>(1) Unless (2) applies, in respect of a particular application, the highest of the tariffs set out in FEES 3 Annex 1 R part 1 which apply to that application.</p> <p>(2) In respect of a particular application which is:</p> <p>(i) a straightforward or moderately complex case for the purposes of FEES 3 Annex 1 R part 1, and</p> <p>(ii) only involves a simple change of legal status as set out in FEES 3 Annex 1 part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 1 part 1.</p> | On or before the application is made |
| (aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made be- | As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application. | Within 30 days of the date of the invoice. |

fore 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013 (the "relevant application")

(b) Any *Treaty firm* that wishes to exercise a *Treaty right* to qualify for *authorisation* under Schedule 4 to the *Act* (Treaty rights) in respect of *regulated activities* for which it does not have an *EEA right*, except for a *firm* providing *cross border services* only

(1) Where no certificate has been issued under paragraph 3(4) of Schedule 4 to the *Act* the fee payable is, in respect of a particular exercise, set out in FEES 3 Annex 1 R, part 4. (2) Where a certificate in (1) has been issued no fee is payable.

On or before the notice of exercise is given

(c) A *firm* applying for a variation of its *Part 4A permission* or an *FCA-authorised person* applying to carry on a *PRA-regulated activity*

(1) Unless (2), (2A), (3), (3A) or (3B) applies, if the proposed new business of the *firm* would fall within one or more activity groups specified in Part 1 of FEES 4 Annex 1A R or Part 1 of FEES 4 Annex 1B R not applicable before the application, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R which apply to that application.

On or before the date the application is made

(2) Subject to (2A) below, if the *firm's* application includes an application for a *Part 4A permission* to carry on a new *credit-related regulated activity*, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 that would be payable un-

der (1) above or, if higher, 50% of the highest of the tariffs set out in **FEES 3 Annex 1** that would be payable in relation to the new *credit-related regulated activity*.

(2A) If the applicant which already has a *Part 4A permission* to carry on a *credit-related regulated activity* exclusively applies for a *Part 4A permission* to carry on a new *credit-related regulated activity*, that is specified in Part 3 of **FEES 3 Annex 1AR** in the straightforward category (or if it exclusively applies for a number of such *permissions*), the fee is £250

(3) If the *firm* is in the A.1 fee-block at the date of the application and the variation involves adding any of the *regulated activities of meeting of repayment claims or managing dormant account funds (including the investment of such funds)*, the fee is 50% of the fee in **FEES 3 Annex 1 R** that applies to that application.

(3A) If the applicant had a *limited permission* prior to the application to vary its *Part 4A permission*, 100% of the highest of the tariffs set out in **FEES 3 Annex 1** which apply to that application

| | | |
|--|---|---|
| | <p>(3B) If the applicant has a <i>limited permission</i> and its application exclusively relates to another <i>limited permission</i>, the fee is 0</p> | |
| | <p>(4) In all other cases, other than applications by <i>credit unions</i>, the fee payable is 125, unless the variation involves only the reduction (and no other increases) in the scope of a <i>Part 4A permission</i> in which case no fee is payable.</p> | |
| <p>(ca) A person who makes an application under section 30(1) of the Consumer Credit Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (the "relevant variation application")</p> | <p>As (a) above, less any amount paid to the Office of Fair Trading in relation to the relevant variation application.</p> | <p>Within 30 days of the date of the invoice.</p> |
| <p>(d) Any person to which the Special Project Fee for restructuring applies under FEES 3 Annex 9.</p> | <p>Special Project Fee for restructuring in accordance with FEES 3 Annex 9 .</p> | <p>30 days of the date of the invoice.</p> |
| <p>(e) In the case of an <i>insurance business transfer scheme</i>, a transferor.</p> | <p>Either (1) or (2) as set out below:</p> | <p>On or before any application is made to the PRA for the appointment of a person as an</p> |
| <p>Note - for the purpose of this paragraph an <i>insurance business</i></p> | <p>(1) In the case of an <i>insurance business transfer scheme</i> involving <i>long term insurance business</i>, 9,250 is payable to the PRA; or</p> | <p><i>independent expert</i>.</p> |

transfer scheme consists of a single transferor and a single transferee. Where however such a scheme is part of a single larger scheme, that larger scheme is treated as a single *insurance business transfer scheme*. If an *insurance business transfer scheme* includes more than one transferor in accordance with this paragraph, the transferors are liable to pay the fee under column (2) jointly.

(f) Either:

(i) a *firm* applying to the *appropriate regulator* for permission to use one of the internal approaches listed in FEES 3 Annex 6B (or guidance on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the *appropriate regulator* as consolidating supervisor under the *EU CRR*) any *firm* making such an application; or

(ii) in the case of an application to the consolidating supervisor other than the *appropriate regulator* for the use of the IRB approach and the consolidating supervisor requesting the *appropriate regulator's* assistance in accordance with the *EU CRR*, any

(2) in the case of an *insurance business transfer scheme* not involving *long term insurance business*, 5,000 is payable to the *PRA*.

The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

(a) Unless (2) applies, FEES 3 Annex 6B. (2) (a) Unless (b) applies a *firm* submitting a second application for the permission or *guidance* described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under FEES 3 Annex 6B, but only in respect of that second application.

(b) No fee is payable by a *firm* in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for *guidance* in accordance with prescribed submission requirements.

(c) No fee is payable where the consolidating supervisor has request-

Where the *firm* has made an application directly to the *appropriate regulator*, on or before the date the application is made, otherwise within 30 days after the *appropriate regulator* notifies the *firm* that its *EEA* parent's consolidating supervisor has requested assistance.

| | | |
|---|--|--|
| <p>firm to which the <i>appropriate regulator</i> would have to apply any decision to permit the use of that approach.</p> | <p>ed the assistance described in paragraph (f)(ii) of column 1 except in the cases specified in FEES 3 Annex 6B</p> | |
| <p>(g) An applicant for a <i>ceding insurer's waiver</i>.</p> | <p>20,000</p> | <p>On or before the date the application is made.</p> |
| <p>(h) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> and SUP 5.2.</p> | <p>Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166(3)(b) of the <i>Act</i>.</p> | <p>Within 30 <i>days</i> of the date of the invoice.</p> |
| <p>(i) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to collect or update information pursuant to section 166A(2)(b) of the <i>Act</i>.</p> | <p>Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166A(2)(b) of the <i>Act</i>.</p> | <p>Within 30 <i>days</i> of the date of the invoice.</p> |

Authorisation fees payable

FCA **PRA**

Part 1 - Authorisation fees payable

For *PRA-authorised persons* and *persons* seeking to become *PRA-authorised persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorised persons* and *persons* seeking to become *FCA-authorised persons*, the amount payable to the *FCA* is the amount payable under Part 1, No amount is payable to the *PRA*.

The table below sets out the following:

- (1) fees for applications by *credit unions* and *community finance organisations*;
- (2) application fees in respect of the complexity groupings that relate to *regulated activities* that are not *credit-related regulated activities*; and
- (3) application fees in respect of the complexity groupings that relate to *credit-related regulated activities*.

| Application type | Amount payable (£) |
|---|--|
| (1) Credit unions and community finance organisations | |
| (a) Credit unions - registration of a common bond | 200 |
| (aa) Credit unions or community finance organisations - where application is for a Part 4A permission limited to permission to carry on credit-related regulated activity | 200 |
| (b) Version 1 credit unions - authorisation (other than where (aa) applies) | 300 |
| (c) Version 2 credit unions - authorisation (other than where (aa) applies) | 1,800 |
| (2) Complexity groupings not relating to credit-related regulated activities - see Part 2 | |
| (d) Straightforward | 1,500 (unless otherwise specified in Part 2) |
| (e) Moderately complex | 5,000 (unless otherwise specified in Part 2) |
| (f) Complex | 25,000 |
| (3) Complexity groupings relating to credit-related regulated activity - see Part 3 | |

| | | | | | |
|-------------------------------|---|------------------------------|---|---------------------------------|-----------------------|
| | Consumer credit annual income (£) | | | | |
| | 0 - 50,000 | | > 50,000 | | |
| (g) Limited permission | 100 unless the application is for <i>limited permission</i> as a <i>not-for-profit debt advice body</i> , in which case the amount payable is 0 | | 500 unless the application is for <i>limited permission</i> as a <i>not-for-profit debt advice body</i> , in which case the amount payable is 0 | | |
| | Consumer credit annual income (£) | | | | |
| | 0 -50,000 | > 50,000 - 100,000 | > 100,000 - 250,000 | > 250,000 - 1,000,000 | > 1,000,000 |
| (h) Straightforward | 600 | 750 | 1,000 | 1,500 | 5,000 |
| (i) Moderately complex | 800 | 1,000 | 1,500 | 5,000 | 10,000 |
| (j) Complex | 1,000 | 1,250 | 2,000 | 7,000 | 15,000 |

Part 2 - Complexity Groupings not relating to *credit-related regulated activities* Straightforward Cases

| Straightforward cases | |
|-----------------------|--|
| Activity grouping | Description |
| A.3 | <i>Friendly societies only</i> |
| A.4 | <i>Friendly societies only</i> |
| A.10 | <i>A firm to the extent it is bidding in emissions auctions</i> |
| A.13 | <i>Advisors, arrangers, dealers or brokers</i> |
| A.14 | <i>Corporate finance advisers</i> |
| A.18 | <i>Home finance providers , advisers and arrangers (excluding home finance providers) .</i> |
| A.19 | <i>General insurance mediation</i> |
| A.21 | <i>Holding client money or assets or both.</i> |

Moderately Complex Cases

| Moderately complex cases | |
|--------------------------|--|
| Activity grouping | Description |
| [deleted] | [deleted] |
| A.2 | <i>Home finance providers and administrators .</i> |
| A.3 | <i>UK ISPVs</i> |

| Moderately complex cases | |
|--------------------------|---|
| Activity grouping | Description |
| [deleted] | [deleted] |
| A.5 | <i>Managing agents at Lloyd's</i> |
| A.7 | <i>Portfolio managers</i> |
| A.9 | <i>Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes</i> |
| A.10 | <i>Firms dealing as principal, except to the extent the firm is bidding in emissions auctions</i> |
| B. | <i>Service companies</i> |

Complex Cases R

| Complex cases | |
|-------------------|---|
| Activity grouping | Description |
| A.1 | <i>Deposit acceptors (excluding e-money issuers and credit unions) and dormant account fund operators</i> |
| A.3 | <i>Insurers - general (excluding friendly societies and UK ISPVs)</i> |
| A.4 | <i>Insurers - life (excluding friendly societies)</i> |
| B | <i>MTF operators</i> |

Part 3 - Complexity Groupings relating to *credit-related regulated activity*

Straightforward cases

| Activity grouping | Description |
|-------------------|--|
| CC.2 | <i>Credit broking;</i> <i>Providing credit information services</i> |

Moderately complex cases

| Activity grouping | Description |
|-------------------|---|
| CC.2 | <i>Debt administration</i> <i>Debt collecting</i> <i>Entering into a regulated consumer hire agreement as owner</i> <i>Entering into a regulated credit agreement as lender (excluding in relation to high-cost short-</i> |

term credit, bill of sale loan agreements and home credit loan agreements)

Exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement

Exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)

Operating an electronic system in relation to lending

Complex cases

Activity grouping

CC.2

Activity grouping

Debt adjusting

Debt counselling

Entering into a regulated credit agreement as lender in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements

Exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements

Providing credit references

Part 4 - Authorisation Fees for Treaty Firms R

If the *Treaty firm* wishes to undertake the permitted activities in question through its branch in the *United Kingdom*, the fee is 50% of the fee that would be payable under FEES 3.2.7 R and/or FEES 3.2.7A R for an applicant for *Part 4A permission*.

If the *Treaty firm* wishes to undertake the permitted activities in question by providing services in the *United Kingdom*, the fee is 25% of the fee which would be payable under FEES 3.2.7 R and/or FEES 3.2.7A R for an applicant for *Part 4A permission*.

Part 5 - Activity Groupings R

The activity group definitions are set out in FEES 4 Annex 1A R and FEES 4 Annex 1B R.

Part 6 - Change of legal status

An application involving only a simple change of legal status for the purposes of FEES 3.2.7 R, FEES 3.2.7A R (a), FEES 3.2.7R (y) , FEES 3.2.7R (za), FEES 3.2.7 R (zg) and FEES 3.2.7 R (zh) is from an applicant:

(1) which is a new legal entity intending to carry on the business, using the same business plan, of an existing *firm* with no outstanding regulatory obligations cancelling its *Part 4A permission* or authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, and

(2) which is to:

- (a) have the same or narrower *permission*, scope of authorisation or registration under the *Payment Services Regulations* or *Electronic Money Regulations* and the same *branches* (if any), as the *firm*;
- (b) assume all of the rights and obligations in connection with any of the *regulated activities*, *payment services* and *electronic money* issuance carried on by the *firm*;
- (c) continue the same compliance arrangements and compliant client asset and *client money* procedures, as the *firm*, subject to any changes required only as a result of the change of legal status;
- (d) continue with a risk profile and arrangements for controlling and monitoring risk which will not be materially different from those of the *firm*; and
- (e) have the individuals within the *firm* that are responsible for *insurance mediation activity* perform the same role for the applicant.

Part 7 - Change of legal status - sponsors fees

An application involving only a simple change of legal status for the purposes of FEES 3.2.7 R(j) is from an applicant:

(1) which is a new legal entity intending to carry on the business of an existing *sponsor* (as defined in the *listing rules*) in respect of which the *FCA* does not currently require, and is not proposing to require, remedial action relating to any aspect of its provision of *sponsor services*); and

(2) which (subject to any changes required only as a result of the change in legal status) is to:

- (a) assume all of the rights and obligations in connection with any of the *sponsor* activities of the existing *sponsor* under the *listing rules*;
- (b) make no changes to the systems and controls of the existing *sponsor* which ensure that the existing *sponsor* can carry out its role as *sponsor* in accordance with LR 8 (Sponsors: Premium listing);
- (c) have the individuals within the existing *sponsor* that are engaged in the provision of *sponsor services* engaged in the same role for the applicant; and
- (d) otherwise continue to comply in all respects with the criteria for approval as a *sponsor* set out in LR 8.6.5 R.

Fees where changes are made to firms transaction reporting systems and the FCA is asked to check that these systems remain compatible with FCA systems

FCA

| Hourly rate (£) | Method of calculating fee |
|-----------------|--|
| 68.09 | <p>The fee is calculated as follows:</p> <p>(1) Determine the number of hours, or part of an hour, taken by the <i>FCA</i> (or any <i>person</i> acting on behalf of the <i>FCA</i>) to test the fee payers transaction reporting systems for compatibility with the relevant <i>FCA</i> systems.</p> <p>2) Then multiply the figure in the first column by the number of hours or part hours obtained under (1). The resulting figure is the fee.</p> <p>(3) The number of hours or part hours referred to in (1) shall be the number of hours or part hours as recorded on the <i>FCA</i>'s systems.</p> |

Chapter 4

Periodic fees

4.1 Introduction

Application

4.1.1 **R** This chapter applies to every *person* set out in ■ FEES 1.1.2 R (2).

FCA **PRA**

4.1.1A **R** A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider* and a *fee-paying electronic money issuer*.

FCA

Purpose

4.1.2 **G** The purpose of this chapter is to set out the requirements on *firms* and others to pay periodic fees and transaction reporting fees in certain circumstances.

FCA **PRA**

Background

4.1.3 **G** Most of the detail of the periodic fees that are payable by *firms* is set out in ■ FEES 4 Annexes 1A to 11BR. ■ FEES 4 Annex 12 G and (for the *FCA* only) ■ FEES 4 Annex 13G provide guidance on the calculation of certain tariffs. Most of the provisions of the Annexes will vary from one *fee year* to another. Accordingly fresh ■ FEES 4 Annexes will come into force, following consultation, for each *fee year*.

FCA **PRA**

4.1.4 **G** (1) The periodic fees for *collective investment schemes* reflect the estimated costs to the *FCA* of considering proposals to change *regulated collective investment schemes*, maintaining up to date records about them, and related policy work.

FCA

(2) [deleted]

(3) The periodic fees for *fee-paying payment service providers*, *fee-paying electronic money issuers* and *issuers of regulated covered bonds* are set out in ■ FEES 4 Annex 11 R. This annex sets out the activity groups, tariff base, valuation dates and, where applicable, the flat fees due for these *firms*.

4.1.5 **G** The *Society of Lloyd's*, which has *permission*, has its own fee block.

FCA **PRA**

4.1.6 **G** [deleted]

4.1.7 **G** In the case of periodic fees for *firms*, fees are calculated individually for each *firm*, but they may be paid on a *group* basis, if the *group* so wishes.

FCA **PRA**

Prudential sourcebook for Investment Firms

Chapter 1

Application

1.1 Application and Purpose

Application

1.1.1

FCA

G

There is no overall application for *IFPRU*. Each chapter or section has its own application statement. However, *IFPRU* broadly applies in the following manner:

- (1) only ■ IFPRU 7 (Liquidity) and ■ IFPRU 9 (Public disclosure) apply to an *exempt IFPRU commodities firm* and ■ IFPRU 8.1 (Prudential consolidation) may apply subject to the conditions in that section; and
- (1A) ■ IFPRU 10 (Capital buffers) applies to an *IFPRU investment firm*, unless it is an:
 - (a) *exempt IFPRU commodities firm*; or
 - (b) *IFPRU limited-licence firm*; and
- (2) other than in (1) and (1A), the whole of *IFPRU* applies to an *IFPRU investment firm*.

1.1.2

FCA

R

***IFPRU* applies to a *firm* for the whole of its business, except where a particular provision provides for a narrower scope.**

1.1.3

FCA

G

- (1) *IFPRU* applies to a *collective portfolio management investment firm* that is an *IFPRU investment firm* in parallel with ■ IPRU(INV) 11 (see ■ IPRU(INV) 11.6).
- (2) Generally, *IFPRU* only applies to a *collective portfolio management investment firm's designated investment business* (excluding *managing an AIF* and *managing a UCITS*). However, IFPRU 2.2 (Internal capital adequacy assessment process) and IFPRU 2.3 (Supervisory review and evaluation process: Internal capital adequacy standards) apply to the whole of its business.

Purpose

1.1.4

FCA

G

- (1) The purpose of *IFPRU* is to implement, in part, *CRD* and certain national discretions afforded to the *FCA* as *competent authority* under *EU CRR*.
- (2) Save as provided in the *Glossary*, any expression in the *Handbook* for the purpose of *IFPRU* which is defined or used in *EU CRR* shall have the meaning given by, or used in, those Regulations.

Exclusion of certain types of firms

1.1.5

FCA

R

None of the following is an *IFPRU investment firm*:

- (1) an *incoming EEA firm*;
- (2) an *incoming Treaty firm*;
- (3) any other *overseas firm*;
- (4) a *designated investment firm*;
- (5) a *BIPRU firm*;
- (6) an *insurer*; and
- (7) an *ICVC*.

Types of IFPRU investment firm

1.1.6

FCA

R

An *IFPRU investment firm* includes a *collective portfolio management investment firm* that is not excluded under ■ IFPRU 1.1.5 R (Exclusion of certain types of firms).

1.1.7

FCA

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In accordance with articles 95 and 96 of EU CRR, *IFPRU investment firms* are divided into the following categories:

- (1) *full-scope IFPRU investment firm*;
- (2) *IFPRU limited licence firm*; and
- (3) *IFPRU limited activity firm*.

Alternative classification of IFPRU investment firms

1.1.8

FCA

R

IFPRU investment firms are divided into the following classes for the calculation of the *base own funds requirement* and any other provision of the *Handbook* that applies this classification:

- (1) an *IFPRU 50K firm*;
- (2) an *IFPRU 125K firm*;
- (3) an *IFPRU 730K firm*; and
- (4) a *collective portfolio management investment firm*.

1.1.9

FCA

R

Types of IFPRU investment firm: IFPRU 125K firm

An *IFPRU 125K firm* means an *IFPRU investment firm* that satisfies the following conditions:

- (1) it does not:
 - (a) *deal on own account*; or
 - (b) underwrite issues of *financial instruments* (as referred to in Section A of Annex I of *MiFID*) on a firm commitment basis;
- (2) it holds clients' money or securities for *investment services* it provides or is authorised to do so;
- (3) it offers one or more of the following services (all as referred to in Section A of Annex I of *MiFID*):
 - (a) reception and transmission of investors' orders for *financial instruments*; or
 - (b) the execution of investors' orders for *financial instruments*; or
 - (c) the management of individual portfolios of investments in *financial instruments*;
- (4) it is not a *collective portfolio management investment firm*; and
- (5) it does not operate a *multilateral trading facility*.

[Note: article 29(1) of *CRD*]

Types of IFPRU investment firm: IFPRU 50K firm

An *IFPRU 50K firm* is a *IFPRU investment firm* that satisfies the following conditions:

- (1) the conditions in ■ IFPRU 1.1.9 R(1) and (3);
- (2) it does not hold clients' money or securities for *investment services* it provides and is not authorised to do so;
- (3) it is not a *collective portfolio management investment firm*; and
- (4) it does not operate a *multilateral trading facility*.

[Note: article 29(3) of *CRD*]

1.1.10

FCA

R

1.1.11

FCA

R

Types of IFPRU investment firm: IFPRU 730K firm

- (1) An *IFPRU investment firm* that is not a *collective portfolio management investment firm*, an *IFPRU 125K firm* or an *IFPRU 50K firm* is an *IFPRU 730K firm*.
- (2) An *IFPRU investment firm* that operates a *multilateral trading facility* is an *IFPRU 730K firm*.

[Note: article 28(2) of *CRD*]

1.1.12

FCA

R

Meaning of dealing on own account

- (1) For the purpose of *IFPRU* and the *EU CRR*, *dealing on own account* means the service of dealing in any *financial instruments* for own account as referred to in point 3 of Section A of Annex I to *MiFID*, subject to (2) and (3).
- (2) In accordance with article 29(2) of *CRD* (Definition of dealing on own account), an *investment firm* that executes investors' orders for *financial instruments* and holds such *financial instruments* for its own account does not, for that reason, *deal on own account* if the following conditions are met:
 - (a) such *positions* only arise as a result of the *investment firm's* failure to match investors' orders precisely;
 - (b) the total market value of all such *positions* is no higher than 15% of the *investment firm's initial capital*;
 - (c) (for an *investment firm* that is an *IFPRU investment firm* or an *EEA firm*) it complies with the requirements in articles 92 to 95 (Own funds requirements for investment firms with limited authorisation to provide investment services) and Part Four (Large exposures) of the *EU CRR*;
 - (d) (for any other *investment firm*) it would comply with the requirements in (2)(c) if it had been an *investment firm* on the basis of the assumptions in ■ IFPRU 1.1.13 G (1)(a) and (b); and
 - (e) such *positions* are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.
- (3) In accordance with article 29(4) of *CRD*, the holding on *non-trading book positions in financial instruments* in order to invest in *own funds* is not *dealing on own account* for the purposes of ■ IFPRU 1.1.9 R (Types of IFPRU investment firm: IFPRU 125K firm) and ■ IFPRU 1.1.10 R (Types of IFPRU investment firm: IFPRU 50K firm).

Interpretation of the definition of types of firm and undertaking

1.1.13

FCA

G

A *firm* whose head office is not in an *EEA State* is an *investment firm* if it would have been subject to the requirements imposed by *MiFID* (but it is not a *bank, building society, credit institution, local, exempt CAD firm* and *BIPRU firm*) if:

- (1) its head office had been in an *EEA State*; and
- (2) it had carried on all its business in the *EEA* and had obtained whatever authorisations for doing so as are required under *MiFID*.

1.1.14

FCA

G

A *firm* also falls into one of the categories of an *IFPRU investment firm* listed in ■ IFPRU 1.1.7 G (Types of IFPRU investment firm) or ■ IFPRU 1.1.8 R (Alternative classification of IFPRU investment firms) if its *Part 4A permission* contains a *requirement* that it must comply with the *rules* in *IFPRU* applicable to that category of *firm*. If a *firm* is subject to such a *requirement*, and it would otherwise also fall into another category of *IFPRU investment firm*, it does not fall into that other category.

1.1.15

FCA

G

For the purposes of the definitions in *IFPRU* and Part Three, Title I, Chapter 1, Section 2 of the *EU CRR* (Own funds requirements for investment firms with limited authorisation to provide investment services), a *person* does any of the activities referred to in *IFPRU* and the *EU CRR* if:

- (1) it does that activity anywhere in the world; or
- (2) its *permission* includes that activity; or
- (3) (for an *EEA firm*) it is authorised by its *Home State regulator* to do that activity; or
- (4) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *firm* has such an authorisation.

1.1.16

FCA

G

For the purposes of the definitions in *IFPRU* and Part Three, Title I, Chapter 1, Section 2 of the *EU CRR* (Own funds requirements for investment firms with limited authorisation to provide investment services), a *person* offers any of the services referred to in articles 95 and 96 of the *EU CRR* (Own funds requirements for investment firms with limited authorisation to provide investment services) if:

- (1) it offers that service anywhere in the world; or
- (2) any of ■ IFPRU 1.1.15 G(1) to (4) apply.

1.1.17

FCA

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For the purposes of the definitions in *IFPRU* and Part Three, Title I, Chapter 1, Section 2 of the *EU CRR* (Own funds requirements for investment firms with limited authorisation to provide investment services), a *person* has an authorisation to do any of the activities referred to in articles 95 and 96 of the *EU CRR* (Own funds requirements for investment firms with limited authorisation to provide investment services) if any of ■ IFPRU 1.1.15 G(1) to (4) apply.

Chapter 10

Capital buffers



10.1 Application

10.1.1

FCA

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■ IFPRU 10 applies to an *IFPRU investment firm*, unless it is one of the following:

- (1) an *IFPRU limited licence firm*; or
- (2) an *exempt IFPRU commodities firm*.

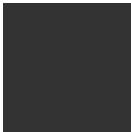
Purpose

10.1.2

FCA

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.....
This chapter implements articles 129 (part), 130 (part), 140 (part), 141, 142 (part) of *CRD*.



10.2 [Not yet in force]

10.3 Countercyclical capital buffer

Main requirement

10.3.1

FCA

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A *firm* must calculate a *countercyclical capital buffer* of common equity tier 1 capital equal to its *total risk exposure amount* multiplied by the weighted average of the *countercyclical buffer rates* that apply to exposures in the jurisdictions where the *firm's relevant credit exposures* are located.

[Note: article 130(1) (part) of CRD]

Calculation of countercyclical capital buffer rates

10.3.2

FCA

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- (1) To calculate the weighted average in ■ IFPRU 10.3.1 R, a *firm* must apply to each applicable *countercyclical buffer rate* its total *own funds requirements* for credit risk, specific risk, incremental default and migration risk that relates to the *relevant credit exposures* in the jurisdiction in question, divided by its total *own funds requirements* for credit risk that relates to all of its *relevant credit exposures*.
- (2) For the purposes of (1), a *firm* must calculate its total *own funds requirement* for credit risk, specific risk, incremental default and migration risk in accordance with Part Three, Titles II (Capital requirements for credit risk) and IV (Own funds requirements for market risk) of the *EU CRR*.
- (3) The *countercyclical buffer rate* for an exposure located in the *UK* is the rate set by the *UK countercyclical buffer authority* for the *UK*.
- (4) The *countercyclical buffer rate* for an exposure located in an *EEA State* other than the *UK* is:
 - (a) the rate set by the *EEA countercyclical buffer authority* for that jurisdiction; or
 - (b) if that rate exceeds 2.5% of *total risk exposure amount* and has not been recognised by the *UK countercyclical buffer authority*, 2.5%

- (5) The *countercyclical buffer rate* for an exposure located in a *third country* is the rate set by the *UK countercyclical buffer authority* for that jurisdiction.
- (6) If the *UK countercyclical buffer authority* has not set a rate for a *third country*, the *countercyclical buffer rate* for an exposure located in that jurisdiction is:
 - (a) the rate set by the *third country countercyclical buffer authority* for that jurisdiction; or
 - (b) if that rate exceeds 2.5% and has not been recognised by the *UK countercyclical buffer authority*, 2.5%.
- (7) If the *UK countercyclical buffer authority* has not set a rate for a *third country* and either there is no *third-country countercyclical buffer authority* for that country or the authority has not set a rate for that jurisdiction, the *countercyclical buffer rate* for an exposure located in that jurisdiction is zero.
- (8) If the *countercyclical buffer rate* for the *UK* is increased, that increase takes effect from the date specified by the *UK countercyclical buffer authority*.
- (9) If the *countercyclical buffer rate* for an *EEA State* other than the *UK* is increased, subject to (4)(b), that increase takes effect from:
 - (a) the date specified by the *EEA countercyclical buffer authority* for that jurisdiction, if the rate applied under this chapter does not exceed 2.5%; or
 - (b) the date specified by the *UK countercyclical buffer authority* if the rate applied under this chapter exceeds 2.5%.
- (10) If the *countercyclical buffer rate* for a *third country* is increased by the *UK countercyclical buffer authority*, that increase takes effect from the date specified by the *UK countercyclical buffer authority*.
- (11) If the *UK countercyclical buffer authority* does not set a *countercyclical buffer rate* for a *third country* and that rate is increased by the *third-country countercyclical buffer authority* for that jurisdiction, subject to 6(b), that increase takes effect from:
 - (a) the date 12 months after the date on which the increase was published by the *third-country countercyclical buffer authority* in accordance with the relevant law of the *third country*, if the rate applied under this chapter does not exceed 2.5%; or
 - (b) the date specified by the *UK countercyclical buffer authority* if the rate applied under this chapter exceeds 2.5%.

(12) If a *countercyclical buffer rate* is reduced, that reduction takes effect immediately.

[Note: articles 136(4) (part) , 139(2) to (5) (part) and 140(1) to (4) and (6) (part) of *CRD*]

Location of exposures

A *firm* must identify the geographical location of a *relevant credit exposure* in accordance with the regulatory technical standards adopted under article 140(7) of *CRD*.

[Note: article 140(5) of *CRD*]

10.3.3

FCA

G

10.4 Capital conservation measures

Combined buffer

10.4.1

FCA

R

A firm does not meet the *combined buffer* if the *common equity tier 1 capital* maintained by the firm which is not used to meet the *own funds requirement* under article 92(1)(c) of the EU CRR (Total capital ratio) does not meet the *combined buffer*.

[Note: articles 129(1) (part) and 130(5) (part) of CRD]

Restrictions on distributions

10.4.2

FCA

R

A firm that meets the *combined buffer* must not make a *distribution in connection with common equity tier 1 capital* to an extent that would decrease its *common equity tier 1 capital* to a level where the *combined buffer* is no longer met.

[Note: article 141(1) of CRD]

10.4.3

FCA

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- (1) A firm that does not meet the *combined buffer* must:
 - (a) calculate the MDA in accordance with (4); and
 - (b) report the MDA to the FCA in writing no later than five *business days* after the firm identified that it did not meet the *combined buffer*.
- (2) A firm that does not meet the *combined buffer* must not undertake any of the following actions before it has calculated the MDA:
 - (a) make a *distribution in connection with common equity tier 1 capital*;
 - (b) create an obligation to pay variable remuneration or *discretionary pension benefits* or pay variable remuneration or *discretionary pension benefits* if the obligation to pay was created at a time when the firm did not meet the *combined buffer*; and
 - (c) make payments on *additional tier 1 instruments*.

- (3) If a *firm* does not meet the *combined buffer*, it must not distribute more than the *MDA*, calculated in (4), through any action in (2)(a) to (c).
- (4) (a) A *firm* must calculate the *MDA* by multiplying the sum calculated in (5) by the factor determined in (6).
(b) Any of the actions in (2)(a), (b) or (c) shall have the effect of reducing the *MDA*.
- (5) The sum to be multiplied in (4) shall consist of:
 - (a) interim profits not included in *common equity tier 1 capital* under article 26(2) of the *EU CRR* (Common equity tier 1 items) that have been generated since the most recent decision on the distribution of profits or any of the actions in 2(a), (b) or (c);

Plus

 - (b) year-end profits not included in *common equity tier 1 capital* under article 26(2) of the *EU CRR* that have been generated since the most recent decision on the distribution of profits or any of the actions in (2) (a), (b) or (c);

Minus

 - (c) amounts which would be payable by tax if the items specified in (a) and (b) were to be retained.
- (6) The factor in (4) shall be determined as follows:
 - (a) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds requirement* under article 92(1)(c) of the *EU CRR* expressed as a percentage of the *firm's total risk exposure amount* is within the first (ie, the lowest) quartile of the *combined buffer*, the factor shall be 0;
 - (b) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds requirement* under article 92(1)(c) of the *EU CRR*, expressed as a percentage of the *firm's total risk exposure amount* is within the second quartile of the *combined buffer*, the factor shall be 0.2;
 - (c) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds requirement* under article 92(1)(c) of the *EU CRR* expressed as a percentage of the *firm's total risk exposure amount* is within the third quartile of the *combined buffer*, the factor shall be 0.4;

(d) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds requirement* under article 92(1)(c) of the *EU CRR* expressed as a percentage of the *firm's total risk exposure amount* is within the fourth (ie, the highest) quartile of the *combined buffer*, the factor shall be 0.6.

(7) A *firm* must calculate the lower and upper bounds of each quartile of the *combined buffer* as follows:

$$\text{lower bound of quartile} = \frac{\text{Combined buffer}}{4} \times (Q_n - 1)$$

$$\text{upper bound of quartile} = \frac{\text{Combined buffer}}{4} \times Q_n$$

" Q_n " indicates the ordinal number of the quartile concerned.

(8) The restrictions imposed by this *rule* only apply to payments that result in a reduction of *common equity tier 1 capital* or in a reduction of profits, and where a suspension of payment or failure to pay does not constitute an event of default or a condition for the commencement of proceedings for an order for the appointment of a liquidator or administrator of the *firm*.

(9) If a *firm* does not meet the *combined buffer* and intends to distribute any of its distributable profits or undertake an action in (2)(a), (b) and (c), it must give the *FCA* not less than one *month's* notice before the intended date of distribution or action. When giving notice a *firm* must provide the following information:

(a) the amount of *own funds* maintained by the *firm*, subdivided as follows:

- (i) *common equity tier 1 capital*;
- (ii) *additional tier 1 capital*; and
- (iii) *tier 2 capital*;

(b) the amount of its interim and year-end profits;

(c) the *MDA* calculated in (4);

(d) the amount of distributable profits it intends to allocate between the following:

- (i) dividend payments;
- (ii) share buybacks;

- (iii) payments on *additional tier 1 instruments*; and
- (iv) the payment of variable remuneration or *discretionary pension benefits*, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the *firm* did not meet its *combined buffer*.

[Note: article 141(2) to (9) of *CRD*]

 10.5 Capital conservation plan

10.5.1

FCA

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When a *firm* does not meet the *combined buffer*, it must prepare a capital conservation plan and submit it to *FCA* no later than five *business days* after the *firm* identified that it did not meet the *combined buffer*.

[Note: article 142(1) of *CRD*]

10.5.2

FCA

R

The capital conservation plan must include the following

- (1) the *MDA*;
- (2) estimates of income and expenditure and a forecast balance sheet;
- (3) measures to increase the capital ratios of the *firm*; and
- (4) a plan and timeframe for the increase of *own funds* with the objective of meeting the *combined buffer*.

[Note: article 142(2) of *CRD*]

10.6 Application on an individual and consolidated basis

Application on an individual basis

10.6.1

FCA

R

This chapter applies to a *firm* on an individual basis, whether or not it also applies to the *firm* on a *consolidated basis* or *sub-consolidated basis*.

Application on a consolidated basis

10.6.2

FCA

R

A *firm* that is a *parent institution in a Member State* must comply with this chapter on the basis of its *consolidated situation*.

10.6.3

FCA

R

A *firm* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* must comply with this chapter on the basis of the *consolidated situation* of that holding company in the *FCA consolidation group*.

Sub-consolidation of entities in third countries

10.6.4

FCA

R

A *firm* that is a *subsidiary* must apply this chapter on a *sub-consolidated basis* if the *firm*, or the *parent undertaking* where it is a *financial holding company* or *mixed financial holding company*, have an *institution* or *financial institution* as a *subsidiary* in a *third country* or hold a *participation* in such an *institution* or *financial institution*.

[Note: articles 129(1) (part) and 130(1) (part) of CRD]

Extent and manner of prudential consolidation

10.6.5

FCA

G

If this chapter applies to a *firm* on a *consolidated basis* on a *sub-consolidated basis*, the *firm* must carry out consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Section 2 (Methods for prudential consolidation) and Section 3 (Scope of prudential consolidation) of the *EU CRR* and ■ IFPRU 8.1 (Prudential consolidation).



10.7 Exemption

10.7.1

FCA

R

This chapter does not apply to a *firm* that meets the condition in ■ IFPRU 10.7.2 R.

[Note: articles 129(2) (part) and 130(2) (part) of *CRD*]

10.7.2

FCA

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(1) The condition referred to in ■ IFPRU 10.7.1 R is that the *firm* is a small and medium-sized *investment firm*.

(2) For this purpose, a *firm* is categorised as small and medium-sized in accordance with the European Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises.

[Note: articles 129(4) and 130(4) of *CRD*]

Prudential sourcebook for Investment Firms

IFPRU TP 7 [Not yet in force]

Prudential sourcebook for Investment Firms

IFPRU TP 8 Countercyclical capital buffer: transitional

Application

- 8.1 R *IFPRU TP 8 applies to an IFPRU investment firm, unless it is an IFPRU limited licence firm or exempt IFPRU commodities firm.*

Purpose

- 8.2 G This section implements article 160(6) of *CRD* in relation to the *countercyclical capital buffer*. *IFPRU TP 8* applies instead of *IFPRU 10.3* and modifies *IFPRU 10.4* and *IFPRU 10.5* for the duration of the transitional.

Duration of transitional

- 8.3 R *IFPRU TP 8* applies until 31 December 2015.

Modified main requirement

- 8.4 R A firm must calculate a *countercyclical capital buffer* of common equity tier 1 capital equal to its *total risk exposure amount* multiplied by the weighted average of the *countercyclical buffer rates* that apply in the jurisdictions where the firm's *relevant credit exposures* are located.
- 8.5 R To calculate the weighted average referred to in *IFPRU TP 8.4R*, a firm must apply to each applicable *countercyclical buffer rate* its *total own funds requirements* for credit risk, specific risk, incremental default and migration risk that relates to the *relevant credit exposures* in the jurisdiction in question, divided by its *total own funds requirements* for credit risk that relates to all its *relevant credit exposures*.
- 8.6 R For the purpose of *IFPRU TP 8.5R*, a firm must calculate its *total own funds requirements* for credit risk, specific risk, the incremental default and migration risk in line with Part Three, Titles II (Capital requirements for credit risk) and IV (Own funds requirements for market risk) of the *EU CRR*.

Modified calculation of countercyclical buffer rates

- 8.7 R The *countercyclical buffer rate* for an exposure is the rate set by the *UK countercyclical buffer authority* for the jurisdiction in which that exposure is located.
- 8.8 R If the *UK countercyclical buffer authority* does not set a rate for the jurisdiction in which an exposure is located, the *countercyclical buffer rate* for that exposure is zero.
- 8.9 R If the rate for a jurisdiction is increased by the *UK countercyclical buffer authority*, that increase takes effect from the date specified by the *UK countercyclical buffer authority*.
- 8.10 R If a rate is reduced, that reduction takes place immediately.

Modified combined buffer requirement

-
- 8.11 R For the purposes of the following provisions, the expression "*combined buffer*" means the *countercyclical capital buffer*:
- (1) IFPRU 10.4 (Capital conservation measures); and
 - (2) IFPRU 10.5 (Capital conservation plan).

| | | | | |
|----------------------------------|---|---|--|--|
| IFPRU 4.12.1 R | Reliance on deemed transfer of significant risk under articles 243(2) and 244(2) of the <i>EU CRR</i> , including for the purposes of article 337(5) of the <i>EU CRR</i> | Sufficient information to allow the <i>FCA</i> to assess whether the possible reduction in risk-weighted exposure amounts achieved by the <i>securitisation</i> is justified by a commensurate transfer of credit risk to third parties | Intention to rely on deemed transfer of significant risk | Within a reasonable period before or after a relevant transfer, not being later than one <i>month</i> after the date of transfer |
| IFPRU 8.2.5 G IFPRU 8.2.5R(4) | Intention to concentrate intra-group <i>exposures</i> to <i>group</i> members in excess of 25% of <i>core UK group eligible capital</i> | Explanation of how IFPRU 8.2.5R(1) is met on a continuing basis and details of the counterparty, the size and expected duration of the <i>exposure</i> | Intention to concentrate intra-group <i>exposures</i> to <i>group</i> members in excess of 25% of <i>core UK group eligible capital</i> | Prior written notice before the <i>exposures</i> are concentrated |
| IFPRU 8.2.5R(6) | After ceasing to have concentration intra-group <i>exposures</i> in excess of 25% of <i>core UK group eligible capital</i> , intention to start to do so again | Explanation of how IFPRU 8.2.5R(1) is met on a continuing basis, details of the counterparty, the size and expected duration of the <i>exposure</i> and the reason for the <i>exposure</i> | Intention to start to concentrate intra-group <i>exposures</i> to <i>group</i> members in excess of 25% of <i>core UK group eligible capital</i> | Prior written notice before the start of concentrating <i>exposures</i> again |
| IFPRU 10.4.3 R (2) | Failure to meet the <i>combined buffer</i> | Failure to meet the <i>combined buffer</i> | Failure to meet the <i>combined buffer</i> | No later than five <i>business days</i> from when it identified its failure |
| IFPRU 10.4.3 R (9) | Intention to distribute any distributable profits or undertake any action under IFPRU 10.4.3 R (2) | Matters described in IFPRU 10.4.3 R (9)(a) to (d) | Intention to distribute any distributable profits or undertake any of the specified action | Not less than one <i>month</i> before intended date of distribution or action |
| IFPRU 10.5.2 R | Capital conservation plan | Capital conservation plan | Failure to meet the <i>combined buffer</i> | No later than five <i>business days</i> from when it identified its failure |

Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries

Chapter 4

Capital resources

4.1 Application and purpose

Application

4.1.1

FCA PRA

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This chapter applies to a *firm* with *Part 4A permission* to carry on any of the following activities, unless an exemption in this section applies:

- (1) *insurance mediation activity*;
- (2) *home finance mediation activity*;
- (3) *home financing* ;
- (4) *home finance administration* .

4.1.2

FCA PRA

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As this chapter applies only to a *firm* with *Part 4A permission* , it does not apply to an *incoming EEA firm* (unless it has a *top-up permission*). An *incoming EEA firm* includes a firm which is passporting into the United Kingdom under the *Insurance Mediation Directive* .

4.1.3

FCA PRA

G

The definition of *insurance mediation activity* refers to several activities 'in relation to a *contract of insurance*' which includes a contract of reinsurance. This chapter, therefore, applies to a reinsurance intermediary in the same way as it applies to any other *insurance intermediary*.

Application: banks, building societies, insurers and friendly societies

4.1.4

FCA PRA

R

This chapter does not apply to:

- (1) a *bank*; or
- (2) a *building society*; or
- (3) a solo consolidated *subsidiary* of a *bank* or a *building society* ; or
- (4) an *insurer*; or
- (5) a *friendly society*.

4.1.5 G The capital resources of the *firms* above are calculated in accordance with the appropriate prudential sourcebook.

FCA PRA

Application: firms carrying on designated investment business only

4.1.6 R This chapter does not apply to a *firm* whose *Part 4A permission* is limited to *regulated activities* which are *designated investment business*.

FCA PRA

4.1.7 G A *firm* which carries on *designated investment business*, and no other *regulated activity*, may disregard this chapter. For example, a *firm* with *permission* limited to *dealing in investments as agent* in relation to *securities* is only carrying on *designated investment business* and the Interim Prudential sourcebook for investment businesses or the Prudential sourcebook for Banks, Building Societies and Investment Firms, as appropriate, will apply. However, if its *permission* is varied to enable it to arrange motor insurance as well, this activity is not *designated investment business* so the *firm* will be subject to the higher of the requirements in this chapter and those sourcebooks (see ■ MIPRU 4.2.5 R).

FCA PRA

Application: credit unions

4.1.8 R This chapter does not apply to:

PRA

- (1) a 'small *credit union*', that is one with:
 - (a) assets of £5 million or less; and
 - (b) a total number of members of 5,000 or less (see ■ CREDS 5.3.13 R) ; or
- (2) a *credit union* whose *Part 4A permission* includes *mortgage lending* or *mortgage administration* (or both) but not *insurance mediation activity* or *mortgage mediation activity*.

4.1.9 G (1) For *credit unions* to which this chapter applies and which are not *CTF providers*, the capital requirements will be the higher of the requirements in this chapter and in the Credit Unions sourcebook (see ■ MIPRU 4.2.6 R).

PRA

- (2) For *credit unions* to which this chapter applies and which are *CTF providers* with permission to carry on *designated investment business*, the capital requirements will be the highest of the requirements in this chapter, those in the Credit Unions sourcebook and in the Interim Prudential sourcebook for investment businesses (see ■ MIPRU 4.2.6 R).
- (3) A *credit union* cannot carry on *home purchase activities* or *reversion activities* because the Credit Unions Act 1979 (in relation to *Great Britain credit unions*) and the Credit Unions (Northern Ireland) Order 1985 (in relation to *Northern Ireland credit unions*) restricts the circumstances whereby *credit unions* can hold land.

Application: professional firms

4.1.10 R (1) This chapter does not apply to an *authorised professional firm*:

FCA

- (a) whose main business is the practice of its profession; and

(b) whose *regulated activities* covered by this chapter are incidental to its main business.

(2) A *firm's* main business is the practice of its profession if the proportion of income it derives from professional fees is, during its annual accounting period, at least 50% of the *firm's* total income (a temporary variation of not more than 5% may be disregarded for this purpose).

(3) Professional fees are fees, commissions and other receipts receivable in respect of legal, accountancy, actuarial, conveyancing and surveying services provided to clients but excluding any items receivable in respect of *regulated activities*.

Application: Lloyd's managing agents

4.1.11

R

This chapter does not apply to a managing agent.

PRA

4.1.12

G

The reason for excluding *managing agents* from the provisions of this chapter is twofold: first, a *member* will have accepted full responsibility for those activities under the *Society's managing agent* agreement. Secondly, the *member* is itself subject to capital requirements which are equivalent to those applying to an *insurer* (to which this chapter is also disappplied).

PRA

Application: social housing firms

4.1.13

G

There are special provisions for a *social housing firm* when it is carrying on *home financing* or *home finance administration* (see ■ MIPRU 4.2.7 R).

FCA

Purpose

4.1.14

G

This chapter amplifies *threshold condition 4* (Adequate resources) by providing that a *firm* must meet, on a continuing basis, a basic solvency requirement and a minimum capital resources requirement. This chapter also amplifies *Principle 4* which requires a *firm* to maintain adequate financial resources by setting out capital requirements for a *firm* according to the *regulated activity* or activities it carries on.

FCA PRA

4.1.15

G

Capital has an important role to play in protecting consumers and complements the roles played by professional indemnity insurance and *client money* protection (see the *client money rules*). Capital provides a form of protection for situations not covered by a *firm's* professional indemnity insurance and it provides the funds for the *firm's* PII excess, which it has to pay out of its own finances (see ■ MIPRU 3.2.11 R and ■ MIPRU 3.2.12 R for the relationship between the *firm's* capital and its excess).

FCA PRA

4.1.16

G

More generally, having adequate capital gives the *firm* a degree of resilience and some indication to consumers of creditworthiness, substance and the commitment of its owners. It reduces the possibility of a shortfall of funds and provides a cushion against disruption if the *firm* ceases to trade.

FCA PRA

4.1.17 G There is a greater risk to consumers, and a greater adverse impact on market confidence, if a *firm* holding *client money* or other *client* assets fails. For this reason, the capital resources *rules* in this chapter clearly distinguish between *firms* holding *client* assets and those that do not.

FCA PRA

Purpose: social housing firms

4.1.18 G *Social housing firms* undertake small amounts of home finance business even though their main business consists of activities other than *regulated activities*. Their *home financing* is only done as an adjunct to their primary purpose (usually the provision of housing) and is substantially different in character to that done by commercial lenders. Furthermore, they are *subsidiaries* of local authorities or registered social landlords which are already subject to separate regulation. The FCA does not consider that it would be proportionate to the risks involved with such business to impose significant capital requirements for these *firms*. The capital resources requirement for *social housing firms* therefore simply provides that, where their *Part 4A permission* is limited to *home financing* and *home finance administration*, their net tangible assets must be greater than zero.

FCA

4.1.19 G A registered social landlord is a non-profit organisation which provides and manages homes for rent and sale for people who might not otherwise be able to rent or buy on the open market. It can be a housing association, a housing society or a non-profit making housing company. The Homes and Communities Agency and the Tenant Services Authority were set up by Parliament in 2008 and cooperate in providing financial assistance for social housing.

FCA

4.2 Capital resources requirements

Applicable guidance within BIPRU

4.2.-1

FCA PRA

G

Unless otherwise specified, where ■ MIPRU 4.2 to ■ MIPRU 4.2D refers to a *guidance* provision contained in *BIPRU*, a *firm* should regard that *guidance* provision as applying to it in the same way that that provision applies to a *BIPRU firm*.

General solvency requirement

4.2.1

FCA PRA

R

A *firm* must at all times ensure that it is able to meet its liabilities as they fall due.

4.2.1A

FCA PRA

G

Specific liquidity requirements for a *firm* carrying on any *home financing* or *home finance administration* connected to *regulated mortgage contracts* are set out in ■ MIPRU 4.2D.

General capital resource requirement

4.2.2

FCA PRA

R

A *firm* must at all times maintain capital resources equal to or in excess of its relevant capital resources requirement.

Capital resources: relevant accounting principles

4.2.3

FCA PRA

R

A *firm* must recognise an asset or liability, and measure its amount, in accordance with the relevant accounting principles applicable to it for the purpose of preparing its annual financial statements unless a *rule* requires otherwise.

Capital resources: client assets

4.2.4

FCA PRA

R

In this chapter, "*client assets*" includes a *document* only if it has value, or is capable of having value, in itself (such as a bearer instrument)

Capital resources requirement: firms carrying on regulated activities including designated investment business

4.2.5

FCA PRA

R

The capital resources requirement for a *firm* (other than a *credit union*) carrying on *regulated activities*, including *designated investment business*, is the higher of:

- (1) the requirement which is applied by this chapter according to the activity or activities of the *firm* (treating the relevant *rules* as applying to the *firm* by disregarding its *designated investment business*); and
- (2) the financial resource requirement which is applied by the Interim Prudential sourcebook for investment businesses, the Prudential sourcebook for Investment Firms and the *EU CRR* or the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms.

Capital resources requirement: credit unions

4.2.6

PRA

R

The capital resources requirement for a *credit union* to which this chapter applies is the highest of:

- (1) the requirement which is applied to *firms* carrying on mediation activities only (see ■ MIPRU 4.2.11 R) treating that *rule* as applying to the *credit union* by disregarding activities which are not *insurance mediation activity* or *mortgage mediation activity*;
- (2) the amount which is applied by the Credit Unions sourcebook; and
- (3) if the *credit union* is a *CTF provider* that has a *permission* to carry on *designated investment business*, the amount which is applied by Chapter 8 of the Interim Prudential sourcebook for investment businesses.

Capital resources requirement: social housing firms

4.2.7

FCA

R

The capital resources requirement for a *social housing firm* whose *Part 4A permission* is limited to carrying on the *regulated activities* of:

- (1) *home financing*; or
- (2) *home finance administration* (or both);

is that the *firm's* net tangible assets must be greater than zero.

PAGE
7

4.2.8

FCA

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If a *social housing firm* is carrying on *home financing* or *home finance administration* (and no other *regulated activity*), its net tangible assets must be greater than zero. However, if it carries on *insurance mediation activity* or *home finance mediation activity*, there is no special provision and the capital resources requirement for *firms* carrying on *designated investment business* or mediation activities only applies to it as appropriate.

Capital resources requirement: application according to regulated activities

4.2.9

FCA PRA

R

Unless any of the *rules* on capital resources for *firms* carrying on *designated investment business*, for *credit unions* or for *social housing firms* apply, the capital resources requirement for a *firm* varies according to the *regulated activity* or activities it carries on.

4.2.10

FCA PRA

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Table: Application of capital resources requirements

| | Regulated activities | Provisions |
|----|---|----------------------------------|
| 1. | (a) <i>insurance mediation activity</i> ; or (b) <i>home finance mediation activity</i> (or both); and no other <i>regulated activity</i> . | MIPRU 4.2.11 R |
| 2. | (a) <i>home financing not connected to regulated mortgage contracts</i> ; or (b) <i>home financing and home finance administration</i> (not connected to <i>regulated mortgage contracts</i>); and no other <i>regulated activity</i> . | MIPRU 4.2.12 R to MIPRU 4.2.17 E |
| 3. | <i>home finance administration</i> ; and no other <i>regulated activity</i> . | MIPRU 4.2.18 R to MIPRU 4.2.19 R |
| 4. | <i>insurance mediation activity</i> ; and (a) <i>home financing</i> ; or (b) <i>home finance administration</i> (or both). | MIPRU 4.2.20 R |
| 5. | <i>home finance mediation activity</i> ; and (a) <i>home financing</i> , or (b) <i>home finance administration</i> (or both). | MIPRU 4.2.21 R |
| | | [deleted] |

| | Regulated activities | Provisions |
|----|---|----------------|
| 7. | <p>a) <i>home financing connected to regulated mortgage contracts</i>; or</p> <p>(b) <i>home financing and home finance administration connected to regulated mortgage contracts</i>; and no other <i>regulated activity</i>.</p> | MIPRU 4.2.23 R |
| 8. | any combination of <i>regulated activities not within rows 1 to 7</i> . | MIPRU 4.2.22 R |

4.2.10A

FCA PRA

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■ MIPRU 4.2.12 R to ■ MIPRU 4.2.23 R have the effect that a *firm* carrying on any *home financing* or *home finance administration* which is connected to *regulated mortgage contracts* will be subject to different capital requirements to a *firm* that carries on those activities without connection to *regulated mortgage contracts*. To identify which of the rules in ■ MIPRU 4.2.12 R to ■ MIPRU 4.2.23 R is applicable, a *firm* should consider which *regulated activities* it performs as part of its *home financing* and *home finance administration* activities and determine whether any of those *regulated activities* (no matter what proportion) are connected to *regulated mortgage contracts*.

Capital resources requirement: mediation activity only

4.2.11

FCA PRA

R

- (1) If a *firm* carrying on *insurance mediation activity* or *home finance mediation activity* (and no other *regulated activity*) does not hold *client money* or other *client* assets in relation to these activities, its capital resources requirement is the higher of:
- (a) £5,000; and
 - (b) 2.5% of the *annual income* from its *insurance mediation activity* or *home finance mediation activity* (or both).
- (2) If a *firm* carrying on *insurance mediation activity* or *home finance mediation activity* (and no other *regulated activity*) holds *client money* or other *client* assets in relation to these activities, its capital resources requirement is the higher of:
- (a) £10,000; and
 - (b) 5% of the *annual income* from its *insurance mediation activity* or *home finance mediation activity* (or both).

Capital resources requirement: home financing and home finance administration not connected to regulated mortgage contracts

4.2.12

FCA PRA

R

- (1) The capital resources requirement for a *firm* carrying on only *home financing*, which is not connected to *regulated mortgage contracts*, or *home financing and home finance administration* which is not connected to *regulated mortgage contracts* (and no other *regulated activity*) is the higher of:
- (a) £100,000; and
 - (b) 1% of:
 - (i) its total assets plus total undrawn commitments and unreleased amounts under the *home reversion plan*; less:
 - (ii) excluded loans or amounts plus intangible assets (see Note 1 in the table in ■ MIPRU 4.4.4 R).
- (2) Undrawn commitments and unreleased amounts means the total of those amounts which a *customer* has the right to draw down or to receive from the *firm* but which have not yet been drawn down or received, excluding those under an agreement:
- (a) which has an original maturity of up to one year; or
 - (b) which can be unconditionally cancelled at any time by the lender or provider.

4.2.13

FCA PRA

G

When considering what is an undrawn commitment or unreleased amount, the *appropriate regulator* takes into account an amount which a *customer* has the right to draw down or to receive under a *home finance transaction*, but which has not yet been drawn down or received, whether the commitment or obligation is revocable or irrevocable, conditional or unconditional.

4.2.14

FCA PRA

R

When calculating total assets, the *firm* may exclude a loan or plan which has been transferred to a third party only if it meets the following conditions:

- (1) the first condition is that the loan or the plan has been transferred in a legally effective manner by:
 - (a) novation; or
 - (b) legal or equitable assignment; or
 - (c) sub-participation; or
 - (d) declaration of trust; and
- (2) the second condition is that the *home finance provider*:
 - (a) retains no material economic interest in the loan or the plan; and

(b) has no material exposure to losses arising from it.

4.2.15



FCA PRA

- (1) When seeking to rely on the second condition, a *firm* should ensure that the loan or plan qualifies for the 'linked presentation' accounting treatment under Financial Reporting Standard 5 (Reporting the substance of transactions) issued in April 1994, and amended in December 1994 and September 1998 (if applicable to the *firm*).
- (2) Compliance with (1) may be relied upon as tending to establish compliance with the second condition.

4.2.16



FCA PRA

The requirement that the loan qualifies for the 'linked presentation' accounting treatment under FRS 5 is aimed at those *firms* which report according to FRS 5. Other *firms* which report under other standards, including International Accounting Standards, need not adopt FRS 5 in order to meet the second condition.

4.2.17



FCA PRA

- (1) When seeking to rely on the second condition, a *firm* should not provide material credit enhancement in respect of the loan or plan unless it deducts the amount of the credit enhancement from its capital resources before meeting its capital resources requirement.
- (2) Credit enhancement includes:
 - (a) any holding of subordinated loans or notes in a transferee that is a special purpose vehicle; or
 - (b) over collateralisation by transferring loans or plans to a larger aggregate value than the *securities* to be issued; or
 - (c) any other arrangement with the transferee to cover a part of any subsequent losses arising from the transferred loan or plan.
- (3) Contravention of (1) may be relied upon as tending to establish contravention the second condition.

Capital resources requirement: home finance administration only

4.2.18



FCA PRA

The capital resources requirement for a *firm* carrying on *home finance administration* only, which has all or part of the *home finance transactions* that it administers on its balance sheet, is:

- (1) in the case of a *firm* carrying on only *home finance administration* which is not connected to *regulated mortgage contracts*, the amount which is applied to a *firm* under ■ MIPRU 4.2.12 R; or
- (2) in the case of a *firm* carrying on any *home finance administration* which is connected to *regulated mortgage contracts*, the amount which is applied to a *firm* under ■ MIPRU 4.2.23 R.

4.2.19

FCA PRA

R

The capital resources requirement for a *firm* carrying on *home finance administration* only, which has all the *home finance transactions* that it administers off its balance sheet, is the higher of:

- (1) £100,000; and
- (2) 10% of its *annual income*.

Capital resources requirement: insurance mediation activity and home financing or home finance administration

4.2.20

FCA PRA

R

The capital resources requirement for a *firm* carrying on *insurance mediation activity* and *home financing* or *home finance administration* is the sum of :

- (1) the capital resources requirement for a *firm* carrying on *insurance mediation activity* or *home finance mediation activity* (and no other *regulated activity*) (see ■ MIPRU 4.2.11 R); and
- (2) (a) in the case of a *firm* carrying on *home financing* which is not connected to *regulated mortgage contracts*, or *home finance administration* which is not connected to *regulated mortgage contracts*, the amount which is applied to a *firm* under ■ MIPRU 4.2.12 R; or
 - (aa) in the case of a *firm* carrying on any *home financing* which is connected to *regulated mortgage contracts* or any *home finance administration* that it administers on its balance sheet which is connected to *regulated mortgage contracts*, the amount which is applied to a *firm* under ■ MIPRU 4.2.23 R; or
 - (b) in the case of a *firm* carrying on *home finance administration* with all the *home finance transactions* that it administers off balance sheet, the amount which is applied to a *firm* under ■ MIPRU 4.2.19 R.

Capital resources requirement: home finance mediation activity and home financing or home finance administration

4.2.21

FCA PRA

R

- (1) If a *firm* carrying on *home finance mediation activity* and *home financing* or *home finance administration* does not hold *client money* or other *client assets* in relation to its *home finance mediation activity*, the capital resources requirement is:
 - (a) in the case of a *firm* carrying on *home financing* which is not connected to *regulated mortgage contracts* or *home finance administration* which is not connected to *regulated mortgage contracts*, the amount applied to a *firm* under ■ MIPRU 4.2.12 R; or

- (aa) in the case of a *firm* carrying on any *home financing* which is connected to *regulated mortgage contracts* or any *home finance administration* that it administers on its balance sheet which is connected to *regulated mortgage contracts*, the amount applied to a *firm* under ■ MIPRU 4.2.23 R; or
 - (b) in the case of a *firm* carrying on *home finance administration* with all the *home finance transactions* that it administers off balance sheet, the amount applied to a *firm* under ■ MIPRU 4.2.19 R
- (2) If the *firm* holds *client money* or other *client* assets in relation to its *home finance mediation activity*, the capital resources requirement is:
- (a) the amount calculated under (1); plus
 - (b) the amount which is applied to a *firm* carrying on *insurance mediation activity* or *home finance mediation activity* (and no other *regulated activity*) that holds *client money* or other *client* assets in relation to these activities (see ■ MIPRU 4.2.11 R (2)).

Capital resources requirement: other combinations of activities

4.2.22

FCA PRA

R

The capital resources requirement for a *firm* carrying on any combination of *regulated activities* which is not set out in ■ MIPRU 4.2.10 R to ■ MIPRU 4.2.21 R and ■ MIPRU 4.2.23 R is:

- (1) if the combination of *regulated activities* includes carrying on any *home financing* connected to *regulated mortgage contracts* or *home finance administration* connected to *regulated mortgage contracts*, the sum of the amounts which are applied to a *firm* under:
 - (a) ■ MIPRU 4.2.20R (1); and
 - (b) ■ MIPRU 4.2.23 R; or
- (2) in all other cases, the sum of the amounts which are applied to a *firm* under:
 - (a) ■ MIPRU 4.2.20R (1); and
 - (b) ■ MIPRU 4.2.12 R.

Capital resources requirement: home financing and home finance administration connected to regulated mortgage contracts

4.2.23

FCA PRA

R

The capital resources requirement for a *firm* carrying on any *home financing* which is connected to *regulated mortgage contracts*, or *home*

financing and home finance administration which is connected to *regulated mortgage contracts* (and no other *regulated activity*), is the higher of:

- (1) £100,000; and
- (2) the sum of:
 - (a) the credit risk capital requirement calculated in accordance with ■ MIPRU 4.2A; and
 - (b) 1% of:
 - (i) its total assets plus total undrawn commitments and unreleased amounts under the *home reversion plan*; less
 - (ii) intangible assets (see Note 1 in the table in ■ MIPRU 4.4.4 R) plus loans, *securitisation positions* and *CIU* positions subject to ■ MIPRU 4.2A.4 R.

4.2A Credit risk capital requirement

Application

4.2A.1 **R** This section applies to a *firm* to which ■ MIPRU 4.2.23 R applies.

FCA **PRA**

Purpose

4.2A.2 **G** The purpose of ■ MIPRU 4.2A is to:

FCA **PRA**

- (1) set out how a *firm* should calculate its credit risk capital requirement;
- (2) set out how a *firm* should calculate its *risk weighted exposure amounts* for *exposures* on its balance sheet; and
- (3) identify which provisions of ■ BIPRU 3 will apply to a *firm*, in addition to the provisions of ■ MIPRU 4.2A, to enable it to make those calculations.

4.2A.3 **G** A *firm* should refer to ■ BIPRU 5 (as amended by ■ MIPRU 4.2C.3 R) with regard to the effect of *credit risk mitigation* on the calculation of *risk weighted exposure amounts*.

FCA **PRA**

Calculation of credit risk

4.2A.4 **R** The credit risk capital requirement of a *firm* is 8% of the total of its *risk weighted exposure amounts* for *exposures* that:

FCA **PRA**

- (1) are on its balance sheet; and
- (2) derive from:
 - (a) a loan entered into; or
 - (b) a *securitisation position* originated; or
 - (c) a *CIU* position entered into;
 on or after 26 April 2014; and
- (3) have not been deducted from the *firm's* capital resources under ■ MIPRU 4.4.4 R;

calculated in accordance with ■ MIPRU 4.2A.

4.2A.5

FCA PRA

R

Any arrangements entered into on or after 26 April 2014 which increase the amount of a loan already advanced or change the security to a loan already advanced or change the contractual terms (other than if the *firm* is exercising forbearance) of a loan already advanced will be subject to the credit risk capital requirement under ■ MIPRU 4.2A.4R (2)(a) provided that, where the arrangements only increase the amount of a loan already advanced, such requirement shall only apply to the amount of such increase.

4.2A.5A

FCA PRA

G

The arrangements excluded from the credit risk capital requirement include:

- (1) a loan acquired by a *firm* after 26 April 2014 if that loan was made before 26 April 2014;
- (2) arrangements made as a result of forbearance procedures, including:
 - (a) a change in the basis of interest payments from variable to fixed rate; or
 - (b) a change from a repayment mortgage to interest only; or
 - (c) the capitalisation of interest which increases the principal outstanding, where there is no element of new borrowing.

4.2A.6

FCA PRA

R

The *exposure* value of an asset item must be its balance sheet value.

4.2A.7

FCA PRA

R

When calculating *risk weighted exposure amounts*, a *firm* must comply with ■ BIPRU 3.2.3 R, ■ BIPRU 3.2.9 R to ■ BIPRU 3.2.19 G, and ■ BIPRU 3.2.38 R in the same way that these provisions apply to a *BIPRU firm*, except to the extent that a provision is modified or excluded in the table in ■ MIPRU 4.2A.8 R.

4.2A.8

FCA PRA

R

This table belongs to ■ MIPRU 4.2A.7 R

| BIPRU provision | Adjustment |
|-----------------------------|--|
| All provisions of BIPRU 3.2 | A reference to a provision of BIPRU 3, BIPRU 5 or BIPRU 9 must be read in conjunction with MIPRU 4.2A.8 R, MIPRU 4.2B.3 R and MIPRU 4.2C.3 R |
| All provisions of BIPRU 3.2 | All references to <i>capital resources</i> in BIPRU 3.2 are replaced by references to capital resources calculated under MIPRU 4.4 |
| BIPRU 3.2.14 G | The last two sentences do not apply |
| BIPRU 3.2.38 R | The references to BIPRU 14, BIPRU 13.3.13 R and BIPRU 13.8.8 R (Exposure to a central counterparty) do not apply |

| BIPRU provision | Adjustment |
|-----------------------------------|--|
| BIPRU 3.2.10 R and BIPRU 3.2.19 G | The references to €1m are replaced by references to £1m. |

- 4.2A.9 FCA PRA R For the purposes of applying a *risk weight*, the *exposure* value must be multiplied by the *risk weight* determined in accordance with
 ■ MIPRU 4.2A.10 R, ■ MIPRU 4.2A.11 R, ■ MIPRU 4.2A.12 R or
 ■ MIPRU 4.2A.13 R.
- 4.2A.10 FCA PRA R To calculate *risk weighted exposure amounts* on *exposures* secured by mortgages on residential property, *risk weights* must be applied to all such *exposures*, unless deducted from capital resources calculated under
 ■ MIPRU 4.4, in accordance with ■ BIPRU 3.4.56 R to ■ BIPRU 3.4.88 G.
- 4.2A.11 FCA PRA R To calculate *risk weighted exposure amounts* on *exposures* in *CIUs*, *risk weights* must be applied to all such *exposures*, unless deducted from capital resources under ■ MIPRU 4.4, in accordance with ■ BIPRU 3.4.114 R to
 ■ BIPRU 3.4.125 R.
- 4.2A.12 FCA PRA R *Risk weighted exposure amounts* for *securitised exposures* must be calculated in accordance with ■ MIPRU 4.2B.
- 4.2A.13 FCA PRA R To calculate *risk weighted exposure amounts* on *exposures* other than those provided for in ■ MIPRU 4.2A.10 R to ■ MIPRU 4.2A.12 R, *risk weights* must be applied to all such *exposures*, unless deducted from capital resources calculated under ■ MIPRU 4.4, in accordance with ■ BIPRU 3.5.5 G as though that provision were a *rule*.
- 4.2A.14 FCA PRA G Rather than *risk weighting exposures* individually under ■ MIPRU 4.2A.13 R, a *firm* should apply a single *risk weight* to all *exposures* in each *exposure* class.
- 4.2A.15 FCA PRA R If a *firm* calculates *risk weighted exposure amounts* under ■ MIPRU 4.2A.13 R and is directed by ■ BIPRU 3.5.5 G to the "normal rules", it must, in the calculation of those *risk weighted exposure amounts*, comply with
 ■ BIPRU 3.4 in the same way that that section applies to a *BIPRU firm*.
- 4.2A.16 FCA PRA R *Exposures* must be assigned a *risk weight* of 100% if ■ MIPRU 4.2A.10 R to
 ■ MIPRU 4.2A.13 R do not set out a calculation for *risk weighted exposure amounts* applicable to that *exposure*.
- 4.2A.17 FCA PRA R A *firm* must apply ■ BIPRU 3.4.96 R to ■ BIPRU 3.4.102 R to all past items due.
- 4.2A.18 FCA PRA G A *firm* may apply ■ BIPRU 3.5.6 G and ■ BIPRU 3.5.7 G to *exposures*. ■ MIPRU 4.2C sets out the amendments to the ■ BIPRU 5 rules referenced within these provisions.



4.2B Securitisation

Application

4.2B.1

FCA PRA

R

This section applies to a *firm* to which ■ MIPRU 4.2.23 R applies.

Purpose

4.2B.2

FCA PRA

G

The purpose of ■ MIPRU 4.2B is to set out:

- (1) how a *firm* that is required to calculate the credit risk capital requirement under ■ MIPRU 4.2.23 R should calculate the *risk weighted exposure amounts* for *securitisation positions*; and
- (2) the requirements that investors, *originators* and *sponsors of securitisations* on the balance sheet will have to meet (■ BIPRU 9.3.1A R and ■ BIPRU 9.3.15 R to ■ BIPRU 9.3.20 R).

Calculation of risk weighted exposure amount for securitisation positions

4.2B.3

FCA PRA

R

To calculate the *risk weighted exposure amount* for *securitisation positions*, a *firm* must comply with ■ BIPRU 9 in the same way that that section applies to a *BIPRU firm*, except to the extent that a provision of ■ BIPRU 9 is modified or excluded in the table in ■ MIPRU 4.2B.4 R.

4.2B.4

FCA PRA

R

This table belongs to ■ MIPRU 4.2B.3 R

| BIPRU provision | Adjustment |
|-------------------------|--|
| All sections of BIPRU 9 | All references to <i>capital resources</i> in BIPRU 9 are replaced by references to capital resources calculated under MIPRU 4.4 |
| All sections of BIPRU 9 | A reference to a provision of BIPRU 3, BIPRU 5 or BIPRU 9 must be read in conjunction with MIPRU 4.2A.8 R, MIPRU 4.2B.4 R and MIPRU 4.2C.4 R |
| BIPRU 9.1.1 R | This <i>rule</i> does not apply |
| BIPRU 9.1.2 G | This provision does not apply |

| BIPRU provision | Adjustment |
|---------------------------------|--|
| BIPRU 9.1.8A G (3) | The words "and these should be taken into account under the <i>overall Pillar 2 rule</i> " do not apply |
| BIPRU 9.1.9 G | This provision does not apply |
| BIPRU 9.1.10 G | This provision does not apply |
| BIPRU 9.2 | This section does not apply |
| BIPRU 9.3.7 R to BIPRU 9.3.14 G | These <i>rules</i> do not apply |
| BIPRU 9.3.15 R | The first sentence of this <i>rule</i> is amended to read as follows: "A <i>firm</i> , whether acting as <i>sponsor</i> or <i>originator</i> , must apply the same sound and well defined criteria used for credit granting in respect of <i>exposures</i> held on its balance sheet to <i>exposures</i> to be securitised." |
| BIPRU 9.3.16 R | This <i>rule</i> is amended to read as follows: "A <i>firm</i> must apply the same standards of analysis to <i>exposures</i> under BIPRU 9.3.15 R regardless of whether it has purchased or originated those <i>exposures</i> ." |
| BIPRU 9.3.17 R | Where a <i>firm</i> is an <i>originator</i> , it must comply with this <i>rule</i> as it applies to a <i>credit institution</i> |
| BIPRU 9.3.18 R | Where a <i>firm</i> is an <i>originator</i> or <i>sponsor</i> of a <i>securitisation</i> , it must comply with this <i>rule</i> in the same way that it applies to a <i>credit institution</i> |
| BIPRU 9.3.19 R | Where a <i>firm</i> is an <i>originator</i> or <i>sponsor</i> of a <i>securitisation</i> , it must comply with this <i>rule</i> in the same way that it applies to a <i>credit institution</i> |
| BIPRU 9.3.21 G | This provision does not apply |
| BIPRU 9.3.22 G | This provision does not apply |
| BIPRU 9.4.1 R | This <i>rule</i> is amended to read as follows: "The <i>originator</i> of a <i>traditional securitisation</i> may exclude <i>securitised exposures</i> from the calculation of <i>risk weighted exposure amounts</i> and <i>expected loss amounts</i> if signifi- |

| BIPRU provision | Adjustment |
|----------------------------------|--|
| | cant credit risk associated with the <i>securitised exposures</i> has been transferred to third parties and the transfer complies with the conditions in BIPRU 9.4.2 R to BIPRU 9.4.10 R." |
| BIPRU 9.4.11 R to BIPRU 9.4.18 G | These provisions do not apply |
| BIPRU 9.5.1 R (1) | This <i>rule</i> is amended to read as follows: "An <i>originator</i> of a <i>synthetic securitisation</i> may calculate <i>risk weighted exposure amounts</i> , and, as relevant, <i>expected loss amounts</i> , for the <i>securitised exposures</i> in accordance with BIPRU 9.5.3 R and BIPRU 9.5.4 R, if significant credit risk has been transferred to third parties, either through funded or unfunded credit protection, and the transfer complies with the conditions in (2) - (5)." |
| BIPRU 9.5.1 R (3) | The reference to BIPRU 4.10 (Credit risk mitigation under the IRB approach) does not apply |
| BIPRU 9.5.1 R (6) | This <i>rule</i> does not apply |
| BIPRU 9.5.1 R (7) | This <i>rule</i> does not apply |
| BIPRU 9.5.1A G to BIPRU 9.5.1F G | These provisions do not apply |
| BIPRU 9.5.3 R (1) | The reference to BIPRU 9.9 to BIPRU 9.14 is replaced by a reference to BIPRU 9.9 to BIPRU 9.11 |
| | The reference to BIPRU 3 is replaced by a reference to MIPRU 4.2A |
| | The reference to BIPRU 4 (IRB approach) does not apply |
| BIPRU 9.5.3 R (2) | This <i>rule</i> does not apply |
| BIPRU 9.5.4 R | The reference to BIPRU 9.9 to BIPRU 9.14 is replaced by a reference to BIPRU 9.9 to BIPRU 9.11 |

| BIPRU provision | Adjustment |
|-------------------|--|
| BIPRU 9.5.7 R | The reference to BIPRU 4.10 (Credit risk mitigation under the IRB approach) does not apply |
| BIPRU 9.5.8 R | The reference to BIPRU 9.9 to BIPRU 9.14 is replaced by a reference to BIPRU 9.9 to BIPRU 9.11 |
| BIPRU 9.6.8 G | This provision does not apply |
| BIPRU 9.7.3 G | This provision does not apply |
| BIPRU 9.8.1 R | The reference to BIPRU 9 is replaced by a reference to MIPRU 4.2B |
| BIPRU 9.8.2 R | The reference to BIPRU 9 is replaced by a reference to MIPRU 4.2B |
| BIPRU 9.8.7 R | The references to BIPRU 4.10 (Credit risk mitigation under the IRB approach) do not apply |
| BIPRU 9.9.1 R | The reference to BIPRU 9.9 to BIPRU 9.14 is replaced by a reference to BIPRU 9.9 to BIPRU 9.11 |
| BIPRU 9.9.2 R | The reference to BIPRU 9.9 to BIPRU 9.14 is replaced by a reference to BIPRU 9.9 to BIPRU 9.11 |
| BIPRU 9.9.4 R (2) | This <i>rule</i> does not apply |
| BIPRU 9.9.5 R | This <i>rule</i> does not apply |
| BIPRU 9.9.6 R | The reference to BIPRU 9.14 does not apply |
| BIPRU 9.9.7 R | The reference to BIPRU 4.10 (Credit risk mitigation under the IRB approach) and the reference to BIPRU 9.14 do not apply |
| BIPRU 9.9.9 R | The words "subject to the provisions of <i>GENPRU</i> that deal with the deduction of <i>securitisation positions</i> at stage M in the relevant <i>capital resources table</i> " do not apply |
| BIPRU 9.10.1 R | The references to the <i>IRB approach</i> do not apply |
| BIPRU 9.10.2 R | This <i>rule</i> does not apply |
| BIPRU 9.10.3 R | The reference to BIPRU 9.12.8 R does not apply |

| BIPRU provision | Adjustment |
|---|------------------------------------|
| BIPRU 9.10.4 R to BIPRU 9.10.7 R | These rules do not apply |
| BIPRU 9.12 | This section does not apply |
| BIPRU 9.13 | This section does not apply |
| BIPRU 9.14 | This section does not apply |
| BIPRU 9.15 | This section does not apply |

4.2B.5

FCA PRA

G

Subject to ■ BIPRU 9.3.6 G, for the purposes of ■ BIPRU 9.4.1 R and ■ BIPRU 9.5.1 R the transfer of credit risk to third parties should only be considered significant if the proportion of risk transferred is broadly commensurate with, or exceeds, the proportion by which *risk weighted exposure amounts* are reduced.

4.2B.6

FCA PRA

G

For measuring the reduction in risk and *risk weighted exposure amounts*, an *originator* should assess the *securitisation positions* it holds against the underlying *exposures* as if they had never been *securitised*.

4.2B.7

FCA PRA

G

An *originator* should use an appropriate method, consistent with its own internal processes, to assess whether the risk transferred is significant.

4.2B.8

FCA PRA

G

If the result of:

- (1) applying a *risk weight* of 1250% to all positions that an *originator* holds in the *securitisation*; or
- (2) deducting all those positions from capital resources;

is a reduction in the *originator's* capital requirement compared to the capital requirements that would apply had it not transferred the *securitised exposures*, then the *originator* may treat the risk transferred as significant for the purposes of

■ BIPRU 9.4.1 R and ■ BIPRU 9.5.1 R.



4.2C Credit risk mitigation

Application

4.2C.1

R

FCA PRA

This section applies to a *firm* to which ■ MIPRU 4.2.23 R applies where that *firm* wishes to apply *credit risk mitigation* to the calculation of its *risk weighted exposure amounts* under ■ MIPRU 4.2A.

Purpose

4.2C.2

G

FCA PRA

The purpose of ■ MIPRU 4.2C is to set out which provisions of ■ BIPRU 5 a *firm* should comply with in the recognition of *credit risk mitigation* in the calculation of *risk weighted exposure amounts* for the purposes of the calculation of the credit risk capital requirement under ■ MIPRU 4.2.23 R.

General

4.2C.3

R

FCA PRA

A *firm* that wishes to recognise *credit risk mitigation* in the calculation of *risk weighted exposure amounts*, must comply with ■ BIPRU 5 in the same way that that section applies to a *BIPRU firm*, except to the extent that a provision of ■ BIPRU 5 is modified or excluded in the table in ■ MIPRU 4.2C.4 R.

4.2C.4

R

FCA PRA

This table belongs to ■ MIPRU 4.2C.3 R

| BIPRU provision | Adjustment |
|---------------------------|--|
| All provisions of BIPRU 5 | A reference to a provision of BIPRU 3, BIPRU 5 or BIPRU 9 must be read in conjunction with MIPRU 4.2A.8 R, MIPRU 4.2B.4 R and MIPRU 4.2C.4 R |
| BIPRU 5.1 | This section does not apply |
| BIPRU 5.3.2 R | The words "without prejudice to BIPRU 5.6.1 R" do not apply |
| BIPRU 5.4.1 R | This rule does not apply |
| BIPRU 5.4.8 R | This rule does not apply |
| BIPRU 5.4.16 R | This rule does not apply |

| BIPRU provision | Adjustment |
|----------------------------------|--|
| BIPRU 5.4.18 R | The second sentence of this <i>rule</i> does not apply |
| BIPRU 5.4.19 R | The words "BIPRU 5.4.19 R to BIPRU 5.4.21 R" are replaced by the words "BIPRU 5.4.21 R" |
| BIPRU 5.4.20 R | This <i>rule</i> does not apply |
| BIPRU 5.4.22 R | The reference to BIPRU 5.4.20 R does not apply |
| BIPRU 5.4.23 R to BIPRU 5.4.66 R | These provisions do not apply. A <i>firm</i> must only use the <i>financial collateral simple method</i> |
| BIPRU 5.6 | This section does not apply |
| BIPRU 5.7.4 R | This <i>rule</i> does not apply |
| BIPRU 5.7.12 R | This <i>rule</i> does not apply |
| BIPRU 5.7.19 R | This <i>rule</i> does not apply |
| BIPRU 5.7.23 R | The words "BIPRU 3.2.20 R to BIPRU 3.2.26 R" are replaced by the words " MIPRU 4.2A.8 R to MIPRU 4.2A.11 R and MIPRU 4.2A.14 G" |
| BIPRU 5.7.23 R (3) | The first clause of this <i>rule</i> is amended to read as follows: "E is the <i>exposure</i> value according to MIPRU 4.2A.5A G and BIPRU 3.2.3 R;" |
| BIPRU 5.7.24 R | The second clause of this <i>rule</i> does not apply |
| BIPRU 5.7.24 R (1) | The words "BIPRU 3.2.20 R to BIPRU 3.2.26 R" are replaced by the words " MIPRU 4.2A.8 R to MIPRU 4.2A.11 R and MIPRU 4.2A.14 G". |
| BIPRU 5.7.27 R | This <i>rule</i> is amended to read as follows: "E is the <i>exposure</i> value according to MIPRU 4.2A.5A G and BIPRU 3.2.3 R." |
| BIPRU 5.8.8 R and BIPRU 5.8.9 R | The references to BIPRU 4.10 and the <i>IRB approach</i> do not apply |
| | These <i>rules</i> do not apply |

4.2D Liquidity resources requirements

Application

4.2D.1

R

FCA PRA

This section applies to a *firm* carrying on any *home financing* or *home finance administration* connected to *regulated mortgage contracts*, unless as at 26 April 2014 its *Part 4A permission* was and continues to remain subject to a restriction preventing it from undertaking new *home financing* or *home finance administration* connected to *regulated mortgage contracts*.

Adequacy of liquidity resources

4.2D.2

R

FCA PRA

A *firm* must at all times maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

4.2D.3

G

FCA PRA

In assessing the adequacy of liquidity resources, a *firm* should have regard to the overall character of the resources available to it, which enable it to meet its liabilities as they fall due. A *firm* should ensure that:

- (1) it holds sufficient assets which are marketable, or otherwise realisable;
- (2) it is able to generate funds from those assets in a timely manner; and
- (3) it maintains a prudent funding profile in which its assets are of appropriate maturities, taking into account the expected timing of its liabilities.

Systems and controls requirements

4.2D.4

R

FCA PRA

A *firm* must have in place robust strategies, policies, processes and systems that enable it to identify, measure, manage and monitor *liquidity risk* over the appropriate set of time horizons for its business activities, to ensure that it maintains adequate levels of liquidity resources. These strategies, policies, processes, and systems must be appropriate to the *firm's* business lines, currencies in which it operates, and its *group* companies and must include adequate allocation mechanisms of liquidity costs, benefits and risks.

4.2D.5

R

FCA PRA

The strategies, policies, processes and systems referred to in ■ MIPRU 4.2D.4 R must be proportionate to the nature, scale and complexity of the *firm's* activities and the risk profile of the *firm*.

4.2D.6

FCA PRA

R

A *firm* must have in place reliable management information systems to provide its *governing body*, *senior managers* and other appropriate personnel with timely and forward-looking information on the liquidity position of the *firm*.

4.2D.7

FCA PRA

R

A *firm* must ensure that its *governing body* reviews regularly (and not less frequently than annually) the continued adequacy of any strategies, policies, processes and systems in place in accordance with

■ MIPRU 4.2D.4 R

Stress testing and contingency funding plans

4.2D.8

FCA PRA

R

A *firm* must consider alternative scenarios in which its liquidity position could be impacted. The consideration of alternative scenarios must include and deal with off-balance sheet items and other contingent liabilities, including those of *securitisation special purpose entities* (SSPEs) or other special purpose entities, in relation to which the *firm* acts as *sponsor* or provides material liquidity support. These scenarios must be incorporated into the stress testing under ■ MIPRU 4.2D.9 R.

4.2D.9

FCA PRA

R

In order to ensure compliance with ■ MIPRU 4.2D.2 R, a *firm* must:

- (1) conduct on a regular basis appropriate stress tests so as to:
 - (a) identify sources of potential liquidity strain; and
 - (b) ensure that the risks of current liquidity exposures can be adequately managed; and
- (2) analyse the separate and combined impact of possible future liquidity stresses on its:
 - (a) cash flows;
 - (b) liquidity position; and
 - (c) solvency; and
- (3) make, as soon as is practicable after a test has been performed, and maintain a written record of all stress tests and their results

4.2D.10

FCA PRA

R

A *firm* must ensure that its *governing body* reviews regularly the stresses and scenarios tested and the assumptions underlying the funding position of the *firm* to ensure that their nature and severity remain appropriate and relevant to it.

4.2D.11

FCA PRA

G

For the purpose of ■ MIPRU 4.2D.10 R a review should take into account:

- (1) changes in market conditions;
- (2) changes in funding sources and inflows;

- (3) changes in the nature, scale or complexity of the *firm's* business model and activities; and
- (4) the *firm's* practical experience in periods of stress.

4.2D.12

FCA PRA

R

A *firm* must adjust its strategies, internal policies and limits on liquidity risk, taking into account the outcome of the alternative scenarios referred to in ■ MIPRU 4.2D.8 R.

4.2D.13

FCA PRA

R

- (1) A *firm* must have in place contingency funding plans setting out adequate strategies and proper implementation measures in order to address potential liquidity shortfalls.
- (2) The contingency funding plans must be:
 - (a) in writing;
 - (b) approved by the *firm's governing body*;
 - (c) regularly tested; and
 - (d) updated on the basis of the outcome of the stress tests, testing alternative scenarios set out in ■ MIPRU 4.2D.8 R.

4.2D.14

FCA PRA

G

A contingency funding plan sets out a *firm's* strategies for managing liquidity shortfalls in emergency situations. Its aim should be to ensure that, in each of the stresses set out in ■ MIPRU 4.2D.11 G, it would have sufficient liquidity resources to ensure that it can meet its liabilities as they fall due.

4.3 Calculation of annual income

Annual income

4.3.1

FCA PRA

R

This section contains provisions relating to the calculation of *annual income* for the purposes of:

- (1) the *limits of indemnity* for professional indemnity insurance; and
- (2) the capital resources requirements.

4.3.2

FCA PRA

R

'Annual income' is the annual income given in the *firm's* most recent annual financial statement from the relevant *regulated activity* or activities.

4.3.3

FCA PRA

R

For a *firm* which carries on *insurance mediation activity* or *home finance mediation activity*, *annual income* is the amount of all brokerage, fees, *commissions* and other related income (for example, administration charges, overrides, profit shares) due to the *firm* in respect of or in relation to those activities.

4.3.4

FCA PRA

G

- (1) The purpose of the *rule* on *annual income* that applies to *insurance intermediaries* and *mortgage intermediaries* is to ensure that the capital resources requirement is calculated on the basis only of brokerage and other amounts earned by a *firm* which are its own income.
- (2) *Annual income* includes *commissions* and other amounts the *firm* may have agreed to pay to other *persons* involved in a transaction, such as sub-agents or other intermediaries.
- (3) A *firm's annual income* does not, however, include any amounts due to another *person* (for example, the product provider) which the *firm* has collected on behalf of that other *person*.

4.3.5

FCA PRA

R

If a *firm* is a *principal*, its *annual income* includes amounts due to its *appointed representative* in respect of activities for which the *firm* has accepted responsibility.

4.3.6

FCA PRA

G

If a *firm* is a *network*, it should include the relevant income due to all of its *appointed representatives* in its *annual income*.

4.3.7

FCA PRA

R

Annual income for home finance administration

For the purposes of the calculation of the capital resources of a *firm* carrying on *home finance administration* only with all the assets it administers off balance sheet, *annual income* is the sum of:

- (1) revenue (that is, *commissions*, fees, net interest income, dividends, royalties and rent); and
- (2) gains;
- (3) arising in the course of the ordinary activities of the *firm*, less profit:
 - (a) on the sale or termination of an operation;
 - (b) arising from a fundamental reorganisation or restructuring having a material effect on the nature and focus of the *firm's* operation; and
 - (c) on the disposal of fixed assets, including *investments* held in a long-term portfolio.

4.3.8

FCA PRA

R

Annual income: periods of less than 12 months

If the *firm's* most recent annual financial statement does not cover a 12 *month* period, the *annual income* is taken to be the amount in the statement converted, proportionally, to a 12 *month* period.

4.3.9

FCA PRA

R

Annual income: no financial statements

If the *firm* does not have annual financial statements, the *annual income* is to be taken from the forecast or other appropriate accounts which the *firm* has submitted to the *appropriate regulator*.

4.4 Calculation of capital resources

The calculation of a firm's capital resources

4.4.1

FCA PRA

R

- (1) A *firm* must calculate its capital resources only from the items which are eligible to contribute to a *firm's* capital resources from which it must deduct certain items (see ■ MIPRU 4.4.4 R).
- (2) If the *firm* is subject to the Interim Prudential sourcebook for investment businesses , the Prudential sourcebook for Investment Firms and the *EU CRR*, the General Prudential sourcebook , the Prudential sourcebook for Banks, Building Societies and Investment Firms or the Credit Unions sourcebook, the capital resources are the higher of:
 - (a) the amount calculated under (1); and
 - (b) the financial resources calculated under those sourcebooks and regulations .

4.4.2

FCA PRA

R

Table: Items which are eligible to contribute to the capital resources of a firm

| Item | Additional explanation |
|---|---|
| 1. <i>Share capital</i> | This must be fully paid and may include: <ol style="list-style-type: none"> (1) ordinary <i>share capital</i>; or (2) preference <i>share capital</i> (excluding preference <i>shares</i> redeemable by shareholders within two years). |
| 2. Capital other than <i>share capital</i> (for example, the capital of a <i>sole trader</i> , <i>partnership</i> or <i>limited liability partnership</i>) | The capital of a <i>sole trader</i> is the net balance on the <i>firm's</i> capital account and current account. The capital of a <i>partnership</i> is the capital made up of the <i>partners'</i> : |

| Item | Additional explanation |
|----------------------|---|
| | <p>(1) capital account, that is the account:</p> <p>(a) into which capital contributed by the <i>partners</i> is paid; and</p> <p>(b) from which, under the terms of the <i>partnership</i> agreement, an amount representing capital may be withdrawn by a <i>partner</i> only if:</p> <p style="padding-left: 20px;">(i) he ceases to be a <i>partner</i> and an equal amount is transferred to another such account by his former <i>partners</i> or any <i>person</i> replacing him as their <i>partner</i>; or</p> <p style="padding-left: 20px;">(ii) the <i>partnership</i> is otherwise dissolved or wound up; and</p> <p>(2) current accounts according to the most recent financial statement.</p> <p>For the purpose of the calculation of capital resources, in respect of a <i>defined benefit occupational pension scheme</i>:</p> <p>(1) a <i>firm</i> must derecognise any <i>defined benefit asset</i>;</p> <p>(2) a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i>, provided that the election is applied consistently in respect of any one financial year.</p> |
| 3. Reserves (Note 1) | <p>These are, subject to Note 1, the audited accumulated profits retained by the <i>firm</i> (after deduction of tax, dividends and proprietors' or <i>partners</i>' drawings) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i>.</p> <p>For the purposes of calculating capital resources, a <i>firm</i> must make the following adjustments to its reserves, where appropriate:</p> <p>(1) a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unrealised losses on debt instruments held, or formerly held, in the available-for-sale financial assets category;</p> <p>(2) a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unre-</p> |

| Item | Additional explanation |
|--|---|
| | <p>alised losses on cash flow hedges of financial instruments measured at cost or amortised cost;</p> <p>(3) in respect of a <i>defined benefit occupational pension scheme</i>:</p> <p>(a) a <i>firm</i> must derecognise any <i>defined benefit asset</i>;</p> <p>(b) a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i>, provided that the election is applied consistently in respect of any one financial year.</p> |
| 4. Interim net profits (Note 1) | If a <i>firm</i> seeks to include interim net profits in the calculation of its capital resources, the profits have, subject to Note 1, to be verified by the <i>firm's</i> external auditor, net of tax, anticipated dividends or proprietors' drawings and other appropriations. |
| 5. Revaluation reserves | |
| 6. General/ collective provisions (Note 1) | These are provisions that a <i>firm</i> carrying on <i>home financing</i> or <i>home finance administration</i> holds against potential losses that have not yet been identified but which experience indicates are present in the <i>firm's</i> portfolio of assets. Such provisions must be freely available to meet these unidentified losses wherever they arise. Subject to Note 1, general/collective provisions must be verified by external auditors and disclosed in the <i>firm's</i> annual report and accounts. |
| 7. Subordinated loans | Subordinated loans must be included in capital on the basis of the provisions in this chapter that apply to subordinated loans. |
| Note: | |
| 1 | Reserves must be audited and interim net profits, general and collective provisions must be verified by the <i>firm's</i> external auditor unless the <i>firm</i> is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)) or, where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts . |

4.4.3

FCA PRA

G

A *firm* should keep a record of and be ready to explain to its supervisory contacts in the *appropriate regulator* the reasons for any difference between the *deficit reduction amount* and any commitment the *firm* has made in any public document to provide funding in respect of a *defined benefit occupational pension scheme*.

4.4.4

FCA PRA

R

Table: Items which must be deducted from capital resources

| | |
|-------|---|
| 1 | <i>Investments in own shares</i> |
| 2 | Intangible assets (Note 1) |
| 3 | Interim net losses (Note 2) |
| 4 | Excess of drawings over profits for a sole trader or a partnership (Note 2) |
| Notes | <p>Notes 1. Intangible assets are the full balance sheet value of goodwill (but not until 14 January 2008 - see transitional provision 1), capitalised development costs, brand names, trademarks and similar rights and licences.</p> <p>2. The interim net losses in row 3, and the excess of drawings in row 4, are in relation to the period following the date as at which the capital resources are being computed.</p> |

Personal assets

4.4.5

FCA PRA

R

In relation to a *sole trader's firm* or a *firm* which is a *partnership*, the *sole trader* or a *partner* in the *firm* may use personal assets to meet the general solvency requirement and the general capital resource requirement, to the extent necessary to make up any shortfall in meeting those requirements, unless:

- (1) those assets are needed to meet other liabilities arising from:
 - (a) personal activities; or
 - (b) another business activity not regulated by the *appropriate regulator*; or
- (2) the *firm* holds *client money* or other *client* assets.

4.4.6

FCA PRA

G

A *sole trader* or a *partner* may use any personal assets, including property, to meet the capital requirements of this chapter, but only to the extent necessary to make up a shortfall.

4.4.7

FCA PRA

R

Subordinated loans

A subordinated debt must not form part of the capital resources of the *firm* unless it meets the following conditions:

- (1) (for a *firm* which carries on *insurance mediation activity*, *home finance mediation activity* (or both) but not *home financing* or *home finance administration*) it has an original maturity of:
 - (a) at least two years; or
 - (b) it is subject to two years' notice of repayment;
- (2) (for all other *firms*) it has an original maturity of:
 - (a) at least five years; or
 - (b) it is subject to five years' notice of repayment;
- (3) the claims of the subordinated creditors must rank behind those of all unsubordinated creditors;
- (4) the only events of default must be non-payment of any interest or principal under the debt agreement or the winding up of the *firm*;
- (5) the remedies available to the subordinated creditor in the event of non-payment or other default in respect of the subordinated debt must be limited to petitioning for the winding up of the *firm* or proving the debt and claiming in the liquidation of the *firm*;
- (6) the subordinated debt must not become due and payable before its stated final maturity date except on an event of default complying with (4);
- (7) the agreement and the debt are governed by the law of England and Wales, or of Scotland or of Northern Ireland;
- (8) to the fullest extent permitted under the rules of the relevant jurisdiction, creditors must waive their right to set off amounts they owe the *firm* against subordinated amounts owed to them by the *firm*;
- (9) the terms of the subordinated debt must be set out in a written agreement or instrument that contains terms that provide for the conditions set out in this *rule*; and
- (10) the debt must be unsecured and fully paid up.

4.4.8

FCA PRA

R

(1) This rule applies to a *firm* which:

(a) carries on:

(i) *insurance mediation activity*; or

(ii) *home finance mediation activity* (or both); and

in relation to those activities, holds *client money* or other *client assets*; or

(b) carries on *home financing* or *home finance administration* connected to *regulated mortgage contracts* (or both) unless as at 26 April 2014 its *Part IV permission* was and continues to remain subject to a restriction preventing it from undertaking new *home financing* or *home finance administration* connected to *regulated mortgage contracts*.

(2) In calculating its capital resources, the *firm* must exclude any amount by which the aggregate amount of its subordinated loans and its redeemable preference *shares* exceeds the amount calculated as follows:

four times (a - b - c);

where:

| | | |
|---|---|--|
| a | = | items 1 to 5 in the Table of items which are eligible to contribute to a <i>firm's</i> capital resources (see MIPRU 4.4.2 R) |
| b | = | the <i>firm's</i> redeemable preference <i>shares</i> ; and |
| c | = | the amount of its intangible assets (but not goodwill until 14 January 2008 - see transitional provision 1). |

4.4.9

FCA PRA

G

If a *firm* wishes to see an example of a subordinated loan agreement which would meet the required conditions, it should refer to the Forms page.

Reversion providers: additional requirement for instalment reversions

4.4.10

FCA PRA

R

(1) If the *reversion provider* agrees under the terms of an *instalment reversion plan* to pay the *reversion occupier* for the *qualifying interest in land* over a period of time, then the *provider* must:

(a) take out and maintain adequate insurance from an *insurance undertaking* authorised in the *EEA* or a *person* of equivalent status in:

- (i) a *Zone A country*; or
- (ii) the Channel Islands, Gibraltar, Bermuda or the Isle of Man; or

(b) enter into a written agreement with a *credit institution*; to meet these obligations in the event that the *reversion provider* is unable to do so.

(2) This rule does not apply if:

- (a) the *instalment reversion plan* is linked to an *investment* and it is reasonably anticipated that the amounts due to the *reversion occupier* under the plan will be paid out of the proceeds of the *investment* to the *occupier* by a *product provider* other than the *reversion provider*; or
- (b) the *reversion provider* acquires its interest in the property in steps proportionate to the instalments paid.

4.4.11

FCA PRA

G

The additional requirement for *reversion providers* aims to protect the *reversion occupier* against the insolvency of the *reversion provider* where the *reversion occupier* has agreed to receive the price for the part of the *qualifying interest in land* sold in instalments rather than in a lump sum. The requirement does not arise, for example, in relation to reversions linked to annuities as the *reversion occupier* has no credit risk on the *reversion provider*. Also, the requirement does not arise in relation to 'mini-reversions' (or 'staged reversions') as under these plans the *reversion occupier* continues to own the *qualifying interest in land*.

4.4.12

FCA PRA

R

Regulated sale and rent back agreements: additional requirement

If a *SRB agreement provider* agrees, under the terms of a *regulated sale and rent back agreement*, to account to the *SRB agreement seller* for any monetary sum, whether after a qualifying period, over a period of time, on the occurrence of a contingent event or otherwise, the provider must:

- (1) take out and maintain adequate insurance from an *insurance undertaking* authorised in the *EEA* or a *person* of equivalent status in:
 - (a) a *Zone A country*; or
 - (b) the Channel Islands, Gibraltar, Bermuda, or the Isle of Man; or

(2) enter into a written agreement with a *credit institution*;

to meet these obligations in the event that the *SRB agreement provider* is unable to do so.

4.4.13

FCA PRA

G

An example of where this additional requirement would apply would be a term of a *regulated sale and rent back agreement* under which the *SRB agreement seller* was to receive from the *SRB agreement provider* a refund of an agreed percentage of the discount on the sale price of the property to which the agreement relates after an agreed qualifying period.

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- (i) the *financial promotion* has not ceased to be fair, clear and not misleading since that time; and
- (ii) B has not withdrawn the *financial promotion*.

(2) This *rule* does not apply in relation to *MiFID* or equivalent *third country business*.

4.10.11

FCA

G

A *firm* should inform anyone relying on its confirmation of compliance if it becomes aware that the *financial promotion* no longer complies with the *rules* in this chapter.

4

4.11.1

FCA

R

4.11 Record keeping: financial promotion

- (1) A *firm* must make an adequate record of any *financial promotion* it *communicates* or *approves*, other than a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue.
- (2) For a telemarketing campaign, a *firm* must make an adequate record of copies of any scripts used.
- (2A) If a *firm communicates* or *approves* an invitation or inducement to participate in, acquire, or underwrite a *non-mainstream pooled investment* which is addressed to or disseminated in such a way that it is likely to be received by a *retail client*:
 - (a) the *person* allocated the *compliance oversight function* in the *firm* must make a record at or near the time of the communication or approval certifying that the invitation or inducement complies with the restrictions set out in section 238 of the *Act* and in ■ COBS 4.12.3 R, as applicable;
 - (b) the making of the record required in (a) may be delegated to one or more *employees* of the *firm* who report to and are supervised by the *person* allocated the *compliance oversight function*, provided the process for certification of compliance has been reviewed and approved by the *person* allocated the *compliance oversight function* no more than 12 months before the date of the invitation or inducement;
 - (c) when making the record required in (a), the *firm* must make a record of which exemption was relied on for the purposes of the invitation or inducement, together with the reason why the *firm* is satisfied that that exemption applies;
 - (d) where the *firm* relies on an exemption that requires investor certification and warnings to investors, the record required in (a) must include a record of any certificate or investor statement (as signed by the investor) and of any warnings or indications required by the exemption;
 - (e) if the exemption relied on is that for an *excluded communication* under ■ COBS 4.12.4 R (5), the *firm* must

6.2A.4

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(2) Paragraph (1) does not apply to *group personal pension schemes* if a *firm* discloses information to a *client* in accordance with the *rule on group personal pension schemes* (■ COBS 6.3.21 R).

(1) A *firm* that provides both *independent advice* and *restricted advice* should not hold itself out as acting independently for its business as a whole.

(1A) A *firm* that offers an unlimited range of *regulated mortgage contracts*, or gives *advice* in relation to *contracts of insurance* on the basis of a fair analysis, but offers *restricted advice* on *retail investment products* should not hold itself out as acting independently for its business as a whole, for example by holding itself out as an independent financial adviser. However, it may disclose that it offers an unlimited range for *regulated mortgage contracts* or gives *advice* in relation to *contracts of insurance* on the basis of a fair analysis provided it makes clear in accordance with the *fair, clear and not misleading rule* that it provides *restricted advice* for *retail investment products*.

(2) A *firm* whose relevant market is relatively narrow should not hold itself out as acting independently in a broader sense. For example, a *firm* "Greenfield", which specialises in ethical and socially responsible investments could not hold itself out as "Greenfield Independent Financial Advisers". "Greenfield - providing independent advice on ethical products" may be acceptable.

(3) A *firm* that provides *basic advice* on *stakeholder products* may still use the facilities and stationery it uses for other business in accordance with the *rule* on basic advice on stakeholder products: other issues (■ COBS 9.6.17 R (2)).

6.2A.4A

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In complying with ■ COBS 6.2A.3 R, a *firm* which:

(1) holds itself out to a *retail client* as acting independently; and

(2) relies upon a single *platform service* to facilitate the majority of its *personal recommendations* in relation to *retail investment products*;

must take reasonable steps to ensure that, as appropriate, the *platform service provider* bases its selection of *retail investment products* on a comprehensive, fair and unbiased analysis of the relevant market.

6.2A.4B

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When a *firm* considers whether a *platform service provider's* selection of *retail investment products* is based on an unbiased analysis of the relevant market, a *firm* should take into account any fees, commission or non-monetary benefits the *platform service provider* receives in relation to those *retail investment products*.

Describing the breadth of a firm's advice service

A *firm* must disclose in writing to a *retail client*, in good time before the provision of its services in respect of a *personal recommendation* or *basic advice* in relation a *retail investment product*, whether its advice will be:

(1) *independent advice*; or

6.2A.5

FCA

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(2) *restricted advice*.

Content and wording of disclosure

6.2A.6
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- (1) A *firm* must include the term "independent advice" or "restricted advice" or both, as relevant, in the disclosure.
- (2) If a *firm* provides *independent advice* in respect of a relevant market that does not include all *retail investment products*, a *firm* must include in the disclosure an explanation of that market, including the types of *retail investment products* which constitute that market.
- (3) If a *firm* provides *restricted advice*, its disclosure must explain the nature of the restriction.
- (4) If a *firm* provides both *independent advice* and *restricted advice*, the disclosure must clearly explain the different nature of the *independent advice* and *restricted advice* services.

Medium of disclosure

6.2A.7
FCA

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A *firm* must provide the disclosure information required by the *rule* on describing the breadth of a *firm's* advice service (■ COBS 6.2A.5 R) in a *durable medium* or through a website (if it does not constitute a *durable medium*) provided the *website conditions* are satisfied.

6.2A.8
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A *firm* may meet the disclosure requirements in the *rule* on describing the breadth of a *firm's* advice service (■ COBS 6.2A.5 R) and the *rule* on content and wording of disclosure (■ COBS 6.2A.6R) by using a *services and costs disclosure document* or a *combined initial disclosure document* (■ COBS 6.3 and ■ COBS 6 Annex 1G or ■ COBS 6 Annex 2).

Additional oral disclosure for firms providing restricted advice

6.2A.9
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If a *firm* provides *restricted advice* and engages in spoken interaction with the *retail client*, a *firm* must disclose orally in good time before the provision of its services in respect of a *personal recommendation* that it provides *restricted advice* and the nature of that restriction.

6.2A.10
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Examples of statements which would comply with ■ COBS 6.2A.9 R include:

- (1) "I am a [Firm X] adviser offering restricted advice, which means that my advice is restricted to advice on [Firm X] [products/stakeholder products] only" or
- (2) "I am a [Firm X] adviser offering restricted advice, which means that my advice is restricted to advice on [products/stakeholder products] from a limited number of companies that [Firm X] has selected".

Guidance on what constitutes a relevant market

- 6.2A.11 FCA G A relevant market should comprise all *retail investment products* which are capable of meeting the investment needs and objectives of a *retail client*.
- 6.2A.12 FCA G A relevant market can be limited by the investment needs and objectives of the *retail client*. For example, ethical and socially responsible investments or Islamic financial products could both be relevant markets. However, a *firm* would be expected to consider all *retail investment products* within those investment parameters.
- 6.2A.13 FCA G For a *firm* not specialising in a particular market, the relevant market will generally include all *retail investment products*.

Guidance on providing unbiased and unrestricted advice

- 6.2A.14 FCA G A *personal recommendation* on a *retail investment product* that invests in a number of underlying *investments* would not of itself meet the requirements for providing unbiased and unrestricted advice even if the *retail investment product* invests in a wide range of underlying *investments*.
- 6.2A.15 FCA G In order to satisfy the *rule* on *firms* holding themselves out as independent (■ COBS 6.2A.3 R) a *firm* should ensure that it is not bound by any form of agreement with a *retail investment product* provider that restricts the *personal recommendation* the *firm* can provide or imposes any obligation that may limit the *firm's* ability to provide a *personal recommendation* which is unbiased and unrestricted.
- 6.2A.16 FCA G A *firm* may be owned by, or own in whole or part, or be financed by or provide finance to, a *retail investment product* provider without contravening the 'unbiased, unrestricted' requirement provided the *firm* ensures that that ownership or finance does not prevent the *firm* from providing a *personal recommendation* which is unbiased and unrestricted.
- 6.2A.17 FCA G In providing unrestricted advice a *firm* should consider relevant financial products other than *retail investment products* which are capable of meeting the investment needs and objectives of a *retail client*, examples of which could include national savings and investments products and *cash deposit ISAs*.

Guidance on using panels and/or third parties to provide a comprehensive and fair analysis of the market

- 6.2A.18 FCA G A *firm* may provide a *personal recommendation* on a comprehensive and fair analysis basis required by the *rule* on *firms* holding themselves out as independent (■ COBS 6.2A.3 R) by using 'panels'. A *firm* would need to ensure that any panel is sufficiently broad in its composition to enable the *firm* to make *personal recommendations* based on a comprehensive and fair analysis, is reviewed regularly, and that the use of the panel does not materially disadvantage any *retail client*.
- 6.2A.19 FCA G When using a panel a *firm* may exclude a certain type or class of *retail investment product* from the panel if, after review, there is a valid reason consistent with the *client's best interests rule*, for doing so.

6.2A.20

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If a *firm* chooses to use a third party to conduct a fair and comprehensive analysis of its relevant market, the *firm* is responsible for ensuring the criteria used by the third party are sufficient to meet the requirement. For example, criteria which selected *retail investment product* providers on the basis of payment of a fee (or facilitation of *adviser charges*), whilst excluding those not paying a fee (or such a facilitation) would not meet the comprehensive and fair analysis requirement.

Record keeping

6.2A.21

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Firms are reminded of the general record keeping requirements in ■ SYSC 3.2 and ■ SYSC 9. A *firm* should keep appropriate records of the disclosures required by this section.

Systems and controls

6.2A.22

FCA

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- (1) *Firms* are reminded of the systems and controls requirements in SYSC.
- (2) A *firm* providing *restricted advice* should take reasonable care to establish and maintain appropriate systems and controls to ensure that if there is no *retail investment product* in the *firm's* range of products which meets the investment needs and objectives of the *retail client*, no *personal recommendation* should be made.
- (3) A *firm* specialising in a relevant market should take reasonable care to establish and maintain appropriate systems and controls to ensure that it does not make a *personal recommendation* if there is a *retail investment product* outside the relevant market which would meet the investment needs and objectives of the *retail client*.

Combined initial disclosure document described in COBS 6.3, ICOBS 4.5 and MCOB 4.4A.20G

FCA

This specimen covers services in relation to *packaged products, non-investment insurance contracts and home finance transactions* (including *equity release transactions*).

If the *firm* is not providing services in relation to all products, the parts of the *combined initial disclosure document* that are not relevant should be omitted.

Firms should omit the notes and square brackets that appear in the following *combined initial disclosure document*. The completed *combined initial disclosure document* should contain the keyfacts logo, headings and text in the order shown and in accordance with the notes. Subject to this, a *firm* may use its own house style and brand.

COBS 6 Annex 2: Combined initial disclosure document described in COBS 6.3, ICOBS 4.5, MCOB 4.4.1R(1) and MCOB 4.10.2R(1) - COBS 6 Annex 2

| (1) | (2) | (3) | (4) | (5) | (6) |
|------|---|-----|---|--|---|
| | | | Transitional provision | Transitional provision: dates in force | Hand-book provisions: coming into force |
| | | | tent with a formally approved court scheme. | | |
| 2.20 | COBS 20.2.28 R | R | Expired | | |
| 2.21 | COBS 20.2.36 R to COBS 20.2.36A R | R | <i>Firms</i> which retain <i>strategic investments</i> in reliance on decisions made by the <i>firm's governing body</i> appropriately taking into account COBS 20.2.36 G prior to 1 April 2012 are deemed to be compliant with COBS 20.2.36 R and COBS 20.2.36A R until 1 October 2012. | From 1 April 2012 to 1 October 2012 | 1 April 2012 |
| 2.22 | COBS 20.5.1 R to COBS 20.5.5 R | R | Expired | | |
| 2.23 | The changes to <i>COBS</i> set out in Annex K of the Alternative Investment Fund Managers Directive Instrument 2013 | R | (1) Where a <i>firm</i> meets the conditions in (2), the changes effected by the Annex listed in column (2) do not apply and, therefore, the provisions in <i>COBS</i> amended by that Annex will continue to apply as they were in force as at 21 July 2013. (2) the conditions are: (a) the <i>firm</i> falls within regulation 73(1) of the <i>AIFMD UK regulation</i> ; and (b) the <i>firm</i> does not have a <i>Part 4A permission</i> to manage an <i>AIF</i> . | From 22 July 2013 until 21 July 2014 | 22 July 2013 |

Mortgages and Home Finance: Conduct of Business sourcebook

Mortgages and Home Finance: Conduct of Business sourcebook

Mortgages and Home Finance: Conduct of Business sourcebook

| | |
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| 1.3 | General application: where? |
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| | |
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| | |
|-----------|--|
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| | |
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| 4.5 | Additional disclosure for distance mortgage mediation contracts, distance home purchase mediation contracts and distance regulated sale and rent back mediation contracts with retail customers |
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| 4.10 | Home purchase plans: sales standards |
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| 4 Annex 1 | Initial disclosure document [deleted] |
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MCOB 5 Pre-application disclosure

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|-----|--|
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| 5.2 | Purpose |
| 5.3 | Applying for a home finance transaction |
| 5.4 | Information on regulated mortgage contracts: general |
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5 Annex 1 **The mortgage illustration: table of contents, prescribed text and prescribed section headings and subheadings.**

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6.1 **Application**
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6.4 **Mortgages: content of the offer document**
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6.6 **Mortgages: offer documents in place of illustrations**
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6 Annex 1 **Distance home purchase plans: information to be provided to retail customers.**
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MCOB 7 **Disclosure at start of contract and after sale**

7.1 **Application**
7.2 **Purpose**
7.3 **General**
7.4 **Mortgages: disclosure at the start of the contract**
7.5 **Mortgages: statements**
7.6 **Mortgages: event-driven information**
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7.8 **Home purchase plans**
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7 Annex 1 **An example of the Total Borrowing section.**

MCOB 8 **Equity release: advising and selling standard**

8.1 **Application**
8.2 **Purpose**
8.3 **Application of rules in MCOB 4**
8.4 **[deleted]**
8.5 **[Deleted]**
8.5A **Advised sales**
8.6 **[Deleted]**
8.6A **Execution-only sales**
8.7 **Initial disclosure information: unauthorised reversion provider**
8 Annex 1 **Initial disclosure document [deleted]**
8 Annex 2 **Combined initial disclosure document [deleted]**

| | |
|----------------|---|
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| 9.6 | Disclosure at the start of the contract and after sale for equity release transactions |
| 9.7 | Disclosure at the start of the contract: lifetime mortgages |
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| 9.9 | Disclosure after sale: home reversion plans |
| 9 Annex 1 | The illustration: table of contents, prescribed text and prescribed section headings and subheadings (R). |
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| MCOB 10 | Annual Percentage Rate |
| 10.1 | Application |
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| 10.3 | Formula and assumptions for calculating the APR |
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| 10 Annex 1 | [deleted] [Deleted] |
| | |
| MCOB 11 | Responsible lending, and responsible financing of home purchase plans |
| 11.1 | Application [Deleted] |
| 11.2 | Purpose [Deleted] |
| 11.3 | Responsible lending, and responsible financing of home purchase plans [Deleted] |
| 11.4 | Application |
| 11.5 | Purpose |
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| | |
| MCOB 12 | Charges |
| 12.1 | Application |
| 12.2 | Purpose |
| 12.3 | Early repayment charges : regulated mortgage contracts |
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| | |
|----------------|--|
| MCOB 13 | Arrears, payment shortfalls and repossessions: regulated mortgage contracts and home purchase plans |
| 13.1 | Application |
| 13.2 | Purpose |
| 13.3 | Dealing fairly with customers with a payment shortfall: policy and procedures |
| 13.4 | Arrears: provision of information to the customer of a regulated mortgage contract |
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| 13.8 | Home purchase plans |

Transitional Provisions and Schedules

| | |
|-------|----------------------------------|
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| Sch 1 | Record keeping requirements |
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| Sch 3 | Fees and other required payments |
| Sch 4 | Powers exercised |
| Sch 5 | Rights of action for damages |
| Sch 6 | Rules that can be waived |



1.2 General application: who? what?

1.2.1

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- (1) This sourcebook applies to every *firm* that:
 - (a) carries on a *home finance activity* (subject to the business loan and loans to *high net worth mortgage customers* application provisions); or
 - (b) *communicates* or *approves* a *financial promotion of qualifying credit*, of a *home purchase plan*, of a *home reversion plan* or of a *regulated sale and rent back agreement*.
- (2) Where a *firm* has outsourced activities to a *third party processor*, any *rule* in MCOB which requires the *third party processor*, when acting as such, to disclose its identity to a *customer* must be read as requiring disclosure of the identity of the *firm* (or *appointed representative*, as appropriate) which is taking responsibility for the acts and omissions of the *third party processor* when carrying on the outsourced activities.

1.2.1A

FCA

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Firms which outsource *regulated activities* are reminded of the *guidance* on *outsourcing* in ■ SYSC 3.2.4 G and ■ SYSC 8 .

Firm types and the home finance activities

1.2.2

FCA

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- (1) This sourcebook applies to activities carried out in respect of *regulated mortgage contracts*, *equity release transactions*, *home purchase plans*, and *regulated sale and rent back agreements*. Together, these products are referred to as *home finance transactions*.
- (2) *Lifetime mortgages* and *home reversion plans* are together referred to as *equity release transactions*.
- (3) The application of most of this sourcebook is expressed by reference to four types of firm: lenders/providers, administrators, arrangers, and advisers. Arrangers and advisers are together referred to as intermediaries. This includes those firms that provide business loans to customers under a regulated mortgage contracts (see ■ MCOB 1.2.3 R to ■ MCOB 1.2.9 G). A single firm may fall into more than one of these types. *PERG* 4 contains detailed *guidance* on *regulated mortgage activities* and *PERG* 14 contains detailed *guidance* on *home purchase activities*, *reversion activities* and *regulated sale and rent back activities*.

Business loans and loans to high net worth mortgage customers: application of MCOB

1.2.3
FCA

- R** In relation to a *regulated mortgage contract* for a business purpose
- (1) MCOB applies if the *customer* is not a *large business customer*, and
 - (2) if MCOB applies, a *firm* must either:
 - (a) comply with MCOB in full (disregarding the tailored provisions for *regulated mortgage contracts* for a business purpose in the remainder of MCOB); or
 - (b) comply with MCOB in full, but taking account of all those tailored provisions, including ■ MCOB 1.2.7 R.

1.2.3A
FCA

- R** In relation to a *regulated mortgage contract* with a *high net worth mortgage customer*, a *firm* must either:
- (1) comply with MCOB in full (disregarding the tailored provisions for *regulated mortgage contracts* with *high net worth mortgage customers* in the remainder of MCOB); or
 - (2) subject to ■ MCOB 1.2.9C R, comply with MCOB in full, but taking account of all those tailored provisions, including ■ MCOB 1.2.7 R.

1.2.3B
FCA

R Where any provision of MCOB is expressed to apply in respect of a *high net worth mortgage customer*, it applies in respect of joint borrowers (or potential borrowers) if one of them satisfies that definition in his own right.

1.2.4
FCA

G The tailored provisions are those in the sections 'Business loans and loans to high net worth mortgage customers: tailored provisions' set out in each relevant chapter.

1.2.4A
FCA

G Certain other provisions of MCOB apply in all cases in respect of *high net worth mortgage customers* or of transactions which are solely for a business purpose. The application of the tailored and other provisions for *high net worth mortgage customers* and transactions for a business purpose are summarised in the table at ■ MCOB 1.2.4B G.

1.2.4B
FCA

G **Table of provisions applicable to business loans and high net worth mortgage customers: this table belongs to MCOB 1.2.4AG**

| Provisions | Tailored provisions or applicable in all cases? | For business loans only, are the provisions applicable to all business loans, or only where the loan is solely for a business purpose? |
|------------|---|--|
| | | |

| | | |
|--|-------------------------|---|
| Various of the provisions in MCOB 4.7A and MCOB 4.8A | Applicable in all cases | Applicable only where loan is solely for a business purpose |
| MCOB 4.9 | Tailored | Applicable to all business loans |
| MCOB 5.7 | Tailored | Applicable to all business loans |
| MCOB 6.7 | Tailored | Applicable to all business loans |
| MCOB 7.7 | Tailored | Applicable to all business loans |
| Various of the provisions in MCOB 11.6 | Applicable in all cases | Applicable only where loan is solely for a business purpose |
| MCOB 12.6 | Tailored | Applicable to all business loans |
| MCOB 13.7 | Tailored | Applicable to all business loans |

1.2.5

FCA

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- (1) In order for a loan to fall within the definition of a *regulated mortgage contract*, at least 40% of the total of the land to be given as security must be used as or in connection with a dwelling. Therefore, the variation in approach provided for in ■ MCOB 1.2.3 R(2) can only apply where the loan being used for a business purpose is secured against a property at least 40 per cent of which is used as a dwelling. It cannot apply to a loan secured on property that is used solely for a business purpose.
- (2) Whether a *regulated mortgage contract* is , or is solely, for a business purpose will be a matter of fact to be determined by a *firm* (in accordance with ■ MCOB 1.2.9D R where applicable) depending on the individual circumstances of each case. In the FCA's opinion, a *regulated mortgage contract* secured, for example, on the borrower's own home, but used to finance the purchase of a single buy-to-let property will not be for a business purpose.

1.2.6

FCA

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In determining whether a *customer* is a *large business customer* for the purposes of ■ MCOB 1.2.3 R(1), a *firm* will need to have regard to the figure given for the *customer's* annual turnover in the *customer's* annual report and accounts or business plan. In addition, a *firm* may rely on information provided by the *customer* about the annual turnover, unless, taking a common-sense view of this information, it has reason to doubt it.

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

1.2.7

FCA

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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) substitute the term 'illustration' for 'keyfacts illustration' when opting to use the tailored business loans or loans to *high net worth mortgage customers* rules in ■ MCOB 4.9, ■ MCOB 5.7, ■ MCOB 6.7 or ■ MCOB 7.7; and

1.2.8

FCA

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(3) **limit disclosure to facilities provided under the *regulated mortgage contract*.**

- (1) *Firms* are reminded of the requirement in ■ MCOB 2.2.6 R that any communication should be clear, fair and not misleading when substituting an alternative for the term 'mortgage' in accordance with ■ MCOB 1.2.7 R(1).
- (2) Possible alternatives to the term 'mortgage' include, for example, 'secured overdraft', 'secured loan' or 'secured business credit'.

1.2.9

FCA

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The disclosure *rules* in MCOB place particular emphasis on the description of borrowing. Where the *regulated mortgage contract* is for a business purpose or with a *high net worth mortgage customer*, a *firm* should reflect this emphasis in any disclosure by first describing any borrowing before addressing the other facilities provided under the *regulated mortgage contract*.

Home purchase plans

1.2.9A

FCA

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For detail of the tailored provisions applying to *home purchase plans*, see the section on 'home purchase plans' set out in each relevant chapter.

Provisions for professional customers

1.2.9B

FCA

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Certain provisions of ■ MCOB 4.7A and ■ MCOB 4.8A apply in respect of *professional customers*. Where they apply, they provide greater flexibility for *firms*.

Requirement for evidence before treating a loan as being solely for business purposes, or a customer as a high net worth mortgage customer or a professional customer

1.2.9C

FCA

R

A *firm* may not treat a *customer* as being a *high net worth mortgage customer* for the purposes of MCOB unless either:

- (1) it is aware, from evidence already in its possession as a result of a business relationship between it and the *customer*, that the *customer* satisfies the definition of *high net worth mortgage customer*; or
- (2) it has first obtained a written statement which:
 - (a) confirms that the *customer* satisfies the definition of *high net worth mortgage customer*;
 - (b) specifies the period for which it is valid, which includes the time when the *regulated mortgage contract* is entered into; and
 - (c) is signed by a suitably qualified professional adviser of the *customer* who is not an *associate* of the *firm* or of the *customer*.

1.2.9D **R** A *firm* must not treat a loan as being solely for a business purpose for the purposes of MCOB unless it has reviewed a business plan provided by the customer which provides credible evidence that that is the case.
FCA

1.2.9E **R** A *firm* must not treat a *customer* as being a *professional customer* for the purposes of MCOB unless it has credible evidence that the *customer* satisfies the definition.
FCA

1.2.9F **R** A *firm* must keep the evidence in ■ MCOB 1.2.9CR (1) and ■ MCOB 1.2.9ER, the business plan in ■ MCOB 1.2.9DR and the written statement in ■ MCOB 1.2.9CR (2) for not less than three years from the date on which it was obtained or, if later, used to satisfy ■ MCOB 1.2.
FCA

1.2.9G **R** A *firm* must keep the evidence in ■ MCOB 1.2.9CR (1) and ■ MCOB 1.2.9E R, the business plan in ■ MCOB 1.2.9D R and the written statement in ■ MCOB 1.2.9CR (2) for not less than three years from the date on which it was obtained or, if later, used to satisfy ■ MCOB 1.2.

Authorised professional firms

1.2.10 **R** MCOB does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities* except for:
FCA

- (1) ■ MCOB 2.2 (Communications);
- (2) ■ MCOB 3 (Financial promotion).
- (3) [deleted]

1.2.11 **G** *Authorised professional firms* should be aware of the following:

- (1) ■ PROF 5 (Non-mainstream regulated activities); and
- (2) ■ MCOB 3.1.9 R (Authorised professional firms) and the exception in article 55 of the *Financial Promotion Order* (Communications by members of the professions) which applies in relation to *financial promotion of qualifying credit* or of a *home reversion plan* of *authorised professional firms* under ■ MCOB 3.2.5 R(3) (Exemptions).

Pre-contractual arrangements by a home finance provider

1.2.12 **R** In MCOB the activities of a *home finance provider* which would be *arranging* but for article 28A of the *Regulated Activities Order* (Arranging contracts or plans to which the arranger is a party), are to be treated as *arranging* and therefore also as *home finance activities*.
FCA

1.2.13 **G** The effect of article 28A of the *Regulated Activities Order* would normally mean that arrangements made by a party to a *home finance transaction* would not fall within the *home finance activity* of *arranging*. So in a direct sale, a *home finance provider* would not be carrying on the *regulated activity* of *arranging* but, where the transaction proceeds to completion, would instead be involved in a *regulated activity* comprising *entering into*

a home finance transaction . However, the provisions in *MCOB* on arranging *home finance transactions* are applied to pre-contractual arrangements by a *home finance provider*.

[deleted]

1.2.14

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[deleted]

1.3 General application: where?

Location of the customer

1.3.1

FCA

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Except as set out in this section, *MCOB* applies if the *customer* of a *firm* carrying on *home finance activities* is resident in:

- (1) the *United Kingdom*; or
- (2) another *EEA State*, but in this case only if the activity is carried on from an establishment maintained by the *firm* (or its *appointed representative*) in the *United Kingdom*;

at the time that the *home finance activity* is carried on.

Financial Promotion

1.3.2

FCA

R

The territorial scope of ■ *MCOB 3* (Financial promotion) is set out in ■ *MCOB 3.3* (Application: where?) rather than in this section.

Electronic commerce activities and communications

1.3.3

FCA

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This sourcebook does not apply to an *incoming ECA provider* acting as such.

Distance contracts entered into from an establishment in another EEA State

1.3.4

FCA

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- (1) The *rules* in (2) do not apply to a *firm* with respect to a *regulated mortgage activity* or a *home purchase activity* exclusively concerning a *distance contract* if the following conditions are satisfied:

- (a) the *firm* carries on the activity from an establishment maintained by the *firm* in an *EEA State* other than the *United Kingdom*; and
- (b) either the *EEA State*:
 - (i) has implemented the *Distance Marketing Directive* ; or
 - (ii) has obligations in its domestic law corresponding to those provided for by the *Distance Marketing Directive* ;

and, in either case, with the result that the obligations provided for by the *Distance Marketing Directive* (or corresponding

obligations) are applied by that State when the *firm* carries on that activity; and

(c) the *firm* is a national of an *EEA State* or a company or firm mentioned in article 54 of the *Treaty*.

(2) The *rules* which do not apply are:

- (a) initial disclosure requirements in ■ MCOB 4.4A (in respect of *regulated mortgage contracts*) and ■ MCOB 4.10 (in respect of *home purchase plans*);
- (b) ■ MCOB 4.5 (Additional disclosure for distance mortgage mediation contracts and distance home purchase mediation contracts with *consumers*);
- (c) ■ MCOB 4.6 (Cancellation of distance mortgage mediation contracts) and distance home purchase mediation contracts);
- (d) ■ MCOB 5 (Pre-application disclosure);
- (e) ■ MCOB 6 (Disclosure at offer stage);
- (f) ■ MCOB 7.6.7 R to ■ MCOB 7.6.17 R (Further advances);
- (g) ■ MCOB 8.3 (Application of rules in ■ MCOB 4) to the extent that it applies ■ MCOB 4.4A to ■ MCOB 4.6;
- (h) [deleted]
- (i) ■ MCOB 9.3 (Pre-application disclosure);
- (j) ■ MCOB 9.4 (Content of illustrations); and
- (k) ■ MCOB 9.5 (Disclosure at offer stage for equity release transactions).

Distance contracts with retail customers

1.3.5
FCA

G

Parts of MCOB relate to *distance contracts* (or *distance mortgage mediation contracts* and *distance home purchase mediation contracts*) with *consumers*. These expressions are derived from the *Distance Marketing Directive*, and the following paragraphs provide some *guidance* to *firms* on their meaning:

(1) *consumer*

The *Distance Marketing Directive* applies for *distance contracts* with 'any natural person who is acting for purposes which are outside his trade, business or profession', for which the term '*consumer*' has been adopted. Examples of individuals who would be regarded as *consumers* include:

- (a) personal representatives, including executors, unless they are acting in a professional capacity, for example a solicitor acting as executor; or
- (b) private individuals acting in personal or other family circumstances, for example, a trustee of a family trust.

(2) *Distance contract*

To be a *distance contract*, a contract must be concluded under an 'organised distance sales or service-provision scheme' run by the contractual provider of the service who, for the purpose of the contract, makes exclusive use (directly or through an intermediary) of one or more means of distance communication up to and including the time at which the contract is concluded. So:

- (a) the *firm* must have put in place facilities designed to enable a *customer* to deal with it exclusively at a distance, such as facilities for a *customer* to deal with it purely by post, telephone, fax or the Internet. If a *firm* normally operates face-to-face and has no facilities in place enabling a *customer* to deal with it customarily by distance means, the *Distance Marketing Directive* will not apply. A one-off transaction effected exclusively by distance means to meet a particular contingency or emergency will not be a *distance contract*; and
- (b) there must have been no simultaneous physical presence of the *firm* and the other party to the contract throughout the offer, negotiation and conclusion of the contract. So, for example, contracts offered, negotiated and concluded over the Internet, through a telemarketing operation, or by post will normally be *distance contracts*.

Use of intermediaries

1.3.6
FCA

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The mere fact that an intermediary (acting for the supplier or for the *consumer*) is involved, does not make the sale of a financial product or service a *distance contract*. There will not be a *distance contract* if there has been simultaneous physical presence of the intermediary and the *consumer* at some stage in the offer, negotiation and conclusion of the contract.

1



1.4 [deleted]

1.4.1

[Deleted]



1.5 Application to appointed representatives

1.5.1

FCA

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- (1) Although *MCOB* does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the *Act*). In determining whether a *firm* has complied with any provision of *MCOB*, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the *Act*).
- (2) *Firms* should refer to ■ SUP 12 (Appointed representatives), which sets out requirements which apply to *firms* using *appointed representatives*.



1.6 Distinguishing regulated mortgage contracts and regulated credit agreements

1.6.1
FCA

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MCOB applies to *regulated mortgage contracts* entered into on or after 31 October 2004. A contract that was entered into before 31 October 2004, and that is subsequently varied on or after that date, will not be a *regulated mortgage contract* but may be a *regulated credit agreement* to which the CCA and CONC apply. If, however, a new contract is entered into on or after 31 October 2004, replacing the previous contract, this may be a *regulated mortgage contract*. PERG 4.4.13G contains *guidance* on the variation of contracts entered into before 31 October 2004.

1.6.2
FCA

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Principle 2 requires a *firm* to conduct its business with due skill, care and diligence. The purpose of ■ MCOB 1.6.3 R is to reinforce this. The FCA would expect *firms* to take appropriate steps to determine whether any mortgage it proposes to enter into is subject to FCA regulation and, if so, whether it is a *regulated mortgage contract* or a *regulated credit agreement*.

1.6.3
FCA

R

Before a *firm* enters into a mortgage, it must take all reasonable steps to establish whether that mortgage will be a *regulated mortgage contract* and therefore subject to MCOB.

1.6.4
FCA

R

If, notwithstanding the steps taken by a *firm* to comply with ■ MCOB 1.6.3 R, it transpires that a mortgage which the *firm* has treated as unregulated or as a *regulated credit agreement* is in fact a *regulated mortgage contract*, the *firm* must as soon as practicable after the correct status of the mortgage has been established:

- (1) contact the *customer* and provide him with the following information in a *durable medium*:
 - (a) a statement that the mortgage contract is a *regulated mortgage contract*; and
 - (b) (i) where the *firm* has treated the mortgage as unregulated, a statement that the mortgage contract is subject to FCA regulation, stating in particular the position with regard to redress and compensation; or
 - (ii) where the *firm* has treated the mortgage as a *regulated credit agreement*, a statement that;

- (A) neither the *CCA* nor *CONC* will apply to the mortgage contract;
- (B) any rights or requirements arising under the *CCA* or *CONC* set out in previous communications will not apply; and
- (C) *MCOB* will apply to the mortgage contract.

(2) apply to the *regulated mortgage contract* all relevant *MCOB* requirements, such as those on disclosure (in ■ *MCOB* 7) or on the treatment of *customers in arrears* (in ■ *MCOB* 13).

1.6.5
FCA

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- (1) ■ *MCOB* 1.6.4 R(2) means, for example, that if a *firm* discovered immediately after completion that a loan was a *regulated mortgage contract*, the *firm* would be required to comply with ■ *MCOB* 7.4 (Disclosure at the start of the contract).
- (2) Although ■ *MCOB* 1.6.4 R recognises that *firms* may become aware that a mortgage is a *regulated mortgage contract* at a late stage, the *FCA* expects this to be an extremely rare occurrence. It could arise, for example, if a *firm* has acted on the understanding, verified as far as was practicable, that in respect of a particular mortgage contract less than 40% of the land would be used in connection with a dwelling. If it was discovered later that more than 40% of the land was used in connection with the dwelling (and provided that all the other legal requirements were met) the mortgage will be a *regulated mortgage contract* to which *MCOB* applies.
- (3) ■ *MCOB* 1.6.3 R and ■ *MCOB* 1.6.4 R do not override the application of *MCOB* to any *regulated mortgage contract*. *MCOB* applies notwithstanding a *firm's* genuine belief that a mortgage is unregulated or is a *regulated credit agreement*. In deciding whether to take disciplinary action as a result of a breach of *MCOB*, the *FCA* will take into account whether the action by the *firm* was reckless or deliberate (see ■ *DEPP* 6.2.1 G (1)(a)).

Chapter 2

Conduct of business standards: general

2.1 Application

Who?

2.1.1
FCA

R This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 2.1.2 R in accordance with column (2) of that table.

2.1.2
FCA

R Table This table belongs to ■ MCOB 2.1.1 R

| (1) Category of firm | (2) Applicable section |
|------------------------------------|--|
| <i>mortgage lender</i> | whole chapter except MCOB 2.2.6A R, MCOB 2.2.8A R, MCOB 2.2.8B G, MCOB 2.6A.1 R to MCOB 2.6A.18 G and MCOB 2.8.6 G |
| <i>mortgage administrator</i> | As for a <i>mortgage lender</i>, except that MCOB 2.6A.-1 R does not apply. |
| <i>mortgage adviser</i> | |
| <i>mortgage arranger</i> | |
| <i>home purchase provider</i> | MCOB 2.1, MCOB 2.2.1 G, MCOB 2.2.6 R to MCOB 2.2.9 G, MCOB 2.5 to MCOB 2.6, MCOB 2.6A.1 R to MCOB 2.6A.4 G, MCOB 2.6A.7 G to MCOB 2.6A.10 G, MCOB 2.7.4 R to MCOB 2.7.6 R, MCOB 2.7A and MCOB 2.8.6 G |
| <i>home purchase administrator</i> | As for a <i>home purchase provider</i> but MCOB 2.6A.1 R to MCOB 2.6A.4 G and MCOB 2.6A.7 G do not apply |
| <i>home purchase adviser</i> | As for a <i>home purchase provider</i> but MCOB 2.6A does not apply |
| <i>home purchase arranger</i> | |
| <i>reversion provider</i> | whole chapter except MCOB 2.2.6A R, MCOB 2.2.8A R and MCOB 2.2.8B G, MCOB 2.6A.7 G, MCOB 2.7.4 R to MCOB 2.7.6 R and MCOB 2.8.6 G |

| (1) Category of firm | (2) Applicable section |
|--|---|
| <i>reversion administrator</i> | As for a <i>reversion provider</i> but the relevant provisions of MCOB 2.6A apply only when <i>arranging</i> for a <i>home reversion plan</i> to be entered into by a <i>reversion occupier</i> with, or <i>administering</i> a <i>home reversion plan</i> provided by, an <i>unauthorised reversion provider</i> . |
| <i>reversion arranger</i> | |
| <i>reversion adviser</i> | As for a <i>reversion provider</i> but MCOB 2.6A does not apply |
| <i>SRB administrator</i> | MCOB 2.1, MCOB 2.2.1 G, MCOB 2.2.2 G, MCOB 2.2.3 R, MCOB 2.2.6 R, MCOB 2.2.7 G, MCOB 2.2.8 G, MCOB 2.5 to MCOB 2.6, MCOB 2.6A.5BR (5), MCOB 2.6A.8 R to MCOB 2.6A.11 G, MCOB 2.6A.17A R, MCOB 2.6A.18 G, MCOB 2.7.1 G to MCOB 2.7.5 R, MCOB 2.7A, MCOB 2.8.1 G to MCOB 2.8.5 G. |
| <i>SRB adviser</i> | Whole chapter except MCOB 2.2.5 G, MCOB 2.2.6A R, MCOB 2.2.8A R, MCOB 2.2.8B G, MCOB 2.6A.5 R, MCOB 2.6A.7 G, MCOB 2.6A.17 R and MCOB 2.8.6 G. |
| <i>SRB agreement provider</i> | Whole chapter except MCOB 2.2.5 G, MCOB 2.2.6A R, MCOB 2.2.8A R, MCOB 2.2.8B G, MCOB 2.6A.5 R, MCOB 2.6A.7 G, MCOB 2.6A.17 R, MCOB 2.6A.17A R, MCOB 2.6A.18 G and MCOB 2.8.6 G. |
| <i>SRB arranger</i> | Whole chapter except MCOB 2.2.5 G, MCOB 2.2.6A R, MCOB 2.2.8A R, MCOB 2.2.8B G, MCOB 2.6A.5 R, MCOB 2.6A.7 G, MCOB 2.6A.17 R and MCOB 2.8.6 G. |
| <i>a firm that communicates or approves a financial promotion of qualifying credit or of a home reversion plan</i> | MCOB 2.5, MCOB 2.6, MCOB 2.7 (except, when the <i>financial promotion</i> relates to a <i>home reversion plan</i> , MCOB 2.7.4 R to MCOB 2.7.6 R) , MCOB 2.7A and MCOB 2.8 (except MCOB 2.8.6 G) |
| <i>a firm that communicates or approves a financial promotion of a home purchase plan</i> | MCOB 2.2.6 R to MCOB 2.2.9 G, MCOB 2.5, MCOB 2.6, MCOB 2.7, MCOB 2.7A and MCOB 2.8.6 G |

2.1.3

FCA

R

What?

This chapter applies in relation to:

- (1) *home finance activities*;
- (1A) to the extent specified in ■ MCOB 2.1.2 R, *regulated sale and rent back activity*;
- (2) those activities in ■ MCOB 12 and ■ MCOB 13 that are carried on after a *regulated mortgage contract* or *home purchase plan* has come to an end following the sale of a *repossessed* property , and those activities in ■ MCOB 12 that are carried on after a *home reversion plan* has ended for any reason ; and
- (3) the *communication* or *approval* of a *financial promotion* of *qualifying credit*, of a *home purchase plan*, of a *home reversion plan* or of a *regulated sale and rent back agreement*.



2.2 Communications

Purpose

2.2.1
FCA

G

The purpose of ■ MCOB 2.2 is to restate, in slightly amended form, and as a separate *rule*, the part of *Principle 7* (Communications with clients) that relates to communication of information. This enables a *customer*, who is a *private person*, to bring an action for damages under section 138D (Contravention of rules) of the *Act* to recover loss resulting from a *firm* that carries on the activities referred to in ■ MCOB 2.1.3 R communicating information, in the course of those activities, in a way that is not clear or fair, or that is misleading. ■ MCOB 2.2 also clarifies the expectations of the *FCA* where any *rule* requires the provision of information and there are two or more *customers*.

General

2.2.2
FCA

G

In many circumstances there will be two or more *customers* under any *home finance transaction*, or two or more prospective *customers* looking to enter into the same *home finance transaction*. In such circumstances, where a *rule* in *MCOB* requires the provision of information to such *customers* and the *customers* have different addresses, a *firm* sending out this information should send it to each address. If the *customers* share the same address it will be sufficient to send a single copy of the information addressed to each of the *customers*.

Prescribed terms for regulated mortgage contracts , home reversion plans and regulated sale and rent back agreements

2.2.3
FCA

R

In any communication to a *customer*, a *firm* must:

- (1) describe any *early repayment charge* as an 'early repayment charge';
- (2) describe any *higher lending charge* as a 'higher lending charge' ;
- (3) describe any *lifetime mortgage* as a 'lifetime mortgage' ;
- (4) describe any *home reversion plan* as a 'home reversion plan'; and
- (5) describe any *regulated sale and rent back agreement* as a 'sale and rent back agreement';

and not use any other expression to describe them.

2.2.4 **R** [deleted]

Related investment advice

2.2.5 **G**
FCA *Firms are reminded that they should follow the relevant rules in ■ COBS 6 and ■ COBS 13 relating to advice and disclosure on investments if they are advising the customer on an investment such as an annuity associated with an equity release transaction or an ISA used as a repayment strategy.*

Clear, fair and not misleading communications and financial promotions

2.2.6 **R**
FCA (1) **When a firm communicates information to a customer, it must take reasonable steps to communicate in a way that is clear, fair and not misleading.**

(2) [deleted]

2.2.6A **R**
FCA **A firm which approves a financial promotion of a home purchase plan must take reasonable steps to ensure that the financial promotion is clear, fair and not misleading.**

2.2.7 **G**
FCA When considering how to comply with the requirements of these rules on clear, fair and not misleading communications and financial promotions, a firm should have regard to the customer's knowledge of the home finance transaction to which the information relates.

2.2.8 **G**
FCA The rule on clear, fair and not misleading communications covers all communications with customers, for example any oral or written statements, telephone calls and any correspondence which is not a financial promotion to which ■ MCOB 3 (Financial promotion) applies. In respect of financial promotions of qualifying credit, of home reversion plans or of regulated sale and rent back agreements, firms should note the separate requirements of ■ MCOB 3.

2.2.8A **R**
FCA **If a firm uses a figure equivalent to an APR in a communication of a financial promotion of a home purchase plan, when calculating that figure it must use an approach equivalent to the APR rules.**

2.2.8B **G**
FCA The following guidance may be relevant to a firm that communicates or approves a financial promotion of a home purchase plan:

- (1) guidance on what 'communicate', 'approve' and 'financial promotion' mean, and on the media of communication to which financial promotion rules apply (see ■ MCOB 3.2.1 G and ■ MCOB 3.2.2 G);
- (2) guidance on other Handbook provisions relevant to financial promotions (see ■ MCOB 3.2.8 G to ■ MCOB 3.2.9 G);
- (3) guidance on other regulations and guidelines relevant to financial promotions (see ■ MCOB 3.5.3 G);
- (4) guidance on referring to the FCA (see ■ MCOB 3.6.2 G (3));

- (5) guidance on the clear, fair and not misleading standard (see ■ MCOB 3.6.5 G, ■ MCOB 3.6.10 G and ■ MCOB 3.6.14 G); and
- (6) guidance on the use of the Internet for *communicating financial promotions* (see ■ MCOB 3.12 and ■ PERG 8.22).

2.2.9

FCA

G

Prominence of relevant information can play a key role in ensuring that a communication is clear, fair and not misleading. Where this is the case, the *firm* should consider prominence in the context of the communication as a whole. Use can be made of the positioning of text, background and text colour and type size to ensure that specified information meets the requirements of *MCOB*.

2



2.3 Inducements: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

Purpose

2.3.1
FCA

G

The purpose of ■ MCOB 2.3 is to ensure, in accordance with *Principles 1, 6 and 8*, that a *firm* does not conduct business under arrangements that might give rise to a conflict with its duty to *customers* or to unfair treatment of them.

Prohibition of inducements

2.3.2
FCA

R

A *firm* must take reasonable steps to ensure that it, and any *person* acting on its behalf, does not:

- (1) offer, give, solicit or accept an inducement; or
- (2) direct or refer any actual or potential business in relation to a *regulated mortgage contract, home reversion plan or regulated sale and rent back agreement* to another *person* on its own initiative or on the instructions of an *associate*;

if it is likely to conflict to a material extent with any duty that the *firm* owes to its *customers* in connection with such a *home finance transaction* or any duty which such a recipient *firm* owes to its *customers* in connection with such a *home finance transaction*.

2.3.3
FCA

G

An inducement is a benefit offered with a view to bringing about a particular course of action.

2.3.4
FCA

G

The purpose of ■ MCOB 2.3.2 R(2) is to prevent the requirement in ■ MCOB 2.3.2 R(1) being circumvented by an inducement being given or received by an unregulated *associate*. There may be circumstances, however, where a *firm* is able to demonstrate that it could not reasonably have knowledge of an *associate* giving or receiving an inducement. It should not, however, direct business to another *person* on the instruction of an *associate* if this is likely to conflict with the interests of its *customers*.

2.3.5
FCA

G

■ MCOB 2.3.2 R does not prevent a *firm*:

- (1) assisting a *home finance intermediary* so that the quality of the *home finance intermediary's* service to *customers* is enhanced; or

- (2) giving or receiving indirect benefits (such as gifts, hospitality and promotional competition prizes);

providing in either case this is not likely to give rise to a conflict with the duties that the recipient owes to the *customer*. In particular, such benefits should not be of a kind or value that is likely to impair the ability of a *firm* to act in compliance with any *rule* in MCOB, for example the suitability requirements in ■ MCOB 4.7 (Advised sales).

2.3.6
FCA

R

- (1) A *firm* must not operate a system of giving or offering inducements to a *mortgage intermediary*, *reversion intermediary*, *SRB intermediary* or any other third party whereby the value of the inducement increases if the intermediary or third party, such as a packager, exceeds a target set for the amount of business referred (for example, a volume override).
- (2) A *firm* must not solicit or accept an inducement whereby the value of the inducement increases if the *firm* exceeds a target set for the amount of business referred.

Quantification of inducements

2.3.7
FCA

R

- (1) A *mortgage lender*, *reversion provider* or *SRB agreement provider* must quantify, in cash terms, any material inducement it offers to a *mortgage intermediary*, *reversion intermediary*, *SRB intermediary* or a third party.
- (2) In quantifying the value of the material inducement, the *firm* must include any subsequent payments (such as a trail fee) made where the *customer* continues with the same *home finance transaction*.

2.3.8
FCA

G

- (1) Quantification of any material inducement offered by the *mortgage lender* or *reversion provider* supports the disclosure requirements elsewhere in MCOB. Further *guidance* on the disclosure of any inducement in cash terms is provided in ■ MCOB 5.6.118 G for *regulated mortgage contracts* other than *lifetime mortgages*, ■ MCOB 9.4.124 G for *lifetime mortgages* and ■ MCOB 9.4.173 G for *home reversion plans*.
- (1A) Quantification of any material inducement offered by a *SRB agreement provider* in connection with the conclusion of a *regulated sale and rent back agreement* must be included in the disclosures made to the potential *SRB agreement seller* under ■ MCOB 5.9.1 R (1A)(c).
- (2) A payment made to a third party unconnected with the *home finance intermediary*, where that payment only reflects the cost of outsourcing work relating to the processing of mortgage applications, would not be considered an inducement for these purposes.

2.4 High pressure sales: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

Purpose

2.4.1
FCA

G

The purpose of this section is to remind *firms* of the relevance of the high level standards in *PRIN*, especially with regard to the use of sales methods that may lead a *customer* to feel pressurised to enter into, or vary, a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement*.

Fair treatment

2.4.2
FCA

G

- (1) *Principle 6* (Customers' interests) requires that a *firm* must pay due regard to the interests of its *customers* and treat them fairly. This means, for example, that a *firm* should avoid selling practices that commit *customers* (or lead *customers* to believe that they are committed) to any *regulated mortgage contract* or *home reversion plan* before they have been able to consider the *illustration* and *offer document*. One such practice might be to present a new *customer* with an *illustration*, *offer document* and mortgage deed at one time and to require the mortgage deed to be signed on the same occasion (when there is no urgent need to do so).
- (2) For *regulated sale and rent back agreements*, the *firm* should avoid practices that commit *customers* (or lead *customers* to believe they are committed) to any such agreement before they have been able to consider the information that is required by ■ MCOB 5.9.1 R (Pre-sale disclosure) and before the expiry of the 14 day cooling-off period as required by ■ MCOB 6.9.4 R (Written pre-offer document: Stage One).

Information

2.4.3
FCA

G

Principle 7 (Communications with clients) requires that a *firm* must pay due regard to the information needs of its *clients*, and communicate information to them in a way which is clear, fair and not misleading. This means, for example, that a *firm* should avoid giving any *customer* a false impression about the availability of a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement*, such as describing it as a 'special offer' not available after a certain date unless this is really the case.



2.5 Reliance on others

Purpose

2.5.1

FCA

G

Principle 2 requires a *firm* to conduct its business with due skill, care and diligence.

■ MCOB 2.5 indicates the extent to which *firms* that carry on *home finance activities* and that *communicate* or *approve* a *financial promotion* can meet this requirement by relying on others.

When firms can rely on others

2.5.2

FCA

R

A *firm* will be taken to be in compliance with any *rule* in MCOB that requires a *firm* to obtain information to the extent that the *firm* can show that it was reasonable for it to rely on information provided to it by another *person*.

2.5.3

FCA

A

(1) In relying on ■ MCOB 2.5.2 R, a *firm* should take reasonable steps to establish that the other *person* providing the information is:

- (a) not connected with the *firm*; and
- (b) competent to provide the information.

(2) Compliance with (1) may be relied on as tending to establish compliance with ■ MCOB 2.5.2 R.

(3) Contravention of (1) may be relied on as tending to establish contravention of ■ MCOB 2.5.2 R.

2.5.4

FCA

R

(1) Any information which a *rule* in MCOB requires to be sent to a *customer* may be sent to another *person* on the instruction of the *customer*, so long as the recipient is not connected with the *firm*.

(2) There is no need for a *firm* to send information to a *customer* where it has taken reasonable steps to establish that this has been or will be supplied by another *person*.

2.5A The customer's best interests

2.5A.1

FCA

R

A *firm* must act honestly, fairly and professionally in accordance with the best interests of its *customer*.



2.6 Exclusion of liability

Purpose

2.6.1
FCA

G

Principle 6 (Customers' interests) requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. A *firm* may not exclude the duties it owes or the liabilities it has to a *customer* under the *regulatory system*. It may exclude other duties and liabilities only if it is reasonable for it to do so.

Limits on the exclusion of liability

2.6.2
FCA

R

A *firm* must not, in any written or oral communication, seek to exclude or restrict, or to rely on any exclusion or restriction of, any duty or liability it may have to a *customer* under the *regulatory system*.

2.6.3
FCA

R

A *firm* must not, in any written or oral communication to a *customer*, seek to exclude or restrict, or to rely on any exclusion or restriction of, any duty or liability not referred to in ■ MCOB 2.6.2 R unless it is reasonable for it to do so.

2.6A Protecting customer's interests: regulated mortgage contracts, home purchase plans, home reversion plans and regulated sale and rent back agreements

Protecting customer's interests: regulated mortgage contracts

2.6A.-1
FCA

R

A *mortgage lender* may only include, or rely on, a term in a *regulated mortgage contract* which permits it to change the rate of interest from a fixed, discounted or other concessionary rate to the *firm's* standard variable rate in the event of a breach of contract if each of the following conditions is met:

- (1) the breach of contract is material;
- (2) the breach of contract is unrelated to a *payment shortfall*; and
- (3) that standard variable rate is not an interest rate created especially for *customers* who are (either at all, or in particular ways) in breach of contract.

Protecting customer's interests: regulated mortgage contracts, home purchase plans, home reversion plans and regulated sale and rent back agreements

2.6A.1
FCA

R

A *firm* must ensure that the interests of its *customer* under a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement* are protected to a reasonable standard.

2.6A.2
FCA

G

Circumstances that a *firm* should consider include how the *customer* will be protected in the event of:

- (1) the *failure* of a *reversion provider*, *home purchase provider* or *SRB agreement provider*;
- (2) the transfer of a *reversion provider's*, *home purchase provider's* or *SRB agreement provider's* interest (or the interest the provider would have had, had it not nominated a third party to hold it) in the property to a third party;
- (3) other dealings by a *reversion provider*, *home purchase provider* or *SRB agreement provider* (or its nominee) with a third party; and

- (4) a *reversion provider's*, *home purchase provider's* or *SRB agreement provider's* (or its nominee's) failure to perform obligations owed to third parties, or imposed by statute.

2.6A.3

FCA

G

The steps that a *firm* might take in order to protect its *customer's* interests will depend on a number of factors, including the nature and structure of the *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement* and the jurisdiction in which the property is situated. If it is not possible to achieve reasonable protection (for example, due to impediments under a particular legal system) then a *firm* should not enter into, arrange or administer the plan.

2.6A.4

FCA

G

- (1) In the *FCA's* view, a *customer's* interests will include:
 - (a) protection of the *customer's* rights under the plan, in particular the right to occupy the property throughout its term;
 - (b) protection of any interest (legal or beneficial) that the *customer* retains, acquires or is intended to acquire in the property, including the expectation that such interests will be unencumbered by third party interests;
 - (c) that, where a *customer* pays sums under a *home purchase plan* towards the purchase price of the property, those sums will be applied towards the purchase price. Or, in circumstances where that is not practicable (for example, on *repossession*), that an appropriate amount will be returned to the *customer*; and
 - (d) a *customer's* contractual entitlement to receive certain sums back after a qualifying period, such as where it has been agreed that a certain percentage of discount will be refunded to the *customer* after a set period of tenancy.
- (2) The protections that a *firm* should consider include:
 - (a) the extent to which different forms of tenure protect the tenant's right to occupy the property and afford protection against removal. In particular, granting the *customer* a licence to occupy the property is unlikely to provide an adequate level of security;
 - (b) (except in Scotland) the need for any agreement under which a *customer* has a right to acquire an interest in the property to be specifically enforceable;
 - (c) the extent to which appropriate registrations, restrictions, notices or other entries should be made in the relevant land register;
 - (d) the timing of entries in the relevant land register and who should be responsible for making them; and
 - (e) the *customer's* need for a full and clear understanding of all the steps that the *firm* expects him or his advisers to take to protect his interests both at the time the plan is entered into, and throughout its duration.

Protecting customers' interests: additional material for home reversion plans

2.6A.5

FCA

R

Unless it is satisfied on reasonable grounds based on the *customer's* knowledge, expertise and experience that it is unnecessary, a *firm* must

obtain from its *customer's* legal adviser, before its *customer* enters into a *home reversion plan*, confirmation that:

- (1) he has been instructed to ensure that the *customer's* legal rights under the plan are protected to a reasonable standard; and
- (2) he has explained to the *customer* those aspects of the *customer's* legal rights and obligations under the *home reversion plan* that he needs to understand.

Protecting customer's interests: regulated sale and rent back agreements

2.6A.5A
FCA

R

A *firm* must ensure that before a *SRB agreement seller* enters into a *regulated sale and rent back agreement*, the *SRB agreement seller* is made aware of the availability and importance of independent legal or professional advice.

Protecting customers' interests under regulated sale and rent back agreements: security of tenure

2.6A.5B
FCA

R

- (1) When *entering into a regulated sale and rent back agreement*, a *firm* must ensure that, under the terms of the *regulated sale and rent back agreement*:
 - (a) the entitlement of the *SRB agreement seller* (or trust beneficiary or related person) to occupy the property is governed by a tenancy, which is structured:
 - (i) if the property is in England and Wales, as an assured tenancy (including an assured shorthold tenancy) under the Housing Act 1988 (as amended);
 - (ii) if the property is in Scotland, as an assured tenancy (including a short assured tenancy) under the Housing (Scotland) Act 1988, (as amended); and
 - (iii) if the property is in Northern Ireland, as a private tenancy under the Private Tenancies (Northern Ireland) Order 2006;
 - (b) the tenancy is for a fixed term of no less than five years;
 - (c) the terms of the tenancy provide for the tenant to terminate the tenancy during the fixed term on no more than three months' notice (and with no other conditions attached); and
 - (d) each of the terms of the tenancy is fair.
- (2) When *entering into a regulated sale and rent back agreement*, a *firm* must ensure that, under the terms of the *regulated sale and rent back agreement*, if the property is in England and Wales, the terms of the tenancy do not:

- (a) give the landlord power to determine the tenancy in certain circumstances as referred to in section 5(1) of the Housing Act 1988, as amended; or
- (b) otherwise make provision for the tenancy to be brought to an end by the landlord save on a ground or grounds for possession applicable for an assured tenancy under the Housing Act 1988, as amended; or
- (c) make provision for the tenancy to be brought to an end on any of Grounds 2, 6, 8 or 9 under the Housing Act 1988, as amended.

A *firm* may not rely during the fixed term of the tenancy on any ground for possession of the property other than a ground for possession on which the terms of the tenancy may under this paragraph (2) make provision for the tenancy to be brought to an end by the landlord, and a *firm* may only rely on any ground for possession if it is fair for the *firm* to do so.

- (3) When *entering into a regulated sale and rent back agreement*, a *firm* must ensure that, under the terms of the *regulated sale and rent back agreement*, if the property is in Scotland, the terms of the tenancy do not include:
 - (a) any provision for it to be brought to an end by the landlord during the fixed term other than a ground for possession applicable for an assured tenancy under the Housing (Scotland) Act 1988, as amended; or
 - (b) Grounds 2, 6, 8 or 9 under the Housing (Scotland) Act 1988, (as amended).

A *firm* may not rely during the fixed term of the tenancy on any ground for possession of the property other than the grounds permitted under this paragraph (3) to be included in the terms of the tenancy, and a *firm* may only rely on any ground for possession if it is fair for the *firm* to do so.

- (4) When *entering into a regulated sale and rent back agreement*, a *firm* must ensure that, under the terms of the *regulated sale and rent back agreement*, if the property is in Northern Ireland, the terms of the tenancy do not include:
 - (a) any provision which would permit the landlord to forfeit the lease and obtain possession of the property during the fixed term unless the provision is equivalent to a ground for possession applicable for an assured tenancy under Schedule 2 to the Housing Act 1988, as amended, in England; or
 - (b) any provision which would permit the landlord to forfeit the lease and obtain possession of the property on the basis that:

- (i) a mortgagee (or chargee) under a mortgage (or charge) entered into by the landlord requires vacant possession for the purposes of exercising a power of sale of the property; or
- (ii) the landlord intends to demolish or reconstruct, or carry out substantial works on, the property or any part of the property; or
- (iii) there are arrears of rent, unless the conditions applicable to either Ground 9 or Ground 10 under the Housing Act 1988, as amended, in England, are satisfied; or
- (iv) alternative accommodation is available for the tenant.

A *firm* may not rely during the fixed term of the tenancy on any circumstance to forfeit the lease and obtain possession of the property other than the circumstances permitted under this paragraph (4) to be included in the tenancy agreement, and a *firm* may only rely on any circumstance if it is fair for the *firm* to do so.

- (5) A *firm* must not take, or propose or threaten to take, any steps to evict the *SRB agreement seller* (or trust beneficiary or related person) other than by applying to the court for a possession order based on the grounds or circumstances, reliance on which is not prohibited by this *rule*, and enforcing that order in a lawful manner.
- (6) Where a *SRB agreement provider* enters into or proposes to enter into (whether before or after the commencement of the tenancy) a mortgage (or charge or standard security) over the interest it obtains under a *regulated sale and rent back agreement*, the *firm* must ensure that the mortgagee (or chargee or security holder) has agreed in writing to the proposed letting under the agreement, and to the terms of the agreement. The *firm* must provide to the *SRB agreement seller* a copy of the agreement in writing of the mortgagee (or chargee or security holder).

[Note: In England, Wales and Scotland a landlord, such as a *SRB agreement provider*, can only seek possession of a property during the fixed term of an assured tenancy if one or more of a limited number of grounds for possession set out in (in England and Wales) the Housing Act 1988, as amended, or (in Scotland) the Housing (Scotland) Act 1988, as amended, applies and the terms of the tenancy make provision for it to be ended on any of these grounds. Once the fixed term of the assured tenancy has ended, the landlord has the right to seek possession on broader grounds. Where the tenancy is (in England) an assured shorthold tenancy or (in Scotland) a short assured tenancy, the landlord has an additional right to seek possession from the end of the fixed term.

In Northern Ireland, the position is governed by the Private Tenancies (Northern Ireland) Order 2006 and the parties are free to agree the terms of a tenancy including its duration and the grounds on which the landlord may seek possession, including during any fixed term.

In any event it is for the court to decide whether one or more of the grounds for possession actually applies in the particular circumstances of any case.

In Northern Ireland, a tenant must give at least four weeks' notice to quit. Northern Ireland law implies a fixed term of six months in a private tenancy unless the parties agree an alternative fixed term, so a notice to quit expiring before the first six months of the tenancy may not be effective.]

2.6A.5C
FCA

G

In the light of ■ MCOB 2.6A.5BR (1)(c), and in accordance with *Principle 6*, a *firm* should not seek to prevent a tenant in Northern Ireland from ending the tenancy on less than the agreed notice period (not exceeding three months in accordance with ■ MCOB 2.6A.5BR (1)(c)), where the notice is given in the first six months of the tenancy.

2.6A.6
FCA

G

Firms remain responsible for ensuring that their *customers'* interests are protected to a reasonable standard.

Protecting customers' interests: additional material for home purchase plans

2.6A.7
FCA

G

A *home purchase provider* should consider obtaining confirmation from the *customer's* legal adviser that he has carried out, or will carry out, the steps that the *firm* expects the *customer* or his legal advisers to take to protect his interests at the time the plan is taken out.

Treating customers fairly: home purchase plans, home reversion plans and regulated sale and rent back agreements

2.6A.8
FCA

R

A *firm* must pay due regard to the interests of its *customer* and treat him fairly when drafting, amending the terms of, or imposing obligations or exercising rights or discretions under, a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement*.

2.6A.9
FCA

G

A *firm* is unlikely, for example, to be treating its *customer* fairly in relation to termination of a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement* if:

- (1) the grounds on which it may terminate all or part of a plan or agreement are unduly wide, or on which a *customer* may terminate are unduly narrow; or
- (2) the *customer* is not given appropriate notice of termination.

2.6A.10
FCA

G

A *firm* is also unlikely to be treating its *customer* fairly if, upon termination of an agreement under a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement*, the *customer* does not receive (net of any reasonable sums payable by the *customer*):

- (1) in the case of a *home reversion plan* or *regulated sale and rent back agreement* where the *customer* retains a beneficial interest in the property, the value of that beneficial interest; or
- (2) in the case of a *home purchase plan*, the value of purchase payments made.

[Note: The terms of a *home purchase plan*, *home reversion plan* or *regulated sale and rent back agreement* should take into account relevant legal obligations such as those under the *Unfair Terms Regulations* and, where applicable, the *Housing Act 1988* (or, in Scotland, the *Housing (Scotland) Act 1988*). A *firm* may find material on the *FCA* website concerning the *FCA's* consumer protection powers useful.]

Treating customers fairly: home reversion plans and regulated sale and rent back agreements

2.6A.11
FCA

G

A *firm* is unlikely, for example, to be treating a *reversion occupier* or *SRB agreement seller* fairly if:

- (1) the *reversion occupier* or *SRB agreement seller* is obliged to maintain the property to a standard which exceeds the standard that the property is in when the *home reversion plan* or *regulated sale and rent back agreement* commences;
- (2) the *reversion occupier* or *SRB agreement seller* is not entitled to, or is not given, reasonable notice of an inspection, or the inspection is conducted in a way that is biased against him;
- (3) unreasonable restrictions are imposed on who may occupy the property, taking into account the potential needs of the *reversion occupier* or *SRB agreement seller* throughout the duration of the *home reversion plan* or *regulated sale and rent back agreement*;
- (4) unreasonable restrictions are imposed on the uses to which the property may be put;
- (5) the *reversion occupier* or *SRB agreement seller* is unreasonably treated as having abandoned the property. For example, it is likely to be unreasonable to treat a property as abandoned based only on a period of non-occupation;
- (5A) the rent payable under a *regulated sale and rent back agreement* is increased by an unreasonable amount or any charges payable under a *regulated sale and rent back agreement* are unreasonably imposed after the agreement is concluded; and
- (6) where the *reversion occupier* has a reasonable expectation that the *home reversion plan* can be transferred to another property, agreement to such a transfer is, or can be, refused unreasonably.

Independent valuation: home reversion plans and regulated sale and rent back agreements

2.6A.12
FCA

R

A *firm* must ensure that any valuation is carried out by a competent valuer who is independent of the *reversion provider* or *SRB agreement provider*.

2.6A.12A

FCA

R

A *firm* must ensure that any valuation for the purposes of a *regulated sale and rent back agreement* is carried out by a valuer who owes a duty of care to the *customer* in valuing the property.

2.6A.13

FCA

A

- (1) A valuer may be considered competent if he is a suitably qualified member of a professional body.
- (2) A valuer may be considered independent if:
 - (a) the *customer* can choose the valuer subject to the *firm* objecting on reasonable grounds and to the valuer being competent;
 - (b) he owes a duty of care to the *customer* in valuing the property; and
 - (c) the *customer* has an appropriate remedy against him under a complaints procedure which allows the complaint to be referred to an independent person whose decision is binding on the valuer.
- (3) Compliance with (1) and (2) (except, in the case of a *regulated sale and rent back agreement*, (2)(b)) may be relied on as tending to establish compliance with ■ MCOB 2.6A.12 R.
- (4) [deleted]
- (5) For a *regulated sale and rent back agreement*, contravention of (1) or (2) (except (2)(b)) may be relied on as tending to show contravention of ■ MCOB 2.6A.12 R.

2.6A.13A

FCA

G

A *firm* may wish to use the form of joint instruction letter set out in ■ MCOB 2 Annex 1G with a view to establishing that a valuer owes a duty of care to the *customer* (see ■ MCOB 2.6A.12A R). That form incorporates the definition of "market value" required by ■ MCOB 6.9.2 R (1)(b).

2.6A.14

FCA

G

Members of the Royal Institution of Chartered Surveyors, for example, are required to operate a complaints procedure that allows the complaint to be referred to an independent person whose decision binds the valuer and which, in the *FCA*'s view, provides a *customer* with an appropriate remedy.

Obtaining best price: partial home reversion plans or regulated sale and rent back agreements

2.6A.15

FCA

R

A *firm* must take reasonable steps to ensure that, when a *home reversion plan* or *regulated sale and rent back agreement* ends and the *customer* retains a beneficial interest in the property:

- (1) the property is sold within a reasonable period of time; and
- (2) the best price that might reasonably be obtained is paid.

2.6A.16

FCA

G

It is recognised that a balance has to be struck between the need to sell the property as soon as possible, and other factors, such as market conditions, which may prompt the delay of the sale. Legitimate reasons for deferring action might include the expiry of a period when a grant is repayable on re-sale, or the discovery of a title defect that needs to be remedied if the optimal selling price is to be achieved.

Arranging or administering for unauthorised providers: home reversion plans

2.6A.17

FCA

R

For the purpose of this section (except this *rule*), a *reversion arranger* or *reversion administrator's customer*:

- (1) includes a *reversion occupier* or potential *reversion occupier* who enters, or proposes to enter, into a *home reversion plan* with an *unauthorised reversion provider* who is the *firm's customer*; and
- (2) excludes an *unauthorised reversion provider*.

Arranging or administering for unauthorised providers: regulated sale and rent back agreements

2.6A.17A

FCA

R

For the purpose of this section (except this *rule*), a *SRB arranger's* or *SRB administrator's customer*:

- (1) includes a *SRB agreement seller* or potential *SRB agreement seller* who enters, or proposes to enter, into a *regulated sale and rent back agreement* with an *unauthorised SRB agreement provider* who is the *firm's customer*; and
- (2) excludes an *unauthorised SRB agreement provider*.

Arranging or administering for unauthorised providers: home reversion plans and regulated sale and rent back agreements

2.6A.18

FCA

G

A *person* may enter into a *home reversion plan* or *regulated sale and rent back agreement* as provider or agreement provider without being regulated by the *FCA* (or an *exempt person*) if the *person* does not do so by way of business (see *PERG* 14.5). If a *firm* arranges or makes arrangements for such a *person* to enter into a *home reversion plan* or *regulated sale and rent back agreement* as provider or agreement provider, the *firm* will be responsible for ensuring that the *reversion occupier's* or *SRB agreement seller's* interests are protected to a reasonable standard, even if the *reversion arranger* or *SRB arranger* is not acting for the *reversion occupier* or *SRB agreement seller*. A *reversion administrator* or *SRB administrator* is under the same obligation in relation to a *reversion occupier* or *SRB agreement seller* under a *home reversion plan* or *regulated sale and rent back agreement* which it *administers* on behalf of an *unauthorised reversion provider* or *unauthorised SRB agreement provider*.



3.8 Form and content of real time qualifying credit promotions

3.8.1

FCA

G

A *firm* should note that ■ MCOB 3.7.3 R (Prohibition on unsolicited real time promotions to customers) prevents a *firm* from *communicating* to a *customer* an *unsolicited real time financial promotion of qualifying credit* other than an exempt promotion (which is outside the scope of this chapter) or where ■ MCOB 3.7.3 R applies. Many *solicited real time financial promotion* will be exempt promotions (and, therefore, outside the scope of this chapter). Accordingly, ■ MCOB 3.8.2 R and ■ MCOB 3.8.3 G apply only to *solicited real time financial promotions* which are not exempt *financial promotions* and to *unsolicited real time financial promotion of qualifying credit* within ■ MCOB 3.7.3 R.

3.8.2

FCA

R

A *firm* must ensure that an individual who makes a *real time financial promotion of qualifying credit* on the *firm's* behalf:

- (1) does so in a way which is clear, fair and not misleading;
- (2) does not make any untrue claims;
- (3) makes clear the purpose (or purposes) of the *financial promotion* at the initial point of communication, and identifies himself and the *firm* which he represents;
- (4) if the time and method of *communication* were not previously agreed by the recipient:
 - (a) checks that the recipient wishes him to proceed;
 - (b) terminates the *communication* if the recipient does not wish him to proceed (but may ask for another appointment);
 - (c) recognises and respects, promptly, the right of the recipient to:
 - (i) end the *communication* at any time;
 - (ii) refuse any request for another appointment;
- (5) gives any *person* with whom he arranges an appointment a contact point;
- (6) does not *communicate* with a *person*:

- (a) at an unsocial hour, unless the *person* has previously agreed to such a *communication*;
- (b) on an unlisted telephone number, unless the *person* has previously agreed to such calls on that number.

3.8.3
FCA

G

In ■ MCOB 3.8.2 R(6)(a) an unsocial hour usually means on a Sunday or before 9am or after 9pm on any other *day*. It could also mean other *days* of the week or other times if the *firm* knows that a particular *customer* would not wish to be called on that *day* or at that time for reasons of, for example, religious faith or night shift working.

3.8.4
FCA

G

The requirements of ■ MCOB 3.8.2 R and ■ MCOB 3.8.3 G:

- (1) apply in respect of all individuals who initiate the *communication*, including advisers and call centre operators;
- (2) apply to all forms of *real time financial promotion of qualifying credit* with *customers*, including face-to-face and telephone *financial promotion*;
- (3) but do not prevent, for example, a telephone call centre which has received a call from a *customer* at an hour generally regarded as unsocial, either responding to that call or asking during the call if the *customer* would like details of other *qualifying credit*

3.8.5
FCA

G

■ SYSC 3.2.20 R (Records) requires a *firm* to take reasonable care to make and retain certain records. For a telemarketing campaign to which ■ MCOB 3.8.2 R and ■ MCOB 3.8.3 G apply, those records should include copies of any scripts used.

3.8.6
FCA

G

Firms should note the additional disclosure requirements in ■ MCOB 4.4A.17 R (Additional disclosure where initial contact is by telephone), ■ MCOB 4.4A.18 R (Additional disclosure requirements where the services are to be provided to a consumer under a distance contract) and ■ MCOB 4.5 (Additional disclosure for distance mortgage mediation contracts and distance home purchase mediation contracts with retail customers) in relation to telephone calls that may fall within the definition of a *financial promotion*.

Chapter 4

Advising and selling standards



4.1 Application

Who?

4.1.1

FCA

R

This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 4.1.2 R in accordance with column (2) of that table.

4.1.2

FCA

R

Table This table belongs to ■ MCOB 4.1.1 R

| (1) Category of firm | (2) Applicable section |
|--------------------------------|---|
| <i>mortgage lender</i> | except in relation to <i>lifetime mortgages</i> : MCOB 4.1 to MCOB 4.4A, 4.6A, MCOB 4.8A in accordance with MCOB 4.1.2A R and MCOB 4.9 |
| <i>mortgage adviser</i> | except in relation to <i>lifetime mortgages</i> : whole chapter except MCOB 4.10 |
| <i>mortgage arranger</i> | except in relation to <i>lifetime mortgages</i> : whole chapter except MCOB 4.7A and MCOB 4.10 |
| <i>home purchase provider</i> | MCOB 4.1, MCOB 4.2 and MCOB 4.10 (except MCOB 4.10.5 G to MCOB 4.10.7 G). MCOB 4.4A and MCOB 4.8A in accordance with MCOB 4.1.2B R and MCOB 4.10. |
| <i>home purchase adviser</i> | MCOB 4.1, MCOB 4.2, MCOB 4.5, MCOB 4.6 and MCOB 4.10. |
| <i>home purchase arranger</i> | MCOB 4.4A, MCOB 4.7A and MCOB 4.8A in accordance with MCOB 4.10 |
| <i>equity release provider</i> | As for a <i>home purchase adviser</i> except MCOB 4.10.5A R to MCOB 4.10.9A R, MCOB 4.10.13 R and MCOB 4.7A do not apply |
| | see MCOB 8.3 for the application of this chapter |

| (1) Category of firm | (2) Applicable section |
|--------------------------------|--|
| <i>equity release adviser</i> | |
| <i>equity release arranger</i> | |
| <i>SRB adviser</i> | MCOB 4.1, MCOB 4.2, MCOB 4.5, MCOB 4.6 and MCOB 4.11 |
| <i>SRB arranger</i> | MCOB 4.1, MCOB 4.2, MCOB 4.5, MCOB 4.6 and MCOB 4.11 |
| <i>SRB agreement provider</i> | MCOB 4.1, MCOB 4.2 and MCOB 4.11 |

4.1.2A FCA R ■ MCOB 4.8A only applies to a *mortgage lender* in relation to *entering into a regulated mortgage contract* where there is no *firm* which is *arranging (bringing about) the regulated mortgage contract* to which ■ MCOB 4.8A applies.

4.1.2B FCA R ■ MCOB 4.8A only applies to a *home purchase provider* (as provided in ■ MCOB 4.10.9B R) in relation to *entering into a home purchase plan* where there is no *firm* which is *arranging (bringing about) the home purchase plan* to which ■ MCOB 4.8A applies (as provided in ■ MCOB 4.10.9B R).

4.1.2C FCA G ■ MCOB 4.1.2A R and ■ MCOB 4.1.2B R mean that the provisions in ■ MCOB 4.8A on *execution-only sales*, including the prohibition on entering into them in the circumstances specified in that section, only apply to sales by *mortgage lenders* or *home purchase providers* where there is no intermediary *firm* to which that section applies.

4.1.2D FCA G ■ MCOB 4.1.2A R and ■ MCOB 4.1.2B R mean that the situations where ■ MCOB 4.8A applies to a *mortgage lender* or *home purchase provider* include where a *mortgage intermediary* or *home purchase intermediary* has been involved in *arranging a regulated mortgage contract* or *home purchaser plan* but is no longer involved in the transaction.

What?

4.1.3 FCA R This chapter applies if a *firm* in the course of carrying on a *home finance activity* : *enters into, advises on or arranges a home finance transaction* or a variation of the terms of a *home finance transaction*.

4.1.4 FCA R (1) ■ MCOB 4.4 (Initial disclosure requirements) applies only in relation to varying the terms of a *regulated mortgage contract* entered into by the *customer* in any of the following ways:

- (a) adding or removing a party;
- (b) taking out a further advance; or
- (c) switching all or part of the *regulated mortgage contract* from one interest rate to another.

(2) Otherwise, this chapter, ■ MCOB 4, applies in relation to any form of variation of a *regulated mortgage contract*.

4.1.5
FCA

R In relation to an *equity release transaction*, this chapter is modified by ■ MCOB 8 (*Equity release : advising and selling standards*).

4.1.6
FCA

G [deleted]

4.1.7
FCA

G If a *firm* is an *authorised professional firm*, when the *firm* conducts *non-mainstream regulated activities* with a *customer*, the only initial disclosure requirements that apply are those relating to the *Financial Ombudsman Service* and the *FSCS* (see ■ MCOB 1.2.10 R (3)).

4.1.8
FCA

G The *FCA* would not view the removal of a party to the *regulated mortgage contract* following the death of that party (and where no other variation is proposed) as a variation for the purposes of ■ MCOB 4.1.4 R(1).



4.2 Purpose

4.2.1

FCA

G

- (1) This chapter amplifies *Principle 6* (Customers' interests), *Principle 7* (Communications with clients) and *Principle 9* (Customers: relationships of trust).
- (2) The purpose of this chapter is to ensure that:
 - (a) *customers* are adequately informed about the range of *home finance transactions* available from firms and the basis of their remuneration;
 - (b) where *advice* is given, it is suitable for the *customer*.
 - (c) the *firm* provides *advice* whenever it makes a sale during which there is spoken or other interactive dialogue between the *firm* and the *customer* (with exceptions for *high net worth mortgage customers* and *professional customers*, and for loans which are solely for a business purpose);
 - (d) when there is no spoken or other interactive dialogue between the *firm* and the *customer* during the sale, the *firm* is able to provide an execution-only service except for certain vulnerable *customers* (*customers* for *regulated sale and rent back* and *equity release transactions*; *customers* whose main purpose is debt consolidation; and *customers* who are using the transaction in order to exercise a statutory "right to buy") who are given advice in every case;
 - (e) *execution-only sales* are only provided where the *customer* has been warned about the implications of proceeding without *advice*, or where the *customer* has rejected *advice* which has been given, and has specifically instructed the *firm* that he wishes to do so; and
 - (f) except in the case of *regulated sale and rent back transactions*, *customers* have the right to reject *advice* and proceed on an execution-only basis.
- (3) This chapter also implements certain requirements of the *Distance Marketing Directive* in relation to *distance mortgage mediation contracts* and *distance home purchase mediation contracts* .



4.3

[Deleted]



4.4 Initial disclosure requirements

- 4.4.1 [Deleted]
- FCA**
- 4.4.2 [Deleted]
- FCA**
- 4.4.3 [Deleted]
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- 4.4.4 [Deleted]
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- 4.4.5 [Deleted]
- FCA**
- 4.4.6 [Deleted]
- FCA**
- 4.4.7 [Deleted]
- FCA**
- 4.4.8 [Deleted]
- FCA**

4.4A Initial disclosure requirements

Description of a firm's services in all cases

4.4A.1
FCA

R

Using the methods and at the times specified in this section, a *firm* must provide the *customer* with the following information:

- (1) whether there are any limitations in the range of products that it will offer to the *customer*, and if so what those are; and
- (2) the basis on which the *firm* will be remunerated.

Range of products

4.4A.2
FCA

R

- (1) The limitations in ■ MCOB 4.4A.1 R include any limitations on the *regulated mortgage contracts* the *firm* will consider from within the relevant market. A *firm* which is offering services to a *customer* in respect of more than one type of relevant market must describe its services in relation to each such relevant market.
- (2) For these purposes, there are two relevant markets for *regulated mortgage contracts* (apart from *lifetime mortgages*): one for *regulated mortgage contracts* that are not for a business purpose; and one for *regulated mortgage contracts* that are. A *firm* offering services in relation to loans for a business purpose must make that clear in its disclosure under ■ MCOB 4.4A.1R (1).
- (3) If a *firm* will not, as part of its services, consider *direct deals*, it need not treat that as a limitation in its product range, but the *firm* must tell the *customer* as part of the disclosure under ■ MCOB 4.4A.1R (1) that it will not consider *direct deals*.

4.4A.3
FCA

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- (1) A *firm* that only offers products from one part of a relevant market (for example, just *bridging loans*) should not disclose its service as unlimited.
- (2) When considering whether there are any limitations in its product range across the relevant market, a *firm* need not take account of the existence of exclusive deals which a *mortgage lender* offers to be sold by one or a limited number of mortgage intermediaries only (and not generally by *mortgage intermediaries* across the relevant market).

4.4A.4

FCA

R

- (1) If a firm is not offering to the customer products from an unlimited range from across the relevant market, its disclosure on product range in ■ MCOB 4.4A.1 R must either:
- (a) list the names of all the *mortgage lenders* whose products it is offering; or
 - (b) inform the *customer* of the number of *mortgage lenders* whose products it is offering and that he has the right to request a list of those *mortgage lenders*.
- (2) If a *customer* requests the list in (1), the *firm* must provide it in a *durable medium* as soon as possible following the request and in any event within five *business days*. The list must also indicate whether the *firm* offers all of the products generally available from each *mortgage lender* on the list.

4.4A.5

FCA

G

A *firm* may be able to describe its product range as unlimited even if it offers its *customers* only a selection of the *regulated mortgage contracts* available from the relevant market, or uses 'panels'. The *firm* would need to ensure that any panel, or selection of products, is sufficiently broad in its composition that it is representative of products from across the market, that it is reviewed regularly, and that its use does not materially disadvantage any *customer*. In such a case, a *firm* should ensure that its analysis of the market and of the available *regulated mortgage contracts* is kept adequately up to date. For example, a *firm* would need to update its selection of regulated mortgage contracts if it became aware that a *regulated mortgage contract* had become generally available offering an improved product feature, or a better interest rate, when compared with the *regulated mortgage contracts* currently in the *firm's* selection.

4.4A.6

FCA

G

The disclosure required by ■ MCOB 4.4A.1R (1), ■ MCOB 4.4A.1R (2) and ■ MCOB 4.4A.1R (1) about limitations in product range and *direct deals* should be expressed in simple, clear terms. A *firm* may wish to consider using a sentence appropriate to the circumstances, along the following lines:

- "We are not limited in the range of mortgages we will consider for you."
- "We offer a comprehensive range of mortgages from across the market, but not deals that you can only obtain by going direct to a lender."
- "We only offer mortgages from [number] lender(s). We can provide you with a list of these."
- "We only offer mortgages from [name of lender(s)]."
- "We only offer some, but not all, of the mortgages from [number] lender(s). We can provide you with a list of these."
- "We only offer some, but not all, of the mortgages from [name of lender(s)]."
- "We only sell bridging finance products from [name of lender(s)]. We do not offer products from across the mortgage market."

4.4A.7

FCA

G

- (1) *Firms* are reminded that, in the light of the *rules* and *guidance* in SYSC, they should have adequate systems and controls in place to ensure that the disclosure they make to a *customer* about their service reflects the service the *customer* is actually offered.
- (2) *Firms* are also reminded that *Principle 7* (Communications with clients) and ■ MCOB 2.2.6 R (Clear, fair and not misleading communications) are also relevant to how they describe their services, including in any business name they adopt. For example, a *firm* should not call itself an "independent mortgage adviser" unless its product range across the relevant market is unlimited.
- (3) A *firm* that offers a different service for different product types should not disclose that it offers one type of service for its business as a whole. For example, a *firm* that provides independent advice on retail investment products but only offers a limited range of *regulated mortgage contracts* should ensure it discloses to the *customer* that the service is different for the different products.
- (4) There are additional rules about complying with ■ MCOB 4.4A.1R (1) in relation to home purchase plans and equity release transactions at ■ MCOB 4.10.3B R and ■ MCOB 8.3.2B R.

Basis of remuneration

4.4A.8

FCA

R

- (1) The information about the basis of remuneration required by ■ MCOB 4.4A.1R (2) must include all relevant information, including the following details:
 - (a) any fees which the *firm* will charge to the *customer*;
 - (b) when any such fees will be payable and, if applicable, reimbursable; and
 - (c) whether the *firm* will receive commission from a third party and, if applicable, any arrangements for offsetting this against any fees charged.
- (2) The details in (1)(a) must be expressed, where possible, as a specific cash sum, but the following *rules* apply where this is not possible:
 - (a) If the *firm* will charge a fee that is a percentage of another sum which is not yet known (such as, but not limited to, the amount to be borrowed), the *firm* must provide details of the percentage and a representative illustrative example which gives an amount as a cash sum.
 - (b) If the *firm* will charge one of a range of possible cash fees, the *firm* must provide a description of the fee in terms which include the maximum and minimum possible fees as cash sums, and what factors will determine where in the range the fee will be.

- (c) If the *firm* will charge one of a range of fees that are a percentage of another sum which is not yet known (such as, but not limited to, the amount to be borrowed), the *firm* must provide details of the minimum and maximum percentages and a representative illustrative example which gives an amount as a cash sum, and set out what factors will determine where in the range the fee will be.
- (d) If the *firm* will charge an amount based on an hourly rate, but the number of hours to be spent on the *customer's* transaction is unknown, the *firm* must state the hourly rate in cash terms and set out what factors will determine how many hours it takes to provide the *firm's* services.

Method of providing initial disclosure in all cases

4.4A.9
FCA

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The information required by ■ MCOB 4.4A.1 R, ■ MCOB 4.4A.2 R, ■ MCOB 4.4A.4R (1) and ■ MCOB 4.4A.8 R must be communicated clearly and prominently, and in doing so:

- (1) if the *initial contact* includes spoken interaction, the information must be communicated orally; and
- (2) if the *initial contact* does not include spoken interaction, the messages must appear separately from other messages in the communication.

If the *initial contact* is made by electronic means, the *firm* must ensure that the *customer* cannot progress to the next stage of the sale unless the information has been communicated to the *customer*.

4.4A.10
FCA

G

- (1) In order to comply with ■ MCOB 4.4A.9 R for an internet sale, a *firm* should display the required information on a screen which the *customer* must access as part of the sales process. It would not be sufficient for the information to be accessible only by giving the *customer* the option to click on a link or download a document. The messages could be displayed clearly on one of the initial pages which the *customer* accesses.
- (2) In a postal sale, a *firm* may comply by setting out the messages in a clear covering letter.
- (3) Where the *initial contact* is by email, SMS or instant messaging, the messages could be displayed clearly and prominently early on in the body of the email, SMS or instant messaging.
- (4) For face-to-face and telephone contact, a *firm* should comply by building the messages into the initial oral discussion with the *customer*.

4.4A.11
FCA

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A *firm* may demonstrate compliance with MCOB 4.4.9R(1) by, for example, undertaking one or more of the following: building a requirement for oral communication of the relevant information into its training of staff as evidenced by its training and compliance manuals; inserting appropriate prompts into paper-based or automated sales systems; and

having procedures in place to monitor compliance by staff with that *rule*. What is required in each case will depend on all the circumstances.

Timing of initial disclosure in all cases

4.4A.12
FCA

R The information required by ■ MCOB 4.4A.1 R, ■ MCOB 4.4A.2 R, ■ MCOB 4.4A.4R (1) and ■ MCOB 4.4A.8 R must be provided during the course of the *initial contact*.

4.4A.13
FCA

- G**
- (1) In many cases, ■ MCOB 4.4A.12 R means that information will be given at the time of the first contact between the *firm* and the *customer*. However, there may be circumstances, for example in relation to a loan for a business purpose, where the possibility of the *customer* entering into, or varying the terms of, a *regulated mortgage contract* is only identified after preliminary discussions. The relevant disclosure is only required once this possibility is identified.
 - (2) ■ MCOB 4.4A.12 R does not require a *firm* to provide the information specified in that *rule* when a *customer* contacts a *firm* simply to arrange to receive services in relation to a *regulated mortgage contract* at a later time, such as when a *customer* books an appointment. In those cases, the initial disclosure should be made when the *firm* first makes contact with the *customer* with a view to actually carrying out the services. However, *firms* should note the additional disclosure requirements in ■ MCOB 4.5 (Additional disclosure for distance mortgage mediation contracts with retail customers), and the need to ensure that the required information is provided in good time (see ■ MCOB 4.5.3 G (1)).

4.4A.14
FCA

G *Principle 7* and ■ MCOB 2.2.6 R also mean that, if initial disclosure has been given but any of the information in it (for example the basis on which the *firm* will be remunerated) subsequently changes, the *firm* should bring this clearly to the *customer's* attention.

Instances where initial disclosure need not be given

4.4A.15
FCA

R The information requirements in ■ MCOB 4.4A.1 R, ■ MCOB 4.4A.2 R, ■ MCOB 4.4A.4R (1) and ■ MCOB 4.4A.8 R do not apply where:

- (1) the information has already been provided by the *firm* and the *firm* has good reason to believe that it is still accurate and appropriate for the *customer*; or
- (2) the information has already been provided by the *firm* which first made contact with the *customer* in respect of the particular *regulated mortgage contract*, and the *firm* subsequently making contact with the *customer* does not expect to alter or replace the product range or basis of remuneration described in that information.

4.4A.16
FCA

G A *mortgage lender* should provide the information in the provisions referred to in ■ MCOB 4.4A.15 R in a direct sale but need not do so where the sale is through a *mortgage*

intermediary. If a number of different *firms* are involved in relation to the transaction, having regard to ■ MCOB 2.5.4 R (2), those *firms* should take reasonable steps to establish that the *customer* has been provided with the information as required by this section.

Additional disclosure where initial contact is by telephone

4.4A.17

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FCA

If the *initial contact* is by telephone, then the *firm* must also, before proceeding further, give the name of the *firm* and (if the call is initiated by or on behalf of the *firm*) the commercial purpose of the call.

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

4.4A.18

R

FCA

Where a *firm* provides services to a *consumer* by way of a *distance contract*, the *firm* must provide the *consumer* with the following information in a *durable medium* in good time before the *distance contract* has been agreed:

- (1) the information which is required by ■ MCOB 4.4A.1 R to ■ MCOB 4.4A.8 R;
- (2) whether or not the *firm* will be providing the *consumer* with *advice*;
- (3) the name and the main business of the *firm*, the geographical address at which it is established and any other geographical address relevant for the *consumer's* relations with the *firm*;
- (4) an appropriate statutory status disclosure statement (see ■ GEN 4), a statement that the *firm* is on the *Financial Services Register* and its *FCA* registration number;
- (5) the total price to be paid by the *consumer* to the *firm* for the financial service, including all related *fees*, charges and expenses, and all taxes paid through the *firm* or, when an exact price cannot be indicated, the basis for the calculation of the price enabling the *consumer* to verify it;
- (6) the arrangements for payment and for performance;
- (7) how to complain to the *firm*, whether complaints may subsequently be referred to the *Financial Ombudsman Service* and, if so, the methods for having access to it, together with equivalent information about any other applicable named complaints scheme;
- (8) whether compensation may be available from the *compensation scheme*, or any other named compensation scheme, if the *firm* is unable to meet its liabilities, and information about any other applicable named compensation scheme; and
- (9) any other contractual terms and conditions of the *distance contract*.

4

4.4A.19
FCA

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- (1) ■ MCOB 4.4A.18 R contains the additional disclosure requirements for *firms* providing *mortgage mediation activities* to a *consumer* by way of a *distance contract*. ■ MCOB 4.5 and ■ MCOB 4.6 contain further *rules* and *guidance* applicable where *firms* enter into a *distance contract* in respect of their *home finance mediation activities* independent of any contractual arrangement with a *consumer* relating to a particular *home finance transaction* or *transactions*.
- (2) There is *guidance* on *distance contracts* and *consumers* at ■ MCOB 1.3.5 G and ■ MCOB 1.3.6 G.

4.4A.20
FCA

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.18 R, though *firms* should consider whether it contains all the contractual terms and conditions of the *distance contract*.

Uncertainty whether a mortgage is regulated

4.4A.21
FCA

R

- (1) If at the point that initial disclosure must be made in accordance with ■ MCOB 4.4A.1 R, ■ MCOB 4.4A.2 R, ■ MCOB 4.4A.4 R and ■ MCOB 4.4A.8 Ra *firm* is uncertain whether the contract will be a *regulated mortgage contract*, the *firm* must:
 - (a) make the initial disclosure; or
 - (b) seek to obtain from the *customer* information that will enable the *firm* to ascertain whether the contract will be a *regulated mortgage contract*.
- (2) Where (1)(b) applies, the initial disclosure must be made unless, on the basis of the information provided by the *customer*, the *firm* has reasonable evidence that the contract is not a *regulated mortgage contract*.

4.4A.22
FCA

R

A *firm* may restrict the *home finance transactions* it authorises a particular *appointed representative* to sell. If it does so, the *firm* must ensure the *appointed representative* reflects this limited range in any disclosure given to the *customer* under ■ MCOB 4.4A.

Record keeping

4.4A.23
FCA

G

Firms are reminded of the general record-keeping requirements in ■ SYSC 9. A *firm* should keep appropriate records of the disclosures required by this section.



4.5 Additional disclosure for distance mortgage mediation contracts, distance home purchase mediation contracts and distance regulated sale and rent back mediation contracts with retail customers

4.5.1

FCA

G

- (1) There are certain additional disclosure requirements laid down by the *Distance Marketing Directive* that will have to be provided by a *mortgage intermediary* , a *home purchase intermediary* and a *SRB intermediary* to a *consumer* prior to the conclusion of a *distance mortgage mediation contract*, a *distance home purchase mediation contract* or a *distance regulated sale and rent back mediation contract*. The purpose of this section, ■ MCOB 4.5, is to set out those additional requirements. ■ MCOB 4.6 sets out the cancellation rights that apply in relation to such contracts .
- (2) The *FCA* expects the requirements in ■ MCOB 4.5 and ■ MCOB 4.6 to be relevant only in a small minority of cases. Mediation at a distance (see ■ MCOB 1.3.5 G and ■ MCOB 1.3.6 G) is unlikely in the home finance market. ■ MCOB 4.5 and ■ MCOB 4.6 will only be relevant if a *mortgage intermediary* , a *home purchase intermediary* or a *SRB intermediary* enters into a *distance contract* in respect of its *mortgage mediation activities*, *home purchase mediation activities* or *regulated sale and rent back mediation activities* quite independent of any contractual arrangement with a *consumer* relating to a particular *regulated mortgage contract*, *home purchase plan* or *regulated sale and rent back agreement* . An example of a *distance mortgage mediation contract* would be a *distance contract* under which a *mortgage intermediary* agreed to review and provide advice on a *consumer's* mortgage needs from time to time.

4.5.2

FCA

R

If the *initial contact* is with a *consumer* with a view to concluding a *distance mortgage mediation contract*, a *distance home purchase mediation contract* or a *distance regulated sale and rent back mediation contract* , a *firm* must:

- (1) in addition to initial disclosure information and any other required information, provide the *consumer* with the information in ■ MCOB 4 Annex 3 R in a *durable medium* in good time before the conclusion of the *distance mortgage mediation contract* , *distance home purchase mediation contract* or *distance regulated sale and rent back mediation contract* with that *customer* unless an exemption in (2), (3), (4) or (5) applies.
- (2) Exemption: telephone sales

- (a) This exemption applies if the service is being provided on the telephone and the *customer* wishes to enter into a contract with the *firm*. Provided the *customer* gives his explicit consent to receiving only limited information, the *firm* may proceed on the basis of at least the following information:
- (i) the name of the person in contact with the *customer* and his link with the *firm*;
 - (ii) the total price to be paid by the *customer* to the *firm* for the services, including all related *fees*, charges and expenses, and all taxes paid through the *firm* or, where an exact price cannot be indicated, the basis for the calculation of the price, enabling the *customer* to verify it;
 - (iii) notice of the possibility that other taxes or costs may exist that are not paid through the *firm* or imposed by it;
 - (iv) the information about cancellation rights set out in ■ MCOB 4 Annex 3 R(5); and
 - (v) that other information is available on request, and the nature of that information.
- (aa) If the *customer* does not give his explicit consent to receiving limited information, and the parties wish to proceed by telephone, the *firm* must, prior to the conclusion of the contract, provide orally to the *customer* all of the information required by (1).
- (b) Where (a) or (aa) applies, the *firm* must send the *consumer* without delay and, at the latest immediately after a contract is concluded, the information required by (1), in a *durable medium*.
- (3) **Exemption: certain other means of distance communication.** This exemption applies if the contract is concluded at the *consumer's* request using a means of distance communication (other than telephone) which does not enable provision of the information referred to in ■ MCOB 4 Annex 3 R in a *durable medium* before the conclusion of the contract. In that case, the *firm* must provide the *consumer* with the information in a *durable medium* immediately after its conclusion .
- (4) **Exemption: successive operations or separate operations under an initial service agreement.** This exemption applies if the *firm* has an initial service agreement with the *consumer* and the contract is in relation to a successive operation or a separate operation of the same nature under that agreement.

- (5) **Exemption: other successive or separate operations** This exemption applies if:
- (a) the *firm* has no initial service agreement with the *consumer*; and
 - (b) the *firm* has performed an operation with the *consumer* within the last year; and
 - (c) the contract is in relation to a successive operation or separate operation of the same nature.

4.5.3
FCA

G

- (1) The information in ■ MCOB 4 Annex 3 R will be provided in 'good time' for the purposes of ■ MCOB 4.5.2 R (1), if provided in sufficient time to enable the *customer* to consider properly the services on offer.
- (2) An example of the circumstances in which ■ MCOB 4.5.2 R (4) or (5) may apply is given in ■ MCOB 4.4.4 G. If the initial disclosure document and accompanying information (including that in ■ MCOB 4 Annex 3 R) was previously provided to a *customer* and continues to be appropriate, there is no need to provide the information again. If additional information is required, this may be provided by a supplementary document. However, if a service of a different nature is proposed, the *firm* is expected to provide fresh initial disclosure documentation and, in respect of *distance mortgage mediation contracts*, *distance home purchase mediation contracts* and *distance regulated sale and rent back mediation contracts* with a *consumer*, this will need to be accompanied by the information in ■ MCOB 4 Annex 3 R.

4.5.4

R

[deleted]

4.5.5

R

[deleted]



4.6 Cancellation of distance mortgage mediation contracts, distance home purchase mediation contracts and distance regulated sale and rent back mediation contracts

4.6.1
FCA

G

A *consumer* has no right to cancel a *home finance transaction* concluded with a *firm* but may have a right to cancel a *distance contract* concluded with a *mortgage intermediary*, a *home purchase intermediary* or a *SRB intermediary* for the provision of his services. Whether a *mortgage intermediary*, a *home purchase intermediary* or a *SRB intermediary* concludes a *distance mortgage mediation contract*, a *distance home purchase mediation contract* or a *distance regulated sale and rent back mediation contract* with a *consumer* will depend on the circumstances. For example, an intermediary may not, in *advising* on or *arranging* a *regulated mortgage contract*, *home purchase plan* or *regulated sale and rent back agreement*, act contractually on behalf of, or for, the *customer*. In such circumstances, no *distance mediation contract* will arise for the *firm's* services, and therefore no right to cancel. If there is a contract between the *customer* and the *firm*, however, and therefore there is a right to cancel, the *firm* is required by ■ MCOB 4.5.2 R(1) to provide the information in ■ MCOB 4 Annex 3 R(5).

4.6.2
FCA

G

The information provided in accordance with ■ MCOB 4 Annex 3 R(5) should be sufficiently clear, prominent and informative to enable the *consumer* to understand the right to cancel.

4.6.3
FCA

G

Where the notice of the right to cancel forms part of another document, or is one of a number of documents sent to the *consumer* at the same time, a *firm* should ensure that the presence of the notice of the right to cancel is drawn to the *consumer's* attention.

Cancellation period

4.6.4
FCA

R

- (1) A *consumer* has a right to cancel a *distance mortgage mediation contract*, a *distance home purchase mediation contract* or a *distance regulated sale and rent back mediation contract* in accordance with this section.
- (2) The right to cancel must be exercised within 14 days beginning on the later of:
 - (a) the day of the conclusion of the contract; or

- (b) the day on which the *consumer* receives the contractual terms and conditions and other information required by ■ MCOB 4.4 and ■ MCOB 4.5.

Exercising the right to cancel

4.6.5

FCA

R

A *consumer* who has a right to cancel a *distance mortgage mediation contract*, a *distance home purchase mediation contract* or a *distance regulated sale and rent back mediation contract* may, without giving any reason, cancel the contract by serving notice on the *firm*, before the expiry of the cancellation period in ■ MCOB 4.6.4 R either:

- (1) by serving on, or otherwise sending by post, notice to the *firm's* last known address, addressed to the *firm*, its *appointed representative* or on any agent of the *firm* with authority to accept notice on the *firm's* behalf; or
- (2) in accordance with any other practical instructions for exercising that right provided to the *consumer* in accordance with ■ MCOB 4 Annex 3 R(5).

4.6.6

FCA

R

Where the notice of cancellation is in a *durable medium* and is served in accordance with ■ MCOB 4.6.5 R, it must be treated as being served on the *firm* on the date it is despatched by the *consumer*.

4.6.7

FCA

G

In the event of any dispute, unless there is clear written evidence to the contrary, the *firm* should treat the date cited by the *consumer* as being the date when notice was given, posted or otherwise sent.

Effects of cancellation

4.6.8

FCA

R

By exercising a right to cancel under ■ MCOB 4.6.4 R the *consumer* withdraws from the contract and the entire contract is terminated.

4.6.9

FCA

G

Regulation 11 (Automatic cancellation of an attached distance contract) of the *Distance Marketing Regulations*, has the effect that when notice of cancellation is given in relation to a contract, that notice also operates to cancel any attached contract, which is also a distance financial services contract. An example of such an attached contract might be a *distance non-investment insurance contract*.

4.6.10

FCA

R

When a *consumer* exercises a right to cancel under ■ MCOB 4.6.4 R:

- (1) the *firm* must:
 - (a) pay to the *consumer* without delay, and no later than 30 days after the date on which the *firm* received notice of cancellation from him, any sums which he has paid to or for the benefit of the *firm* in connection with the contract (including sums paid by the *consumer* to agents of the *firm*) except for the amount referred to in (b);

- (b) subject to (c), the *firm* is permitted to require the *consumer* to pay for the services it has actually provided in connection with the contract; the amount payable, however, must be in accordance with the sums which the *consumer* agreed to pay and must not:
 - (i) exceed an amount which is in proportion to the extent of the service already provided to the *consumer* by the *firm*; and
 - (ii) be such that it could be construed as a penalty;
- (c) sub-paragraph (b) applies only if:
 - (i) where performance of the contract has commenced before expiry of the cancellation period, this was requested by the *consumer*; and
 - (ii) the *firm* can demonstrate that the *consumer* was provided with details of the amount which he may be required to pay if exercising his right to cancel in accordance with ■ MCOB 4 Annex 3 R(5).

- (2) The *firm* is entitled to receive without delay, and no later than 30 days after the date on which the *consumer* posted or otherwise sent notice of cancellation to the *firm* any property that became the *consumer's* under the contract and any sums payable to the *firm* under (1)(b).

Record keeping

4.6.11

FCA

R

Where notice of cancellation has been served on a *firm* (or its *appointed representative* or agent), the *firm* must make and retain a record (which includes a copy of any receipt of notice issued to the *consumer* and the *consumer's* original notice instructions) for three years from the date when the *firm* first became aware that notice of cancellation had been served.



4.6A Rolling-up of fees or charges into loan

4.6A.1

FCA

R

A *mortgage lender* may not offer a *regulated mortgage contract* to a *customer* on the basis that fees or charges of any kind (receivable either by the *mortgage lender* or another party) are automatically added to the sum advanced.

4.6A.2

FCA

R

A *firm* must not undertake any action that commits a *customer* to an application for a *regulated mortgage contract* where a fee or charge of any kind (receivable either by the *firm* or another party) is to be added to the sum advanced under the *regulated mortgage contract*, unless the *customer* has made a positive choice to add the fee or charge to the sum advanced.



4.7

[Deleted]



4.7A Advised sales

4.7A.1

FCA

G

- (1) ■ MCOB 4.7A sets out standards to be observed by *firms* when *advising* a particular *customer* on *regulated mortgage contracts*.
- (2) The rules at ■ MCOB 4.8A require *firms* which are selling *regulated mortgage contracts* to, or entering into variations of existing *regulated mortgage contracts* with, certain types of vulnerable *customer*, to provide *advice* to them.
- (3) The *rules* at ■ MCOB 4.8A also provide that *advice* must be given wherever the sales process involves spoken or other interactive dialogue (except for *high net worth mortgage customers*, *professional customers* and loans solely for a business purpose). They do not prohibit the giving of pre-contract or preliminary information which does not amount to *advice* to the particular *customer*, but means that *advice* must be given before a *firm enters into* or *arranges* a *regulated mortgage contract*, or variation of such contract, unless the requirements there are satisfied. *Firms* may wish to refer to *PERG* (particularly ■ PERG 4.6) for guidance on the regulatory perimeter in relation to *advising* on *home finance transactions*.
- (4) The *rules* at ■ MCOB 4.8A provide for an exception which permits certain *execution-only sales* which do not involve additional borrowing.

Suitability

4.7A.2

FCA

R

If a *firm* gives *advice* to a particular *customer* to enter into a *regulated mortgage contract*, or to vary an existing *regulated mortgage contract*, it must take reasonable steps to ensure that the *regulated mortgage contract* is, or after the variation will be, suitable for that *customer*.

4.7A.3

FCA

R

In ■ MCOB 4.7A, a reference to *advice* to enter into a *regulated mortgage contract* is to be read as including *advice* to vary an existing *regulated mortgage contract*.

4.7A.4

FCA

G

- (1) A *firm* should take reasonable steps to obtain from a *customer* all information likely to be relevant for the purposes of ■ MCOB 4.7A.
- (2) For the purposes of ■ MCOB 4.7A.2 R, if for any reason a *customer* rejects (in whole or in part) *advice* given by a *firm*, the *firm* is not precluded from *advising* him to enter into a different *regulated mortgage contract* (in accordance with

the requirements of ■ MCOB 4.7A) provided the *firm* has taken reasonable steps to ensure that that different contract is suitable for the *customer*.

4.7A.5

FCA

R For the purposes of ■ MCOB 4.7A.2 R:

- (1) a *regulated mortgage contract* will not be suitable for a *customer* unless the *regulated mortgage contract* is appropriate to the needs and circumstances of the *customer*;
- (2) a *firm* must base its determination of whether a *regulated mortgage contract* is appropriate to a *customer's* needs and circumstances on the facts disclosed by the *customer* and other relevant facts about the *customer* of which the *firm* is or should reasonably be aware;
- (3) no *advice* must be given to a *customer* to enter into a *regulated mortgage contract* if there is no *regulated mortgage contract* which is suitable from the product range offered by the *firm*; and
- (4) if a *mortgage lender* is dealing with an existing *customer* with a *payment shortfall* and has concluded that there is no suitable replacement *regulated mortgage contract*, the *firm* must nonetheless have regard to ■ MCOB 13.3.

4.7A.6

FCA

R When a *firm* assesses whether the *regulated mortgage contract* is appropriate to the needs and circumstances of the *customer* for the purposes of ■ MCOB 4.7A.5 R (1), the factors it must consider include the following, insofar as relevant:

- (1) whether the *customer's* requirements appear to be within the *mortgage lender's* known eligibility criteria for the *regulated mortgage contract*;
- (2) whether it is appropriate for the *customer* to have an *interest-only mortgage*, a *repayment mortgage*, or a combination of the two;
- (3) whether it is appropriate for the *customer* to take out a *regulated mortgage contract* for a particular term;
- (4) whether it is appropriate for the *customer* to have stability in the amount of required payments, especially having regard to the impact on the *customer* of significant interest rate changes in the future;
- (5) whether it is appropriate for the *customer* to have their payments minimised at the outset;

- (6) whether it is appropriate for the *customer* to make early repayments;
- (7) whether it is appropriate for the *customer* to have any other features of a *regulated mortgage contract*;
- (8) whether the *regulated mortgage contract* is appropriate, based on the information provided by the *customer* as to his credit history; and
- (9) whether it is appropriate for the *customer* to pay any fees or charges in relation to the *regulated mortgage contract* up front, rather than adding them to the sum advanced (see also ■ MCOB 4.6A.2 R).

4.7A.7

FCA

G

Firms are reminded that the list in ■ MCOB 4.7A.6 R is not exhaustive. For certain *customers* there may be additional considerations to explore beyond those described in that rule; for example, in the case of a business loan or a *regulated mortgage contract* for a *high net worth mortgage customer*.

4.7A.8

FCA

G

Examples of criteria in ■ MCOB 4.7A.6R (1) are: the expected affordability criteria of the *mortgage lender*; and whether the *mortgage lender* will lend in respect of properties of a non-standard construction.

Interest-only

4.7A.9

FCA

R

In relation to ■ MCOB 4.7A.6R (2), where a *firm* has identified an *interest-only mortgage* as appropriate for a *customer*, the *firm* must ensure that the *customer* is aware that he will have to demonstrate to the *mortgage lender* that he will have in place a clearly understood and credible *repayment strategy*, in order for the *mortgage lender* to be able to satisfy ■ MCOB 11.6.41 R (1).

4.7A.10

FCA

G

■ MCOB 4.7A.9 R does not require a *firm* to *advise* the *customer* on a credible *repayment strategy* or assess the adequacy of a *customer's* existing *repayment strategy*.

Bridging loans

4.7A.11

FCA

R

When a *firm* assesses whether a *bridging loan* is appropriate to the needs and circumstances of the *customer* for the purposes of ■ MCOB 4.7A.5R (1), the factors it must consider include, in addition to the factors listed at ■ MCOB 4.7A.6 R:

- (1) whether it is appropriate for the *customer* to make regular payments; and
- (2) whether it is appropriate for the *customer* to access finance quickly.

4.7A.12 **R** Where a *firm* has identified a *bridging loan* as appropriate for a *customer*, the *firm* must ensure that the *customer* is aware that he will have to demonstrate to the *mortgage lender* that he has a clearly understood and credible *repayment strategy* in place.

4.7A.13 **R** Where a *firm* is considering giving *advice* to a *customer* to enter into a *bridging loan*, the reasonable steps in **■ MCOB 4.7A.2 R** include considering why it is not appropriate for the *customer* to take out a *regulated mortgage contract* which is not a *bridging loan*.

4.7A.14 **▲** If a *firm* advises a *customer* to enter into a *regulated mortgage contract* with a term of a particular length so that **■ MCOB 4.7A.11 R** to **■ MCOB 4.7A.13 R** do not apply because the *regulated mortgage contract* does not fall within the definition of a *bridging loan*, that advice may be relied on as tending to show contravention of **■ MCOB 2.5A.1 R** (The customer's best interests).

Debt consolidation

4.7A.15 **R** When a *firm* advises a *customer* in relation to entering into a *regulated mortgage contract* where the main purpose for doing so is the consolidation of existing debts by the *customer*, in addition to the factors at **■ MCOB 4.7A.6 R**, it must also take account of the following, where relevant, in assessing whether the *regulated mortgage contract* is suitable for the *customer*:

- (1) the costs associated with increasing the period over which a debt is to be repaid;
- (2) whether it is appropriate for the *customer* to secure a previously unsecured loan; and
- (3) where the *customer* is known to have payment difficulties, whether it would be appropriate for the *customer* to negotiate an arrangement with his creditors rather than to take out a *regulated mortgage contract*.

4.7A.16 **▲** An attempt by the *firm* to misdescribe the *customer's* purpose or to encourage the *customer* to tailor the amount he wishes to borrow so that **■ MCOB 4.7A.15 R** does not apply may be relied on as tending to show contravention of **■ MCOB 2.5A.1 R** (The customer's best interests).

Further advances

4.7A.17 **R** Where the *customer* is looking to increase the borrowing secured on the property which is the subject of an existing *regulated mortgage contract*, unless the *firm* knows that the existing lender will not make a further advance to the *customer*, the *firm* must inform the *customer*, either orally or in writing, that it may be possible, and more appropriate, to

do so rather than to enter into a *regulated mortgage contract* with another lender.

4.7A.18

FCA

G

Firms are not under any obligation to explore whether a further advance with the existing lender is, in fact, more appropriate for the *customer*.

Other considerations when advising

4.7A.19

FCA

R

When *advising* a *customer* on the suitability of a *regulated mortgage contract*, a *firm* must explain to the *customer* that the assessment of whether the *regulated mortgage contract* is appropriate to his needs and circumstances is based only on the *customer's* current circumstances and any reasonably foreseeable changes to those.

4.7A.20

FCA

G

Different considerations apply when giving *advice* to a *customer* with a *payment shortfall*. For example, the circumstances of the *customer* may mean that, viewed as a new transaction, a *customer* should not be advised to enter into a *regulated mortgage contract*. In those cases, a *firm* may still be able to give *advice* to that *customer* where the *regulated mortgage contract* concerned is, in the circumstances, a more suitable one than the *customer's* existing *regulated mortgage contract*.

4.7A.21

FCA

G

In complying with ■ MCOB 4.7A.5R (1) a *firm* is not required to consider whether it would be preferable for the *customer* to:

- (1) purchase a property by using his own resources, rather than by borrowing under a *regulated mortgage contract*; or
- (2) rent a property, rather than purchase one; or
- (3) delay entering into a *regulated mortgage contract* until a later date (on the grounds that property prices would have fallen in the intervening period, or that the interest rate in relation to the *regulated mortgage contract* may be lower, or both).

4.7A.22

FCA

G

■ MCOB 4.7A.5R (3) means that where the *advice* is not provided on an unlimited range of products from across the relevant market, the assessment of suitability should not be limited to the types of *regulated mortgage contracts* which the *firm* offers. A *firm* cannot recommend the 'least worst' *regulated mortgage contract* where the *firm* does not have access to products appropriate to the *customer's* needs and circumstances. This means, for example, that a *firm* dealing solely in the credit-impaired market should not recommend one of these *regulated mortgage contracts* if approached for *advice* by a *customer* who is not a *credit-impaired customer*.

4.7A.23

FCA

G

A *firm* may generally rely on any information provided by the *customer* for the purposes of ■ MCOB 4.7A.5R (1) unless, taking a common sense view of this information, it has reason to doubt it.

Rejected advice

4.7A.24

FCA

R

If a *customer* has rejected the *advice* given by a *firm* and instead wishes to enter into a different *regulated mortgage contract* as an *execution-only*

sale, the *firm* may *enter into* or *arrange* that contract as an *execution-only sale* provided the requirements in ■ MCOB 4.8A.14 R are satisfied.

Record keeping.....

4.7A.25

FCA

R

- (1) A *firm* must make and retain a record:
 - (a) of the *customer* information, including that relating to the *customer's* needs and circumstances, that it has obtained for the purposes of ■ MCOB 4.7A;
 - (b) that explains why the *firm* has concluded that any *advice* given to a *customer* complies with ■ MCOB 4.7A.2 R and satisfies the suitability requirement in ■ MCOB 4.7A.5R (1); and
 - (c) of the *customer's* positive choice in ■ MCOB 4.6A.2 R (Rolling up of fees or charges into loan) where applicable.
- (2) The records in (1) must be retained for a minimum of three years from the date on which the *advice* was given or, in the case of (1) (d), the making of the choice.



4.8

[Deleted]



4.8A Execution-only sales

Scope and application of this section

4.8A.1

FCA

G

This section sets out the conditions which must be satisfied for a *firm* to *enter into* or vary a *regulated mortgage contract* with a *customer*, or *arrange* such a transaction for a *customer*, without giving *advice*, or where the *advice* given by the *firm* has been rejected. As explained in ■ MCOB 4.7A.1 G, it does not prohibit the giving of pre-contract or preliminary information which does not amount to *advice* to the particular *customer*. If a *firm* intends (where permitted under this section) to operate a business model under which it will not give *advice* to particular *customers*, it may wish to refer to PERG (particularly ■ PERG 4.6) for guidance on the regulatory perimeter in relation to the *regulated activities* which constitute *advising on home finance transactions*.

4.8A.2

FCA

G

Subject to certain limited exceptions, where the *rules* in ■ MCOB 4.8A apply to a *firm* they restrict *execution-only sales* (which term is defined to include variations of existing contracts) to cases where:

- (1) there is no spoken or other interactive dialogue between the *firm* and the *customer* during the sale; or
- (2) if there is spoken or other interactive dialogue between the *firm* and the *customer* during the sale:
 - (a) the *customer* is a *high net worth mortgage customer*; or
 - (b) the *customer* is a *professional customer*; or
 - (c) the loan is solely for a business purpose;

and in each case the *customer* has positively elected to proceed with an *execution-only sale* and (in the case of a *professional customer*) identified the product he wishes to purchase; or
- (3) the *customer* has rejected *advice*, identified the product he wishes to purchase and positively elected to proceed with an *execution-only sale*.

In each case certain requirements must be satisfied.

4.8A.3

FCA

G

Interactive dialogue includes SMS, mobile instant messaging, email and communication via social media sites; this list is not exhaustive. Where a sale is carried out entirely on the internet, a *firm* merely permitting the *customer* to input details about the matters specified in ■ MCOB 4.8A.14R (1), ■ (2) or ■ (3) in order to select from the *firm*'s product range the *regulated mortgage contract* he wishes to purchase, or the variation he wishes

to enter into, would not be engaging in interactive dialogue. *Firms* are reminded that, if this process steers the *customer* towards any one or more of the products offered by it, so as to constitute advice, the requirements of ■ MCOB 4.7A will apply.

The customer's best interests

4.8A.4
FCA

G *Firms* are reminded that ■ MCOB 2.5A.1 R (The customer's best interests) applies in all cases, including in relation to *execution-only sales*.

4.8A.5
FCA

R *A firm must not encourage a customer to opt out of receiving advice on regulated mortgage contracts from, or reject advice given by, it or any associate.*

4.8A.6
FCA

G *Firms* are not prohibited from *entering into* or *arranging execution-only sales* for *regulated mortgage contracts* for *customers* to whom they have provided product information (where otherwise permitted under this section), but ■ MCOB 2.5A.1 R and ■ MCOB 4.8A.5 R (The customer's best interests) mean the information they provide should not steer the *customer* to elect to enter into an *execution-only sale*.

Cases where execution-only sales are not permitted

4.8A.7
FCA

R *A firm must not enter into or arrange an execution-only sale for a regulated mortgage contract if:*

- (1) the *customer* is intending to use it to exercise a statutory "right to buy" the *customer's* home; or
- (2) the main purpose of the *customer's* entering into it is to raise funds for debt consolidation; or
- (3) there is spoken or other interactive dialogue between the *firm* and the *customer* at any point during the sale.

4.8A.8
FCA

A An attempt by the *firm* either to:

- (1) misdescribe the *customer's* purpose or characteristics; or
 - (2) encourage the *customer* to tailor the amount he wishes to borrow;
- so that ■ MCOB 4.8A.7 R does not apply may be relied on as tending to show contravention of ■ MCOB 2.5A.1 R (The customer's best interests).

Exceptions: high net worth mortgage customers, professional customers and loans solely for a business purpose

4.8A.9
FCA

R (1) ■ MCOB 4.8A.7 R does not apply where the *customer* is a *high net worth mortgage customer*.

- (2) ■ MCOB 4.8A.7R (3) does not apply where the *customer* is a *professional customer* or the loan is solely for a business purpose.

Exception: rate switches and other variations

4.8A.10

FCA

R

- (1) ■ MCOB 4.8A.7 R does not apply in the case of a variation of a *regulated mortgage contract*, provided that:
 - (a) the variation would not involve the *customer* taking on additional borrowing beyond the amount currently outstanding under the existing *regulated mortgage contract*, other than to finance any product fee or arrangement fee for the proposed new or varied contract; and
 - (b) where the variation will (in whole or part) change from one interest rate to another, the *firm* has presented to the *customer*, using only a non-interactive channel, all products offered by it for which the *customer* is eligible, whether or not the *customer* then selects from those products using an interactive channel.
- (2) The reference to a variation in (1) (and in all other provisions which cross-refer to this *rule*) must be read as including any new *regulated mortgage contract* which would replace an existing *regulated mortgage contract* between the *customer* (or, where there are joint borrowers, at least one of them) and the *firm* (either as the original *mortgage lender* or as the transferee of the existing contract).

4.8A.11

FCA

G

- (1) The variation in ■ MCOB 4.8A.10 R might involve: a transfer to a different property ("porting"); the addition or removal of a borrower for joint mortgages; an extension of the term; a change in payment method; or consent to let the property. This list is not exhaustive.
- (2) Examples of rate changes in ■ MCOB 4.8A.10R (1)(b) are: a transfer from a variable rate to a fixed rate; and a transfer from one fixed rate to another fixed rate.
- (3) *Firms* are reminded that, if their presentation in ■ MCOB 4.8A.10R (1)(b) has (either explicitly or implicitly) steered the *customer* towards any one or more of the products offered by them such as to constitute *advice*, the requirements of ■ MCOB 4.7A will apply.

Exception: rejected advice

4.8A.12

FCA

R

- MCOB 4.8A.7 R does not apply where the *customer* has rejected *advice* given by a *firm* and instead wishes to enter into a different *regulated mortgage contract* as an *execution-only sale* (see ■ MCOB 4.8A.14 R).

Execution-only sales: guidance

4.8A.13

G

FCA

- (1) If a *firm* wishes to be able to apply the exception in ■ MCOB 4.8A.9 R for a *high net worth mortgage customer*, it should first consider the provision in ■ MCOB 1.2.9C R (Requirement for evidence before treating a loan as being solely for business purposes, or a customer as a high net worth mortgage customer or a professional customer).
- (2) Where a *firm's* business model is such that it does not offer *advice* on *regulated mortgage contracts* to particular *customers*, it should ensure that it does not *enter into* or *arrange regulated mortgage contracts* for *customers* in breach of ■ MCOB 4.8A.7 R. Such a *firm* may wish to use filtering questions which the *customer* is required to answer before he is able to proceed, in order to establish whether any of the exceptions to ■ MCOB 4.8A.7 R apply.

Requirements for execution-only sales

4.8A.14

R

FCA

A firm must not enter into or arrange an execution-only sale for a regulated mortgage contract unless, except as provided in ■ MCOB 4.8A.15 R:

- (1) for a new *regulated mortgage contract* not falling within ■ MCOB 4.8A.10 R, the *customer* has identified the *regulated mortgage contract* he wishes to purchase, specifying to the *firm* at least the following information:
 - (a) the name of the *mortgage lender*;
 - (b) the rate of interest;
 - (c) the interest rate type (that is, whether fixed, variable or some other type);
 - (d) the price or value of the property on which the *regulated mortgage contract* would be secured (estimated where necessary);
 - (e) the length of the term required by the *customer*;
 - (f) the sum the *customer* wishes to borrow; and
 - (g) whether the *customer* wants an *interest-only mortgage* or a *repayment mortgage*;
- (2) for a contract variation not falling within ■ MCOB 4.8A.10 R (but permitted by ■ MCOB 4.8A.7 R), the *customer* has specified at least the following information, where applicable to the variation he wishes to enter into:
 - (a) the price or value of the property;
 - (b) the length of term required (or confirmation that this should remain unchanged); and
 - (c) the amount the *customer* wishes to borrow;

- (3) for a contract variation falling within ■ MCOB 4.8A.10 R, the *customer* has specified the variation he wishes to enter into;
- (4) the *customer* has been informed, clearly and prominently and in a *durable medium* (after providing the information in (1), (2), or (3), where that is required):
 - (a) in any case falling within ■ MCOB 4.7A.24 R (Rejected advice) where the *firm* has advised the *customer* that the *regulated mortgage contract* (or variation) is unsuitable for the *customer*, that that is the case; or
 - (b) in any other case, that in the provision of its services for the *execution-only sale* the *firm* is not required to assess the suitability of that *regulated mortgage contract* (or variation);

and in either case that the *customer* will not benefit from the protection of the rules (in ■ MCOB 4.7A) on assessing suitability. In any case where there is spoken dialogue between the *firm* and the *customer* at any point during the sale, the *firm* must also provide this information orally; and

- (5) once the *customer* has been provided with the information in (4), in any case where there is spoken or other interactive dialogue between the *firm* and the *customer* at any point during the sale, he has confirmed, in writing, to the *firm* that he is aware of the consequences of losing the protections of the *rules* on assessing suitability and is making a positive election to proceed with an *execution-only sale*. The written confirmation must be in the same document as the information in *durable medium* in (4), which must be separate from any other information or contractual documentation.

4.8A.15
FCA

R The requirements in ■ MCOB 4.8A.14R (1) to ■ (3) do not apply if the *customer* is a *high net worth mortgage customer* or entering into the *regulated mortgage contract* solely for a business purpose.

4.8A.16
FCA

G Where the information in ■ MCOB 4.8A.14R (4) is given by electronic means, the *firm* should ensure that the *customer* cannot progress to the next stage of the sale unless the information has been communicated to the *customer*.

Managing execution-only sales

4.8A.17
FCA

R A *firm* which intends to transact *execution-only sales* in *regulated mortgage contracts* must have in place and operate in accordance with a clearly defined policy which:

- (1) sets out the amount of business the *firm* reasonably expects to transact by way of *execution-only sales* and the steps to be

- taken by the *firm* if that business exceeds the expected levels; and
- (2) sets out its processes and procedures for ensuring compliance with the *rules* in ■ MCOB 4.8A; in particular:
 - (a) how it will ensure in every case that, before proceeding with an *execution-only sale* it has obtained (where required) a voluntary and informed positive election from the *customer* in order to comply with ■ MCOB 4.8A.14R (5);
 - (b) how it will ensure in every case that it acts in compliance with ■ MCOB 2.5A.1 R and ■ MCOB 4.8A.5 R (The customer's best interests), including not encouraging a *customer* to enter into a *regulated mortgage contract* (or variation) as an *execution-only sale*; and
 - (c) how it will identify whether a *customer* meets the definition of *high net worth mortgage customer* or *professional customer*, if it will offer *execution-only sales* to those *customers*; and
 - (3) includes the arrangements for monitoring and auditing compliance with the policy, processes and procedures.

Record keeping

4.8A.18

FCA

R

- (1) Whenever a *firm* enters into or arranges an *execution-only sale* for a *regulated mortgage contract*, it must make and maintain a record of:
 - (a) the information provided by the *customer* which satisfies ■ MCOB 4.8A.14R (1), ■ (2) or ■ (3);
 - (b) the information in *durable medium* in ■ MCOB 4.8A.14R (4);
 - (c) (where applicable) the confirmation by the *customer* in ■ MCOB 4.8A.14R (5); and
 - (d) any *advice* from the *firm* which the *customer* rejected, including the reasons why it was rejected, before deciding to enter into an *execution-only sale*.
- (2) The record in (1) must be retained for a minimum of three years from the date on which the *regulated mortgage contract* was *entered into* or *arranged* (or the variation was entered into or arranged).
- (3) A *firm* must keep an adequate and up-to-date record of the policy in ■ MCOB 4.8A.17 R, where such policy is required by that *rule*. When the policy is changed, a record of the previous policy must be retained for one year from the date of change.

Forbearance

4.8A.19

FCA

R

■ MCOB 4.8A does not apply to any variation which is made solely for the purposes of forbearance where the *customer* has a *payment shortfall*, or in order to avoid a *payment shortfall*.



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

4.9.1

FCA

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[deleted]

4.9.1A

FCA

G

Firms are reminded that in accordance with ■ MCOB 1.2.3 R and ■ MCOB 1.2.3A R, they should comply in full with *MCOB*, but in doing so may opt to take account of all tailored provisions in *MCOB* that relate to business loans or loans to *high net worth mortgage customers*, as the case may be . Therefore, a *firm* may only follow the tailored provisions in ■ MCOB 4.9 in relation to one of these sectors if it also follows all other tailored provisions in *MCOB* that relate to that sector. In either case, the rest of *MCOB* applies in full..

4.9.2

FCA

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[deleted]

Initial disclosure document

4.9.3

FCA

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[deleted]

4.9.4

FCA

G

- (1) *Firms* are reminded that ■ MCOB 1.2.7 R 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 1.2.7 R 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 "]'.
- (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'.

Non-advised sales

[deleted]

4.9.5

FCA

R



4.10 Home purchase plans: sales standards

Scope of service provided

4.10.1 **R**
FCA

[deleted]

Initial disclosure requirements

4.10.2 **R**
FCA

[deleted]

4.10.3 **G**
FCA

[deleted]

4.10.3A **R**
FCA

A *firm* must comply with the *rules* in ■ MCOB 4.4A as if the references in those *rules* to *regulated mortgage contracts* and *mortgage lenders* were to, respectively, *home purchase plans* and *home purchase providers*.

4.10.3B **R**
FCA

For the purposes of ■ MCOB 4.4A.2R (1) there is one relevant market for *home purchase plans*.

4.10.4 **G**
FCA

The guidance on initial disclosure requirements in ■ MCOB 4.4A may be relevant; in this context, that *guidance* should be read using *home purchase plan* terminology instead of the equivalent *regulated mortgage contract* terminology, where appropriate .

Additional requirements for distance home purchase mediation contracts with retail customers

Note: The rules regarding additional disclosure requirements for, and cancellation of, *distance home purchase mediation contracts* are set out in ■ MCOB 4.5 and ■ MCOB 4.6 respectively.

Advised sales: suitability

4.10.5 **G**
FCA

[deleted]

PAGE 39
4.10.5A
FCA

R If a *firm* gives *advice* to a particular *customer* to enter into a *home purchase plan*, or to vary an existing *home purchase plan*, it must take reasonable steps to ensure that the *home purchase plan* is, or after the variation will be, suitable for that *customer*.

4.10.5B
FCA

R In **■** MCOB 4.10, a reference to *advice* to enter into a *home purchase plan* is to be read as including *advice* to vary an existing *home purchase plan*.

4.10.5C
FCA

G A *firm* should take reasonable steps to obtain from a *customer* all information likely to be relevant for the purposes of **■** MCOB 4.10.5A R to **■** MCOB 4.10.9A R.

4.10.5D
FCA

R For the purposes of **■** MCOB 4.10.5A R:

- (1) a *home purchase plan* will not be suitable for a *customer* unless the *home purchase plan* is appropriate to the needs and circumstances of the *customer*;
- (2) a *firm* must base its determination of whether a *home purchase plan* is appropriate to a *customer's* needs and circumstances on the facts disclosed by the *customer* and other relevant facts about the *customer* of which the *firm* is or should reasonably be aware;
- (3) no *advice* must be given to a *customer* to enter into a *home purchase plan* if there is no *home purchase plan* which is suitable from the product range offered by the *firm*;
- (4) if a *home purchase provider* is dealing with an existing *customer* in *arrears*, with a *payment shortfall* or otherwise in breach of their *home purchase plan* and has concluded that there is no suitable replacement *home purchase plan*, the *firm* must nonetheless have regard to **■** MCOB 13.3; and
- (5) the reasonable steps in that *rule* include considering why it is not appropriate for the *customer* to take out a *regulated mortgage contract*.

4.10.6
FCA

R [deleted]

4.10.6A
FCA

G **■** MCOB 4.10.5DR (3) has the effect that a *firm* cannot recommend the 'least worst' *home purchase plan* where the *firm* does not have access to *home purchase plan* products appropriate to the *customer's* needs and circumstances.

4.10.7
FCA

G *Firms* may wish to consider the following provisions:

- (1) the *rule* at **■** MCOB 4.7A.6 R on the *customer's* needs and circumstances, as if it were *guidance* and to the extent applicable to *home purchase plans*; and
- (2) the *guidance* at **■** MCOB 4.7A.1G (2), **■** MCOB 4.7A.21 G and **■** MCOB 4.7A.23 G (Other considerations when advising);

in each case using *home purchase plan* terminology instead of the equivalent *regulated mortgage contract* terminology, where appropriate.

4.10.8 **R** [deleted]

FCA

4.10.9 **G** [deleted]

FCA

Rejected recommendations

4.10.9A **R** If a *customer* has rejected the *advice* given by a *firm* and instead requested an *execution-only sale* of a *home purchase plan*, the *firm* may *enter into* or *arrange* that *execution-only sale* provided the requirements in

- MCOB 4.8A.14 R (as applied in relation to *home purchase plans* by
- MCOB 4.10.9B R and modified for *home purchase plans* by
- MCOB 4.10.9D R) are satisfied.

FCA

Execution-only sales

4.10.9B **R** ■ MCOB 4.8A applies to a *firm* as if the references in that section to *regulated mortgage contracts* and *mortgage lenders* were to, respectively, *home purchase plans* and *home purchase providers*, but ■ MCOB 4.8A.14R (1) and ■ (2) are modified in relation to *home purchase plans* as set out in

- MCOB 4.10.9D R.

FCA

4.10.9C **G** As provided in ■ MCOB 4.1.2B R, ■ MCOB 4.8A only applies to *home purchase providers* in relation to *entering into home purchase plans* where there is no *firm* which is *arranging* the transaction and to which ■ MCOB 4.8A applies.

FCA

4.10.9D **R** For *home purchase plans*, the following items of information replace those set out in ■ MCOB 4.8A.14R (1) and ■ (2):

FCA

- (1) the name of the *home purchase provider*;
- (2) the length of the term required by the *customer*; and
- (3) the sum required from the *home purchase provider*.

Risks and features statement and tariff of charges

4.10.10 **R** A *firm* must, before *advising* a *customer* to enter into, or *entering into* or *arranging* a *home purchase plan*, as an *execution-only sale*, ensure that the *customer* is, or has been, provided with an appropriate risks and features statement about that plan.

FCA

4.10.11 **R** A risks and features statement need not be personalised to the *customer's* circumstances but must:

FCA

- (1) include the keyfacts logo in a prominent position at the top of the statement;
- (2) state that the *FCA* requires a *firm* to provide the statement;

- (3) state that mortgages are available and that the *customer* should think carefully about the product appropriate to his needs;
- (4) describe the significant features of the plan, including:
 - (a) how the *home purchase plan* works;
 - (b) the nature of the *customer's* commitment;
 - (c) when and how a *customer's* commitment is reviewed;
 - (d) any significant restrictions of the plan; and
 - (e) the charges that a *customer* may incur under the plan, including the reason for, and amount of, each charge, when they are payable, whether they will be reimbursed and, if so, when;
- (5) describe the risks associated with the plan, including:
 - (a) the risks to the *customer* if he fails to keep up repayments and the circumstances in which this might occur; and
 - (b) risks to the *customer* of the *home purchase provider* failing or disposing of any of its obligations or rights (including its interest in the property) to a third party (taking into account steps that will be taken by the *home purchase provider* to mitigate such risks); and
- (6) state the importance of obtaining independent legal advice.

4.10.12

FCA

R

A *firm* may omit details of the charges that a *customer* may incur under a *home purchase plan* from the risks and features statement if they are included in a separate *tariff of charges* provided to the *customer* at the same time.

Record keeping

4.10.13

FCA

R

- (1) A *firm* must make and retain a record:
 - (a) of the *customer* information, including that relating to the *customer's* needs and circumstances that it has obtained for the purposes of ■ MCOB 4.10.5D R;
 - (b) that explains why the *firm* has concluded that any *advice* given to a *customer* complies with ■ MCOB 4.10.5A R and satisfies the suitability requirement in ■ MCOB 4.10.5DR (1); and
 - (c) of any *advice* which the *customer* has rejected, including the reasons why it was rejected and details of the *home purchase plan* which the customer has proceeded with as an *execution-only sale*.

(2) The records in (1) must be retained for a minimum of three years from the date on which the *advice* was given.

4.10.14

FCA

G

Firms should note the record-keeping requirements in ■ MCOB 4.8A in relation to *execution-only sales* which are imposed in relation to *home purchase plans* by

■ MCOB 4.10.9B R.



4.11 Sale and rent back: advising and selling standards

Initial disclosure requirements

4.11.1

FCA

R

- (1) A *regulated sale and rent back firm*, must make the following disclosures to a *customer*; both orally and in writing; during the *initial contact*:
 - (a) the service the *firm* is offering the *customer*, making it clear whether the *firm* will be acting as a *SRB agreement provider*, a *SRB adviser* or a *SRB arranger* and the particular *regulated sale and rent back activities* for which the *firm* has a *Part 4A permission*;
 - (b) if the *firm* is acting as an intermediary, whether it deals with a single or a range of *SRB agreement providers* and whether or not those providers are authorised under the *Act*; and
 - (c) how much the *firm* will receive in connection with the transaction, whether by way of fees, commissions, charges, retentions or otherwise and whether any such sum will be payable out of the sale proceeds of the property, paid directly by the *customer* or provider or otherwise and whether or not any of these will be payable if the *customer* decides not to enter into a *regulated sale and rent back agreement*.
- (2) If the precise fees, commissions, charges, retentions or other sums in (1)(c) are not known in advance, the *firm* should estimate the amount likely to apply in respect of the transaction.

FCA consumer factsheet on sale and rent back

4.11.2

FCA

R

- (1) As soon as the *customer* expresses an interest in becoming a *SRB agreement seller*, a *regulated sale and rent back firm* must provide him with the Money Advice Service consumer factsheet on sale and rent back in a *durable medium* which may be accessed through <http://www.moneyadvice.service.org.uk>.
- (2) The *firm* on providing the Money Advice Service consumer factsheet in (1) to the *customer* must give him an oral explanation of it, so as to ensure that the *customer* fully understands its contents.

Advised sales

4.11.3

FCA

R

A *regulated sale and rent back firm* must not permit a potential *SRB agreement seller* to become contractually committed to enter into a *regulated sale and rent back agreement* unless it has reasonable grounds to be satisfied that a *firm with permission to advise on regulated sale and rent back agreements* has *advised* the particular *customer* to enter into it.

Suitability

4.11.3A

FCA

R

A *firm* must take reasonable steps to ensure that it does not *advise* a particular *customer* to enter into a *regulated sale and rent back agreement* unless the *regulated sale and rent back agreement* is suitable for that *customer*.

4.11.3B

FCA

G

A *firm* should take reasonable steps to obtain from a *customer* all information likely to be relevant for the purposes of ■ MCOB 4.11.3A R.

4.11.3C

FCA

R

For the purposes of ■ MCOB 4.11.3A R:

- (1) a *regulated sale and rent back agreement* will not be suitable unless, having regard to the facts disclosed by the *customer* and other relevant facts about the *customer* of which the *firm* is or should reasonably be aware, the *firm* concludes on reasonable grounds that:
 - (a) the *customer* can afford the payments he will be liable to make under it; and
 - (b) the proposed *regulated sale and rent back agreement* is appropriate to the needs and circumstances of the *customer*;
 - (2) a *firm* must base its determination of whether a *customer* can afford the payments he will be liable to make under a *regulated sale and rent back agreement*, and whether it is appropriate to his needs and circumstances, on the facts disclosed by the *customer* and other relevant facts about the *customer* of which the *firm* is or should reasonably be aware;
 - (3) no *advice* must be given to a *customer* to enter into a *regulated sale and rent back agreement* if there is no *regulated sale and rent back agreement* which is suitable from within the product range offered by the *firm*.
- (1) In assessing whether a *customer* can afford to enter into a particular *regulated sale and rent back agreement*, a *firm* should use the following information:
- (a) the rental payments that will be due under the tenancy agreement which confers the right of the *customer* (or trust beneficiary or related party) to continue residing in the

4.11.4

FCA

A

PAGE 45

property, stress tested to take account of possible future rental increases during the fixed term of the tenancy agreement by reference to the circumstances in which the agreement permits increases or changes to the initial rent;

- (b) adequate information, obtained from the *customer* to establish his average income and expenditure calculated on a monthly basis, and any other resources that he has available, and verified by the firm using evidence provided by the *customer*;
 - (c) the *customer's* net disposable income, which a *firm* should establish using the information referred to in (b);
 - (d) the *customer's* entitlement to means-tested benefits and housing benefits; and
 - (e) the effect of any likely future change to the *customer's* income, expenditure or resources during the period of the *regulated sale and rent back agreement*.
- (2) The *firm* should explain to the *customer* that it will base its assessment on whether he can afford to enter into the particular *regulated sale and rent back agreement* on the information he provides to the *firm* about his income, expenditure and resources.
- (3) In assessing affordability under (1) the *firm*:
- (a) must not rely to a material extent on the capital of, or income from, any lump sum the *customer* receives which represents the net sale proceeds of the property; and
 - (b) must disregard any discount or any future sum that may be payable to the *customer* under the terms of the *regulated sale and rent back agreement*.
- (4) Contravention of (1), (2) or (3) may be relied upon as tending to show contravention of ■ MCOB 4.11.3CR (1)(a) .

4.11.4A

FCA

R

In assessing whether the *regulated sale and rent back agreement* is appropriate to the needs and circumstances of the *customer* for the purposes of ■ MCOB 4.11.3CR (1)(b), as a minimum requirement a *firm* must consider the following list of factors:

- (1) whether it is appropriate for the *customer* to sell his property for a price less than its value (as determined by the valuation which is required by ■ MCOB 6.9.2 R, including where applicable a valuation obtained by the *SRB agreement seller* as described in ■ MCOB 6.9.2 R (4)) (where this is proposed under the *regulated sale and rent back agreement*);

- (2) whether it is appropriate for the *customer* because he is in financial difficulty;
- (3) whether all other options have been explored and eliminated, including the *customer* speaking to his *home finance provider* and other creditors, getting debt advice, releasing the equity by other means and checking whether he is eligible for government or local authority help;
- (4) whether it would be more appropriate for the *customer* to sell his home on the open market;
- (5) whether the benefits to the *customer* in entering into the proposed *regulated sale and rent back agreement* outweigh any adverse effects it may have for him, including on his entitlement to means-tested benefits and housing benefits;
- (6) the feasibility of the *customer* raising funds by alternative methods other than by a sale of his property; and
- (7) if the *customer* is not under threat of repossession, why it is appropriate for the *customer* to take out a *regulated sale and rent back agreement* rather than to use an alternative method of finance.

4.11.4B

FCA

A

The following may be relied on as tending to show contravention of **■ MCOB 2.5A.1 R** (The customer's best interests):

- (1) an attempt by the *firm* to misdescribe the *customer's* reasons for considering a *regulated sale and rent back agreement*; or
- (2) an attempt to encourage a *customer* to enter into a *regulated sale and rent back agreement* involving a sale price for his property which is less than its value (as determined by the valuation which is required by **■ MCOB 6.9.2 R**, including where applicable a valuation obtained by the *SRB agreement seller* as described in **■ MCOB 6.9.2 R (4)**) if he is not under threat of repossession.

4.11.4C

FCA

G

Firms are reminded that the list in **■ MCOB 4.11.4A R** is not exhaustive. For certain *customers* there may be additional considerations to explore beyond those described in that rule.

4.11.5

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[deleted]

4.11.6

FCA

G

In considering the *customer's* entitlement to the means-tested benefits and housing benefits for the affordability and appropriateness assessment, a *firm* may rely on information provided to it by the *customer*, provided it is satisfied on reasonable grounds that the customer has received advice from the appropriate HM Government department or other appropriate source of independent advice as to his position.

4.11.7
FCA

G

- (1) A consideration of the *customer's* benefits position will need to focus on whether, by entering into the proposed *regulated sale and rent back agreement*, his entitlement to means-tested benefit will be adversely affected because of his receipt of the net proceeds of sale (if any) of the property. The *customer's* possible loss of entitlement to claim housing benefit should also be assessed. Where a *firm* has insufficient knowledge of means-tested and housing benefits to reach a conclusion on this, it should advise the customer to contact the appropriate HM Government department or other appropriate source of independent advice to establish the position. The *firm* should then wait for the customer to obtain the relevant information before proceeding with its assessment.
- (2) The *firm* should consider whether a *customer* with a *payment shortfall* under his *regulated mortgage contract* or *home purchase plan* has contacted his *mortgage lender* or *home purchase provider* to discuss possible forbearance options that may be available. Other possible alternative methods of raising funds will include the availability of local authority or other government rescue schemes that might apply in the *customer's* circumstances.
- (3) *Firms* are reminded that under ■ MCOB 4.11.2R they are required to provide the *customer* with the FCA consumer factsheet on sale and rent back and give him an oral explanation of its contents. The FCA expects this to be done in the course of a face-to-face meeting. *Firms* will be expected in the course of this discussion with the *customer* to explain alternative options that may be available to him, such as liaising with his *mortgage lender* or *home purchase provider* to negotiate a forbearance strategy or approaching his local authority about the availability of mortgage rescue schemes.

Record keeping

4.11.8
FCA

R

- (1) A *firm* must make and retain a record of the *customer* information that has been provided to it, including that relating to:
 - (a) the *customer's* income, expenditure and other resources that it has obtained from him for the purpose of assessing affordability, together with the stress testing of the rental payments;
 - (b) the *customer's* needs, objectives and individual circumstances that it has obtained from him for the purpose of assessing appropriateness; and
 - (c) the *customer's* entitlement to means-tested benefits and housing benefits, including any evidence provided by the *customer*, that it has obtained from him for the affordability and appropriateness assessment;

and which explains why the *firm* concluded that the *regulated sale and rent back agreement* was suitable for the *customer* and why it *advised* him to enter into it..

- (2) The record in (1) must be retained for a minimum of five years from the date on which the assessment of suitability was made,

or one year after the end of the fixed term of the tenancy agreement under the *regulated sale and rent back agreement*, if later.

Reliance on another firm

4.11.9

FCA

R

A *firm* need not comply with the requirements imposed on a *regulated sale and rent back firm* in this section to the extent that it is satisfied on reasonable grounds that another *firm* , with the appropriate *permission* to do so, has already done so.

4.11.10

FCA

G

The effect of ■ MCOB 4.11.9R is that a *SRB agreement provider* is expected to *advise* in relation to a particular *regulated sale and rent back agreement*, unless it is reasonable for it to rely on another *firm* with *permission to advise on regulated sale and rent back agreements*, to have done so in relation to a particular transaction.

4

Initial disclosure document [deleted]

FCA

Chapter 5

Pre-application disclosure



5.1 Application

Who?

5.1.1

FCA

R

This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 5.1.2 R in accordance with column (2) of that table.

5.1.2

FCA

R

Table This table belongs to ■ MCOB 5.1.1 R

| (1) Category of firm | (2) Applicable section |
|-------------------------------|--|
| <i>mortgage lender</i> | whole chapter except MCOB 5.8 |
| <i>mortgage adviser</i> | |
| <i>mortgage arranger</i> | |
| <i>home purchase provider</i> | MCOB 5.1.1 R to MCOB 5.1.3 R, MCOB 5.1.6 R to MCOB 5.1.8 G, MCOB 5.2, MCOB 5.3 and MCOB 5.8. |
| <i>home purchase adviser</i> | |
| <i>home purchase arranger</i> | MCOB 5.5 and MCOB 5.6 in accordance with MCOB 5.8 |
| <i>reversion provider</i> | see MCOB 9.3 for the application of this chapter |
| <i>reversion adviser</i> | |
| <i>reversion arranger</i> | |
| <i>SRB adviser</i> | MCOB 5.1.1 R to MCOB 5.1.3 R, MCOB 5.2 and MCOB 5.9 |
| <i>SRB agreement provider</i> | MCOB 5.1.1 R to MCOB 5.1.3 R, MCOB 5.2, MCOB 5.9.1 R to MCOB 5.9.2 R (including MCOB 5.9.1A G to MCOB 5.9.1F R), MCOB 5.9.6 R and MCOB 5.9.7G |
| <i>SRB arranger</i> | MCOB 5.1.1 R to MCOB 5.1.3R, MCOB 5.2 and MCOB 5.9 |

What?

5.1.3

FCA

R

- (1) This chapter applies if a *firm*:
 - (a) *advises* a particular *customer* to enter into, or *arranges* an *execution-only sale* in, a *home finance transaction* ; or
 - (b) provides information to a *customer* that is specific to the amount to be provided on a particular *home finance transaction* , including information provided in response to a request from a *customer*; or
 - (c) provides the means for a *customer* to make an application to it;

in connection with entering into, or agreeing to enter into, a *home finance transaction* provided by a *home finance provider*, other than an *equity release transaction* or a variation to an existing *home finance transaction* .
- (2) In relation to further advances and other variations, **■ MCOB 5** is modified by **■ MCOB 7** (Disclosure at start of contract and after sale), regardless of whether they are variations to an existing *home finance transaction* , or are such that they involve the *customer* entering into a new *home finance transaction* .
- (3) In relation to an *equity release transaction*, **■ MCOB 5** is modified by **■ MCOB 9** (Equity release : product disclosure).

5.1.4

FCA

G

The table in **■ MCOB 5.1.5 G** shows how the relevant *rules* and *guidance* in **■ MCOB 5.6** apply to certain types of *regulated mortgage contracts*.

5.1.5

FCA

G

Table This table belongs to *MCOB 5.1.4G*

| Type of mortgage | Requirements that do not apply | Additional or alternative requirements |
|--|--------------------------------|--|
| Multi-part mortgages | MCOB 5.6.42 R (3) | MCOB 5.6.28 R |
| | MCOB 5.6.46 R | MCOB 5.6.54 R - MCOB 5.6.57 G |
| Foreign currency mortgages | N/A | MCOB 5.6.127 R - MCOB 5.6.128 R |
| Shared appreciation mortgages | N/A | MCOB 5.6.129 R - MCOB 5.6.131 R |
| Deferred interest rate mortgages | N/A | MCOB 5.6.132 R |
| Mortgages without a term or regular payment plan | MCOB 5.6.31 R | MCOB 5.6.32 R |
| | MCOB 5.6.40 R - MCOB 5.6.57 G | MCOB 5.6.134 R - MCOB 5.6.145 R |
| | MCOB 5.6.59 R - MCOB 5.6.65 R | |

5.1.6
FCA

R In this chapter, references to a *home finance transaction* include, where the context requires, references to arrangements which are capable of becoming a *home finance transaction* .

5.1.7
FCA

- G**
- (1) ■ MCOB 5.1.3 R means that this chapter applies where the *customer* can apply to enter into a *home finance transaction*. This includes circumstances where, for example, the means to apply is provided in person, by telephone, through a website or through an application pack sent through the post.
 - (2) The effect of this chapter is to require a *customer* to be provided with key information about a *home finance transaction* before he submits an application to a *home finance provider* .

5.1.8
FCA

G Although an *illustration* is a *financial promotion* , the effect of ■ MCOB 3.2.5 R(1), Section 137R(3) of the *Act* (Financial promotion rules) and article 28 of the *Financial Promotion Order* (One-off non-real time communications and solicited real time communications) is that an *illustration* is exempt from the provisions of MCOB 3 (Financial promotion). However, the general requirement to communicate information in a way which is clear, fair and not misleading applies to both an *illustration* and (in relation to a *home purchase plan*) a financial information statement (see ■ MCOB 5.8.1 R).

5.1.9
FCA

G In relation to a *regulated mortgage contract*, where part of the loan is not a *regulated mortgage contract*, for example it is a linked unsecured loan, the details of this loan can be shown in Section 12 of the *illustration* as an additional feature. It should not be added to the *regulated mortgage contract* loan amount in ■ MCOB 5.6.6 R(2).

5.1.10
FCA

G A *firm* that finds any *rule* in ■ MCOB 5.6 (Content of illustrations) inappropriate for the particular kind of *regulated mortgage contract* that the *mortgage lender* provides will need to seek from the *FCA* a *waiver* of that *rule*. ■ SUP 8 contains details of the *waiver* procedure.



5.2 Purpose

5.2.1

FCA

G

- (1) ■ MCOB 5 amplifies *Principle 6* and *Principle 7* .
- (2) The purpose of ■ MCOB 5 is to ensure that, before a *customer* submits an application for a particular *home finance transaction*, he is supplied with information that makes clear:
 - (a) (in relation to a *regulated mortgage contract*) its features, any *linked deposits*, any *linked borrowing* and any *tied products*; and
 - (b) the price that the *customer* will be required to pay under that *home finance transaction*, to enable the *customer* to make a well-informed purchasing decision.
 - (c) [deleted]
- (3) ■ MCOB 5 requires information to be disclosed in a consistent way to facilitate comparison between products of different providers .

5



5.3 Applying for a home finance transaction

5.3.1

FCA

R

A home finance provider must not enter into a home finance transaction, or agree to do so, with a customer unless the customer has submitted an application for that particular home finance transaction.

5.3.2

FCA

G

- (1) The purpose of ■ MCOB 5.3.1 R, taken in conjunction with other rules in this chapter, is to ensure that the *customer* has received details of the particular *home finance transaction* for which he has applied, and has had the opportunity to satisfy himself that it is appropriate for him.
- (2) In relation to a *regulated mortgage contract*, the application should identify the type of interest rate, rate of interest, and the *mortgage lender* at the point it is submitted by the *customer* (for how to describe interest rates see ■ MCOB 5.6.26 R and ■ MCOB 5.6.27 R).



5.4 Information on regulated mortgage contracts: general

Clear, fair and not misleading

5.4.1
FCA

R

A *firm* must be able to show that it has taken reasonable steps to ensure that any *illustration* it issues is clear, fair and not misleading.

Accuracy

5.4.2
FCA

R

An *illustration* on a particular *regulated mortgage contract* issued by, or on behalf of, a *mortgage lender*, must be an accurate reflection of the costs of the *regulated mortgage contract*.

5.4.3
FCA

R

A *mortgage intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by a *mortgage lender*:

- (1) is accurate within the following tolerances:
 - (a) no more than one percent or £1, whichever is the greater, below the actual figures charged by the *mortgage lender* for the following:
 - (i) the *total amount payable* in Section 5 of the *illustration*;
 - (ii) the amount payable for every £1 borrowed in Section 5 of the *illustration*;
 - (iii) the amounts that the *customer* must pay by regular instalment in Section 6 of the *illustration* (or in Section 7 of the *illustration* for an interest rate with a floor or a ceiling); and
 - (iv) the amount by which the regular instalment (or the *total amount payable* for loans without a term or a regular repayment plan) would increase following a one percentage point increase in interest rates in Section 7;
 - (b) the *APR* in Section 5 of the *illustration* cannot be understated by more than 0.1%; and
- (2) except in the case of conveyancing fees and insurance premiums (where estimates may be used), is accurate in respect of other figures

quoted in the *illustration* including fees payable to the *mortgage lender* or *mortgage intermediary* in Section 8 of the *illustration* and cash examples of *early repayment charges*, calculated in accordance with the rules in ■ MCOB 5.6.84 R to ■ MCOB 5.6.88 R, in Section 10.

5.4.4
FCA

G

Given that the *APR* is presented as a percentage, and must be rounded to one decimal place in accordance with ■ MCOB 10 (Annual Percentage Rate), *firms* should note that the tolerance allowed for the *APR* in ■ MCOB 5.4.3 R(1)(b) means that, for example, where the actual *APR* is 5.0% the quoted *APR* must be no lower than 4.9%, or where the actual *APR* is 16.0%, the quoted *APR* must be no lower than 15.9%.

5.4.5
FCA

G

There are no restrictions on figures which are quoted as higher than those actually charged by the *mortgage lender* although this should not be purposely done in order to make one *regulated mortgage contract* look more expensive than another.

5.4.6
FCA

G

It is the responsibility of a *mortgage intermediary* to ensure compliance with ■ MCOB 5.4.3 R. However, where a *firm* can show that it was reasonable for it to rely on information provided to it by another *person*, other than the *mortgage lender*, that an *illustration* was within the tolerances described in ■ MCOB 5.4.3 R, he may be able to rely on ■ MCOB 2.5.2 R, if this turns out not to be the case.

5.4.7
FCA

G

An *offer document* may not always exactly match the *illustration* provided before application even when the loan requirements have not changed. For example, where a fixed rate has a defined end date, the *total amount payable* may be different because the number of payments at the fixed rate has reduced assuming a later date at which the *regulated mortgage contract* will start.

Illustrations where customer ineligible

5.4.8
FCA

R

A *firm* must not issue an *illustration* to a *customer* for a *regulated mortgage contract* for which the *customer* is clearly ineligible on the basis of the information that the *firm* has obtained from the *customer* or the *mortgage lender's* lending criteria.

5.4.9
FCA

G

The purpose of ■ MCOB 5.4.8 R is not to require a *firm* to ascertain whether a *customer* is eligible for a particular *regulated mortgage contract* before providing an *illustration*. Instead, the purpose is to ensure that the *firm* takes into account the information it has obtained from the *customer* before providing an *illustration* to the *customer*.

Explaining the importance of an illustration

5.4.10
FCA

R

In providing an *illustration* to a *customer*, a *firm* must explain to the *customer* the importance of reading the *illustration* and understanding it.

5.4.11
FCA

G

A *firm* may satisfy ■ MCOB 5.4.10 R by drawing the *customer's* attention orally to the importance of reading and understanding the *illustration*, for example in a face-to-face meeting, or by referring to its importance in a covering letter or electronic communication or other written information that accompanies the *illustration*.

Form of an illustration

5.4.12 **R** Any *illustration* provided to a *customer* by a *firm* must be in a *durable medium*.
 FCA

Provision of information

5.4.13 **R** [deleted]

FCA

5.4.13A **G** When providing information on *regulated mortgage contracts*, *firms* should bear in mind that the information must be clear, fair and not misleading in accordance with *Principle 7* and **MCOB 2.2.6 R**; and must be given in accordance with **MCOB 2.5A.1 R** (The customer's best interests).
 FCA

5.4.14 **R** [deleted]

FCA

5.4.15 **R** [deleted]

FCA

5.4.16 **G** **MCOB 5** places no restrictions on the provision of information that is not specific to the amount the *customer* wants to borrow, for example, marketing literature including generic mortgage repayment tables or graphs illustrating the benefits of making a regular overpayment on a flexible mortgage. Such literature may, however, constitute a *financial promotion* and be subject to the provisions of **MCOB 3** (Financial promotion).
 FCA

5.4.17 **G** [deleted]

FCA

5.4.18 **R** [deleted]

FCA

Messages to be given when providing information on regulated mortgage contracts

- 5.4.18A **R**
- (1) Whenever a *firm* provides a *customer* with information specific to the amount that the *customer* wants to borrow on a particular *regulated mortgage contract* following an assessment of the *customer's* needs and circumstances in order to comply with **MCOB 4.7A.2 R**, it must give, clearly and prominently, the following information:
 - (a) the same information on the *firm's* product range as is required by **MCOB 4.4A.1 R** (1), **MCOB 4.4A.2 R** and **MCOB 4.4A.4 R** (1); and
 - (b) that the *customer* has the right to request an *illustration* for any *regulated mortgage contract* which the *firm* is able to offer the *customer*.
 - (2) A *firm* need not give the information in (1) if it has previously given that information in compliance with this *rule* within the last ten *business days*.
- FCA

5.4.18B
FCA

R

Message to be given when customer requests an execution-only sale

- (1) Whenever, as part of an *execution-only sale* (or potential *execution-only sale*), a *customer* provides a *firm* with the information in ■ MCOB 4.8A.14 R (1), ■ (2) or ■ (3) the *firm* must inform the *customer*, clearly and prominently, that the *customer* has the right to request an *illustration* for any *regulated mortgage contract* which the *firm* is able to offer the *customer*.
- (2) Whenever, as part of an *execution-only sale* (or potential *execution-only sale*), a *high net worth mortgage customer* or *customer* who would be entering into a *regulated mortgage contract* solely for a business purpose is provided with information specific to the amount that the *customer* wants to borrow on a particular *regulated mortgage contract*, the *firm* must inform the *customer*, clearly and prominently, that the *customer* has the right to request an *illustration* for any *regulated mortgage contract* which the *firm* is able to offer the *customer*.
- (3) A *firm* need not give the information in (1) and (2) if it has previously given that information in compliance with this *rule* within the last ten *business days*.

5.4.18C
FCA

G

Guidance relevant to messages given to customer

- (1) In order to demonstrate compliance with ■ MCOB 5.4.18AR (1), a *firm* may wish to consider, for example, doing one or more of the following: give the messages to the *customer* in a durable medium; build the requirements into the *firm's* training of staff, as evidenced by its training and compliance manuals; insert appropriate prompts into paper-based or automated sales systems; have procedures in place to monitor compliance by its staff with that *rule*. What is required in each case will depend on all the circumstances.
- (2) The reference in the template *illustration* at ■ MCOB 5 Annex 1 R to the possibility of obtaining other *illustrations* is not sufficient to comply with the obligations in ■ MCOB 5.4.18AR (1)(b) and ■ MCOB 5.4.18B R. A *firm* may, however, satisfy those obligations in a number of ways; for example, by drawing the *customer's* attention to the right to request an *illustration* orally in a face-to-face meeting, or by referring to it in a letter or electronic communication or other written information.

5.4.19
FCA

R

Record keeping

A *firm* must make an adequate record of each *illustration* that it issues to a *customer* in accordance with ■ MCOB 5.5.1 R where the *customer* applies for that particular *regulated mortgage contract*.

5.4.20
FCA

R

The record required by ■ MCOB 5.4.19 R must be retained for a year from the date of the application made by the *customer*.

5.4.21

FCA

G

■ MCOB 5.4.19 R does not require a *firm* to keep records of *illustrations* that are issued to a *customer* where the *customer* does not apply to enter into that particular *regulated mortgage contract*.

5.4.22

FCA

G

The record maintained in accordance with ■ MCOB 5.4.19 R should contain or refer to matters such as:

- (1) the date on which the *illustration* was provided to the *customer*;
- (2) the date of the application made by the *customer*; and
- (3) details of the medium through which the *illustration* was provided.

Tied products

5.4.23

FCA

R

Where the *illustration* provided to the *customer* does not contain an accurate quotation or a reasonable estimate of the payments the *customer* will need to make in connection with any *tied product* that the *customer* must take out with the *regulated mortgage contract*, and the *customer* applies for that *regulated mortgage contract*:

- (1) the *firm* must provide the *customer* with an accurate quotation as soon as possible after he has applied, and in good time before the *offer document* is provided;
- (2) the *customer* has a right to withdraw his application for the *regulated mortgage contract* for a period of seven days from receipt of the quotation referred to in (1);
- (3) the quotation for the *tied product* must be accompanied by a notice explaining that the *customer* can withdraw his application and receive a full refund of any fees paid in connection with the application for that *regulated mortgage contract* (excluding any fees paid in respect of the *regulated activity* of *arranging* or *advising on a regulated mortgage contract* by a *mortgage lender* or a *mortgage intermediary*) for a period of seven days from receipt of the quotation or acceptance of the *mortgage lender's* offer if sooner; and
- (4) the *firm* must refund any fees paid by the *customer* (excluding any fees paid in respect of any advice provided by a *mortgage lender* or a *mortgage intermediary*) if the *customer* decides to exercise his right to withdraw his application in accordance with (2).

PAGE
11

5.4.24

FCA

G

The rules on the content of an *illustration* at ■ MCOB 5.6 (Content of illustrations) mean that if the *regulated mortgage contract* requires the *customer* to take out a *tied product*, the *illustration* must include an accurate quotation or a reasonable estimate of the payments the *customer* would need to make for the *tied product* (see ■ MCOB 5.6.52 R (2) where the *tied product* is a *repayment strategy* and ■ MCOB 5.6.74 R where the *tied product* is insurance). If it is not possible to include this cost information in the *illustration*,

■ MCOB 5.4.23 R requires that the *customer* be provided with an accurate quotation of the payments associated with the *tied product* as soon as possible. If the quotation is provided after the *customer* has applied for the *regulated mortgage contract* the *customer* has the right to a refund of fees if he withdraws his application.



5.5 Provision of illustrations

Timing

5.5.1

FCA

R

- (1) A *firm* must provide the *customer* with an *illustration* for a *regulated mortgage contract* before the *customer* submits an application for that particular *regulated mortgage contract* to a *mortgage lender*, unless an *illustration* for that particular *regulated mortgage contract* has already been provided.
- (2) Except in the circumstances in ■ MCOB 5.5.1A R, a *firm* must provide the *customer* with an *illustration* for a *regulated mortgage contract* when any of the following occurs, unless an *illustration* for that *regulated mortgage contract* has already been provided:
 - (a) the *firm* advises the particular *customer* to enter into that *regulated mortgage contract*, in which case an *illustration* must be provided at the point the *advice* is given, unless the *advice* is given by telephone, in which case the *firm* must provide an *illustration* within 5 *business days*; or
 - (b) [deleted]
 - (c) [deleted]
 - (d) the *customer* requests an *illustration* for that *regulated mortgage contract*, unless the *firm* is aware that it is unable to offer that *regulated mortgage contract* to him; or
 - (e) as part of an *execution-only sale* (or potential *execution-only sale*) the *customer* has provided the *firm* with the information in ■ MCOB 4.8A.14 R (1) to ■ MCOB 4.8A.14 R (3) to indicate which *regulated mortgage contract* he wishes to enter into; or
 - (f) as part of an *execution-only sale* (or potential *execution-only sale*), a *high net worth mortgage customer* or a *customer* who is entering into the *regulated mortgage contract* solely for a *business purpose*, has indicated his intention to submit an application for that *regulated mortgage contract*.

5

(3) Subject to ■ MCOB 5.5.4 R, the *firm* may comply with (1) and (2) by providing an *offer document* containing an *illustration*, if this can be done as quickly as providing an *illustration*.

5.5.1A

FCA

R A *firm* need not provide an *illustration*:

- (1) in relation to a *direct deal*;
- (2) if the *customer* refuses to disclose key information (for example, in a telephone conversation, his name or a communication address) or where the *customer* is not interested in pursuing the enquiry; or
- (3) if the *firm* does not wish to do business with the *customer*.

5.5.1B

FCA

R If the *firm* chooses not to give an *illustration* in the circumstances set out in ■ MCOB 5.5.1AR (1), where it has given *advice* on a *direct deal*, the *firm* must give the *customer* a written record of the *advice*.

5.5.1C

FCA

R If, notwithstanding ■ MCOB 5.5.1AR (1), a *firm* chooses to give an *illustration* in relation to a *direct deal*, it need not comply with ■ MCOB 5.4.2 R or ■ MCOB 5.4.3 R (Accuracy).

5.5.1D

FCA

G In the circumstances in ■ MCOB 5.5.1C R, a *firm* remains subject to ■ MCOB 5.4.1 R (Clear, fair and not misleading).

5.5.1E

FCA

G In the circumstances in ■ MCOB 5.5.1AR (2), the *rule* in ■ MCOB 5.5.1 R (1) will mean that the *customer* may not make an application for a *regulated mortgage contract* as an *illustration* has not been provided.

5.5.2

FCA

G The effect of the requirements at ■ MCOB 5.3.1 R and ■ MCOB 5.5.1 R(1) is that if a *customer's* application to enter into a *regulated mortgage contract* with a *mortgage lender*, made via a *mortgage intermediary*, is subsequently passed by that *mortgage intermediary* to another *mortgage lender*, then the *mortgage intermediary* must ensure that the application is amended and the *customer* is provided with an *illustration* for the other *mortgage lender's regulated mortgage contract* before the application is passed to the other *mortgage lender*.

5.5.3

FCA

G If a *firm* chooses to issue an *offer document* in place of an *illustration* in accordance with ■ MCOB 5.5.1 R(3), it will need to comply with ■ MCOB 6.4 (Content of the offer document), and in particular with ■ MCOB 6.6 (Offer documents in place of illustrations).

5.5.4

FCA

R A *firm* must not undertake any action that commits the *customer* to an application (including accepting product-related fees in relation to the *regulated mortgage contract* concerned) until the *customer* has had the opportunity to consider an *illustration*.

5.5.5 **G** The effect of the requirements at ■ MCOB 5.5.1 R(1) and ■ MCOB 5.5.4 R is that a *customer* will be deemed to be committed to an application if, for example, he pays a product related fee (including a valuation fee) or provides electronic or verbal authority to process an application. It is not necessary for a *customer* to provide a *mortgage lender* with a completed application form to submit an application for a *regulated mortgage contract*.
FCA

5.5.6 **G** [deleted]
FCA

5.5.7 **R** The *firm* dealing directly with the *customer* is responsible for ensuring compliance with the content and timing requirements, that is, a *mortgage lender* is not responsible for ensuring that a *customer* has received an *illustration* before accepting an application from a *mortgage intermediary*.
FCA

5.5.8 **R** Where a *firm* has already provided an *illustration* in accordance with ■ MCOB 5.5.1 R and the terms for the proposed *regulated mortgage contract* are subsequently materially altered, the *firm* must ensure that the *customer* is provided with a revised *illustration*, before acting on the amendment, when the change occurs at the point at which a *customer* submits an application for the *regulated mortgage contract*.
FCA

5.5.9 **G** What constitutes 'materially altered' requires consideration of the facts of each individual case. For example, a change of product such that the underlying terms and conditions of the *regulated mortgage contract* have changed should normally be regarded as material, as would an additional charge, such as a *higher lending charge*, applying to the *regulated mortgage contract* when it did not previously.
FCA

5.5.10 **G** Unless the *customer* requests a revised *illustration*, a *firm* is not required to provide one if the *customer* has already submitted an application, and an amendment is made subsequently. The *mortgage lender* should however ensure that any amendment is reflected in the *offer document*.
FCA

Uncertainty whether a mortgage is regulated

5.5.11 **R** (1) If, at the point an *illustration* must be provided in accordance with ■ MCOB 5.5.1 R, a *firm* is uncertain whether the contract will be a *regulated mortgage contract*, the *firm* must:
FCA

- (a) provide an *illustration*; or
- (b) seek to obtain from the *customer* information that will enable the *firm* to ascertain whether the contract will be a *regulated mortgage contract*.

(2) Where (1)(b) applies, an *illustration* must be provided, unless, on the basis of the information the *customer* provides, the *firm* has reasonable evidence that the contract is not a *regulated mortgage contract*.

5.5.12 **G** If the *firm* has reasonable evidence that the contract is not a *regulated mortgage contract* and has not provided an *illustration* before a *customer* submits an application, and it is
FCA

subsequently found that the contract is a *regulated mortgage contract*, there is no requirement to provide a separate *illustration* at that stage. However, the requirement to integrate an *illustration* into the *offer document* at ■ MCOB 6.4.1 R will apply.

5.5.13

FCA

R [deleted]

Providing an illustration without delay in response to a customer request

5.5.14

FCA

G

Where the *customer* requests an *illustration* for a particular *regulated mortgage contract* (see ■ MCOB 5.5.1 R (2)(d)), the purpose of ■ MCOB 5.5.15 R, ■ MCOB 5.5.16 R and ■ MCOB 5.5.17 G is to ensure that the *customer* receives an *illustration* without unnecessary delay. These requirements do not restrict the information that the *firm* may obtain from the *customer* after it has provided the *customer* with an *illustration*.

5.5.15

FCA

R

In meeting a request for an *illustration* in accordance with ■ MCOB 5.5.1 R (2)(d) , the *firm* must not delay the provision of the *illustration* by requesting information other than:

- (1) the information necessary to personalise the *illustration* in accordance with ■ MCOB 5.6.6 R, if the *firm* does not already know it;
- (2) where the *firm* acts in accordance with ■ MCOB 5.5.11 R(2), such information as is necessary to ascertain whether or not the contract will be a *regulated mortgage contract*;
- (3) where the *regulated mortgage contract* involves any *linked deposits* and the *firm* chooses to provide an example in the *illustration* in accordance with ■ MCOB 5.6.109 R(2) or ■ MCOB 5.6.110 R(2), or both, such information as is necessary to produce the example;
- (4) where the interest rates, payments or any other terms and conditions to be included in the *illustration* are dependent on the *customer's* credit record, such information as is necessary to produce an *illustration*;
- (5) where the *firm* includes a quotation for any *tied products* or compulsory insurance in the *illustration*, such information as is necessary to produce those quotations;
- (6) where the *customer* agrees to receive a quotation for insurance in the *illustration* (other than that provided for in (5)), such information as is necessary to produce those quotations; and
- (7) any of the following information where it affects the availability of the *regulated mortgage contract* that the *customer* has requested information on or affects the information to be included in the *illustration*:

- (a) whether the *customer* is a first-time buyer, a subsequent buyer moving home or entering into a *regulated mortgage contract* without moving home;
- (b) whether the *regulated mortgage contract* is required for a right-to-buy purchase or for a shared ownership purchase;
- (c) [deleted]
- (d) the location of the property to be purchased, where known; and
- (e) whether the terms are dependent on a third party guarantee.

5.5.16

FCA

R

Where ■ MCOB 5.5.15 R(4) applies:

- (1) a *firm* must ask the *customer* relevant questions about his credit history or obtain information on his credit record from a credit reference agency;
- (2) a credit reference agency must not be used unless:
 - (a) it would be quicker than asking the *customer* the relevant questions about his credit history; or
 - (b) the *customer* is not able to provide sufficient information on his credit history.

5.5.17

FCA

G

A *firm* may use information that it already holds on the *customer* for the purpose of producing the *illustration* (for example, if it already holds the *customer's* credit record), providing the use of this information does not delay the *customer* receiving the *illustration* and the *customer's* consent is obtained where appropriate.

5.5.18

FCA

R

If, on the basis of the information obtained from the *customer* or on the basis of information that the *firm* already holds on the *customer*, the *firm* would do business with the *customer*, but not on the terms requested, the *firm* may provide the *customer* with an *illustration* in respect of a different *regulated mortgage contract* if it chooses to do so.



5.6 Content of illustrations

Purpose

5.6.1
FCA

G

■ MCOB 5.6 sets out the required content of an *illustration* provided to a *customer* by a *firm*.

Content, order, format etc

5.6.2
FCA

R

An *illustration* provided to a *customer* must:

- (1) contain the material set out in ■ MCOB 5 Annex 1 R in the order and using the numbered section headings, sub-headings and prescribed text in ■ MCOB 5 Annex 1 R, except where provided for in ■ MCOB 5.6;
- (2) follow the layout of the template in ■ MCOB 5 Annex 1 R with:
 - (a) prominent use of the keyfacts logo followed by the text 'about this mortgage' ;
 - (b) each section clearly separated;
 - (c) all the amounts to be paid in Sections 5, 6, 8 and 9 in columns that make the amounts of the payments clear; and
 - (d) no section split across different pages except where it is impractical not to do so;
- (3) use font sizes and typefaces consistently throughout the *illustration* which are sufficiently legible so that the *illustration* can be read easily by a typical *customer*;
- (4) ensure that the information within each section is clearly laid out (for example, through the use of bullet points or similar devices to separate information);
- (5) include prominent headings with the numbered section headings clearly differentiated in some way from the other text in the *illustration* (for example, through the use of larger and more prominent fonts, the use of shading or colour);

- (6) replace '[name of *mortgage lender*]' with the name of the *mortgage lender* providing the *regulated mortgage contract*: a trading name used by the *mortgage lender* may be stated, as long as the name of the *mortgage lender* is also disclosed in Section 4 of the *illustration* in accordance with ■ MCOB 5.6.25 R(1);
- (7) describe any *early repayment charge* as an 'early repayment charge' and not use any other expression to describe such charges; and
- (8) describe any *higher lending charge* as a 'higher lending charge' and not use any other expression to describe such charges.

5.6.3

FCA

R

Section 13 in ■ MCOB 5 Annex 1 R is required only where the *illustration* is provided to the *customer* by, or on behalf of, a *mortgage intermediary*. If this is not the case, Section 14 must be renumbered Section 13.

5.6.4

FCA

G

- (1) Further requirements regarding the use of the keyfacts logo and the location of specimens are set out in ■ GEN 5.1 and ■ GEN 5 Annex 1 G.
- (2) ■ MCOB 5.6.2 R(3) does not prevent the use of different fonts and typefaces for headings and risk warnings. Its purpose is to prevent particular sections of the *illustration* from being made less prominent than other sections through the inconsistent use of font sizes and typefaces.
- (3) The *illustration* can contain the *mortgage lender's* or *mortgage intermediary's* logo and other 'brand' information, so long as the requirements of ■ MCOB 5.6 are satisfied.
- (4) The *illustration* can contain page numbers and other references that aid understanding, record keeping and identification of a particular *illustration*, such as the date and time an *illustration* is produced or a unique reference number, provided these do not detract from the content of the *illustration*.
- (5) *Firms* are reminded of their general obligation for communications to *customers* to be clear, fair and not misleading. Sections of the *illustration* may be split across pages where it is practical to do so. When splitting sections, *firms* should split the section at an appropriate place, for example at the end of a sub-section, and not split tables or risk warnings.

Content: required information

5.6.5

FCA

R

The *illustration* provided to *customers* must:

- (1) contain only the material prescribed in ■ MCOB 5.6 and no other material except where provided for elsewhere in ■ MCOB 5.6; and
- (2) be in a document separate from any other material that is provided to the *customer*.

5.6.6
FCA

R As a minimum the *illustration* must be personalised to reflect the following requirements of the *customer*:

- (1) the specific *regulated mortgage contract* in which the *customer* is interested;
- (2) the amount of the loan required;
- (3) the price or value of the property on which the *regulated mortgage contract* would be secured (estimated where necessary);
- (4) the term of the *regulated mortgage contract* (where the *customer* is unable to suggest a date at which he expects to repay the loan, for example in the case of an open-ended *bridging loan*, secured overdraft or *mortgage credit card*, then a term of 12 months must be assumed and this assumption stated); and
- (5) whether the *regulated mortgage contract* is to be an *interest-only mortgage* or a *repayment mortgage* or a combination of the two.

5.6.7
FCA

G A *firm* should not illustrate more than one *regulated mortgage contract* in the same *illustration*, for example by using one *illustration* to compare alternative products, repayment methods or repayment terms.

5.6.8
FCA

G In relation to ■ MCOB 5.6.6 R(3), in order for the *firm* to comply with the principle of 'clear, fair and not misleading' in ■ MCOB 2.2.6, an estimated valuation, where the estimated valuation is not that provided by the *customer*, must be a reasonable assessment based on all the facts available at the time. For example, an overstated valuation could enable a more attractive *regulated mortgage contract* to be illustrated on the basis of a lower ratio of the loan amount to the property value - for example, one with a lower rate of interest, or without a *higher lending charge*.

5.6.9
FCA

R The amount referred to in ■ MCOB 5.6.6 R(2) is:

- (1) in cases where on the basis of the information obtained from the *customer* before providing the *illustration* it is clear that the *customer* would not be eligible to borrow the amount he requested, an estimate of the amount that the *customer* could borrow based on the information obtained from the *customer*; or
- (2) where the *regulated mortgage contract* is a revolving credit agreement such as a secured overdraft or *mortgage credit card*:
 - (a) (if it provides for an initial drawdown and *linked borrowing facilities* that would allow the *customer* to increase the amount of the loan without any further approval from the *mortgage lender*) the amount of the initial drawdown; or

(b) (in all other cases) the total borrowing that the *firm* is willing to provide under the *regulated mortgage contract*; or

(3) where it is known that the loan will be released in instalments, for example in the case of a self-build mortgage, the total amount of the loan required and not the amount of the initial instalment.

5.6.10

FCA

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Firms are reminded that they must comply with ■ MCOB 7.6.5 R in respect of the release of loan instalments after the start of the *regulated mortgage contract*.

5.6.11

FCA

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■ MCOB 5.6.6 R sets out minimum requirements. The *illustration* may be personalised to a greater degree if the *mortgage lender* or *mortgage intermediary* wishes, subject to the restrictions on the information that can be obtained from the *customer* in ■ MCOB 5.5.15 R when the *illustration* is provided in accordance with ■ MCOB 5.5.1 R(2)(c).

5.6.12

FCA

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■ MCOB 5.6.9 R(1) does not require information to be obtained from the *customer* before providing an *illustration* in order to ascertain the amount the *customer* is eligible to borrow. Instead, its purpose is to avoid a *firm* being in a position where it would otherwise have to provide a *customer* with an *illustration* for an amount it knew the *customer* would not be eligible for, based on whatever information it had obtained from the *customer* before providing the *illustration*.

5.6.13

FCA

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Where the *illustration* relates to a *regulated mortgage contract* that is sub-divided into different parts with different types of interest rate or different rates of interest or different conditions, or a combination of these, the requirements in ■ MCOB 5.6 may be adapted to accommodate this. The adaptations made must be limited to those that are necessary.

5.6.14

FCA

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(1) ■ MCOB 5.6.13 R applies where, for example, the *illustration* covers a *regulated mortgage contract* that is:

- (a) divided so that a certain amount of the loan is payable on a fixed interest rate, and a certain amount on a discounted interest rate; or
- (b) a combination of a *repayment mortgage* and an *interest-only mortgage* and the loan is subdivided into different types of interest rate and/or different rates of interest.

(2) ■ MCOB 5.6.13 R does not apply where an *illustration* covers a *regulated mortgage contract* that is a combination of a *repayment mortgage* and an *interest-only mortgage* and the rate of interest charged, mortgage term and other conditions are the same. The treatment of such mortgages is covered in the relevant rules.

Information to be included at the head of the illustration

At the head of the *illustration*, the following information must be included:

- (1) the *customer's* name;
- (2) the date of issue of the *illustration*;

5.6.15

FCA

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- (3) details of how long the *illustration* is valid and whether there is any date by which the *regulated mortgage contract* covered by the *illustration* needs to commence (for example, where a fixed interest rate is only available if the *regulated mortgage contract* commences before a certain date); and
- (4) the prescribed text at the head of the illustration in
 - MCOB 5 Annex 1 R.

Section 1: 'About this illustration'

5.6.16
FCA

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Under the section heading 'About this illustration', the prescribed text in ■ MCOB 5 Annex 1 R under this heading must be included.

Section 2: 'Which service are we providing you with?'

5.6.17
FCA

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- (1) Unless (2) applies, under the section heading 'Which service are we providing you with?' the prescribed text in
 - MCOB 5 Annex 1 R under this heading must be included, with a 'check box' for each statement, one of which must be marked prominently to indicate the level of service provided to the *customer*.
- (2) If the level of service described in the *illustration* is provided by another *firm*, (1) may be replaced by the following: Under the section heading 'Which service are we providing you with?' the following text should be presented as two options, with a 'check box' for each option, one of which must be marked prominently to indicate the level of service provided to the *customer*: '[name of *firm*] recommends, having assessed your needs, that you take out this mortgage. [name of *firm*] is not recommending a particular mortgage for you. However, based on your answers to some questions, it is giving you information about this mortgage so that you can make your own choice'.

Section 3: 'What you have told us'

5.6.18
FCA

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- (1) Under the section heading 'What you have told us', the *illustration* must state the information that has been obtained from the *customer* under ■ MCOB 5.6.6 R (apart from ■ MCOB 5.6.6 R(1) which is provided for in Section 4 of the *illustration*), and can include brief details of any other information that has been obtained from the *customer* and used to produce the *illustration*.
- (2) If the amount on which the *illustration* is based includes the amount that the *customer* wants to borrow plus charges and other payments that have been added to the loan:
 - (a) except where (b) applies, this section must include the following text after the loan amount from
 - MCOB 5.6.6 R(2): 'plus £[insert total amount of fees and

other charges added to the loan] for fees that will be added to the loan - see Section 8 for details.'; or

- (b) where there are other fees or charges that the *customer* must pay that have not been added to the loan, this section must include the following text after the loan amount from ■ MCOB 5.6.6 R(2): 'plus £[insert total amount of fees and other charges added to the loan] for fees that will be added to the loan. These and the additional fees that you need to pay are shown in Section 8.'

- (3) If the amount on which the *illustration* is based includes the amount that the *customer* wants to borrow plus insurance premiums or insurance-related charges (other than a *higher lending charge*) that have been added to the loan:

- (a) except where (b) applies, this section must include the following text after the loan amount from ■ MCOB 5.6.6 R(2) (which may be combined with the prescribed text in (2) if applicable): 'plus £[insert amount of premium or charges, or both, to be added to the loan] for insurance [premiums] [and] [charges] that will be added to the loan - see Section 9 for details.'; or

- (b) where there are other insurance premiums or insurance-related charges, or both, that the *customer* must pay that have not been added to the loan, this section must include the following text after the loan amount from ■ MCOB 5.6.6 R(2) (which may be combined with the prescribed text in (2) if applicable): 'plus £[insert amount of premium or charges, or both, to be added to the loan] for insurance [premiums] [and] [charges] that will be added to the loan. These and any additional insurance [premiums] [and] [charges] that you need to pay are shown in Section 9.'

- (4) If the amount on which the *illustration* is based does not involve any charges or payments being added to the amount to be borrowed, but there are charges that must be paid by the *customer*, Section 3 of the *illustration* must include the following text after the loan amount from ■ MCOB 5.6.6 R(2): 'No fees have been added to this amount but the fees you need to pay are shown in Section 8. For details of any insurance charges, see Section 9.'

- (5) If the *regulated mortgage contract* on which the *illustration* is based has no charges that must be paid by the *customer*, and no insurance premiums are being added to the loan, Section 3 of the *illustration* must include the following text after the loan amount from ■ MCOB 5.6.6 R(2):

'We do not charge any fees for this mortgage.'

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5.6.19

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Where the same *illustration* covers a *regulated mortgage contract* that is a combination of a *repayment mortgage* and an *interest-only mortgage*, either:

- (1) Section 3 of the *illustration* must state the amount the *customer* wishes to borrow as a *repayment mortgage* and the amount required as an *interest-only mortgage*; or
- (2) Section 3 of the *illustration* must summarise the repayment method as partly an *interest-only mortgage* and partly a *repayment mortgage*, and Section 4 of the *illustration* must state the amount the *customer* wishes to borrow as a *repayment mortgage* and the amount required as an *interest-only mortgage*.

5.6.20

FCA

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Where the same *illustration* covers a *regulated mortgage contract* that has different parts of the loan over a different term (that is, the final repayment date of the loan parts are different), either:

- (1) Section 3 of the *illustration* must state the amount repayable over each term; or
- (2) Section 3 of the *illustration* must state the longest term that applies and Section 4 of the *illustration* must state the amount repayable over each term.

5.6.21

FCA

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For the purpose of illustrating to the *customer* the repayment method in Section 3 or Section 4 of the *illustration*, or the cost of the *regulated mortgage contract* in Section 5 of the *illustration*, if the *illustration* covers a *regulated mortgage contract* that is a combination of more than one interest-only part on the same product terms but with different repayment dates, the *illustration* must either treat it as one part by assuming the longest term, or alternatively treat it as a multi-part loan.

5.6.22

FCA

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At the end of Section 3 of the *illustration* a statement must be included making clear that changes to any of the information obtained from the *customer*, and where appropriate to the valuation of the property, could alter the details elsewhere in the *illustration*, and encouraging the *customer* to ask for a revised *illustration* in this event.

5.6.23

FCA

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An example of the type of statement that would satisfy ■ MCOB 5.6.22 R is: 'The valuation that will be carried out on the property and changes to any of the information you have given us could alter the information in this illustration. If this is the case please ask for a revised illustration.'

5.6.24

FCA

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The purpose of the *illustration* is to provide the *customer* with details of the cost of borrowing the amount required over the term specified in ■ MCOB 5.6.6 R(2) and ■ MCOB 5.6.6 R(4). Section 12 has been designed specifically to illustrate any additional features of the *regulated mortgage contract* such as a linked current account, a linked savings account or the availability of *unsecured lending*. These features should therefore be shown in section 12 and not in section 3 of the *illustration*.

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24

5.6.25

FCA

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Section 4: 'Description of this mortgage'

Under the section heading 'Description of this mortgage' the *illustration* must:

- (1) state the name of the *mortgage lender* providing the *regulated mortgage contract* to which the *illustration* relates (a trading name used by the *mortgage lender* may also be stated in accordance with ■ MCOB 5.6.2 R(6)), and the name, if any, used to market the *regulated mortgage contract*;
- (2) (a) provide a description of the interest rate type and rate of interest that applies in accordance with the format described in ■ MCOB 5.6.26 R and ■ MCOB 5.6.27 R;
- (b) where there is more than one interest rate type or rate of interest, specify the amount of the loan to which each interest rate type and rate of interest applies;
- (c) unless the interest rate applies for the full term of the loan, confirm what interest rate will apply, when it will apply and for how long it will apply after any initial interest rate ends, in accordance with the format described in ■ MCOB 5.6.26 R and ■ MCOB 5.6.27 R; and
- (d) provide a clear explanation of the charging approach where different interest rates are applied to different items of debt (for example, for a *mortgage credit card* where a different interest rate applies to balances that are transferred from that charged on any additional borrowing);
- (3) where ■ MCOB 5.6.20 R(2) applies, state the different amounts repayable and the different terms over which the amounts are repayable;
- (4) where ■ MCOB 5.6.19 R(2) applies, state the amount repayable under an *interest-only mortgage* and the amount repayable under a *repayment mortgage*;
- (5) include the following text if the *regulated mortgage contract* meets the Government's mortgage CAT standards: 'This mortgage meets the Government's CAT standards. ';
- (6) if the *customer* is obliged to buy any *tied products* or to take out a linked current account, a linked savings account or any *linked borrowing* under the *regulated mortgage contract*, include:
 - (a) details of the products required; and
 - (b) the following text: 'You are obliged to take out [insert details of the product(s)] through [insert name of *mortgage lender* or if relevant, name of *mortgage intermediary*] as a condition of

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this mortgage. Please refer to Section [insert applicable section number e.g. 6 or 9] of this illustration for further details.'

- (7) state very briefly any restrictions that apply to the availability of the *regulated mortgage contract* (for example, if it is only available to certain types of *customer* or for certain types of loan);
- (8) where the interest rate, payments or terms and conditions of the *regulated mortgage contract* in the *illustration* reflect a *customer's* adverse credit history, include the following text: 'The terms of this mortgage reflect past or present financial difficulties.'; and
- (9) where the intention of the *regulated mortgage contract* is solely to provide the *customer* with a *mortgage credit card* (rather than the *mortgage credit card* being an additional feature of a *regulated mortgage contract*) include the warning about the loss of statutory rights from ■ MCOB 5.6.102 R(2) in Section 4 of the *illustration* rather than Section 12.

5.6.26
FCA

R ■ MCOB 5.6.27 R sets out some examples of descriptions of interest rate types and rates of interest which must be used in the *illustration* to comply with ■ MCOB 5.6.25 R(2). If an interest rate is not described in ■ MCOB 5.6.27 R, it must be presented in the *illustration* in a way that is consistent with the descriptions in ■ MCOB 5.6.27 R.

5.6.27
FCA

R Table Description of interest rate types and rates of interest. This table belongs to MCOB 5.6.26R:

| Description of the interest rate | Amount payable in each instalment |
|---|--|
| Lender's base mortgage rate - must be described as the [Lender]'s standard variable rate, currently X%, [where applicable insert the date at which the interest rate ends or period for which the interest rate applies]. | Amount based on X%. |
| Fixed rate - must be described as a fixed rate of X% [where applicable insert the date at which the interest rate ends or the period for which the interest rate applies]. | Amount based on the fixed rate of X%. |
| Discounted rate - must be described as a variable rate, currently X%, with a discount of Y% [where applicable insert the date at which the discount ends or the period for which the discount applies], giving a current rate payable of Z%. | Amount based on Z%. |

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26

| Description of the interest rate | Amount payable in each instalment |
|--|---|
| Capped rate - must be described as a variable rate, currently X%, which will not go above a ceiling of Y% [where applicable insert the date at which the capped interest rate ends or the period for which the capped interest rate applies]. | Amount based on the current interest rate payable (X%). |
| Capped and collared - must be described as a variable rate, currently X%, which will not go below a floor of Y%, or above a ceiling of Z% [where applicable insert the date at which the capped and collared interest rate ends or the period for which the capped and collared interest rate applies]. | Amount based on the current interest rate payable (X%). |
| Tracker rate - must be described as a variable rate which is [X% above/X% below/the same as] [insert interest rate tracked, currently Z%,] [where applicable insert the date at which the rate ends or the period for which the interest rate applies], to give a current rate payable of Y%. Details should also be provided of how soon after an interest rate change the mortgage interest rate is adjusted. | Amount based on Y%. |
| Deferred rate - must be described as a variable rate, currently X%, where Y% is not paid now but is added to your mortgage [where applicable insert the date at which the deferred interest rate ends or the period for which the deferred interest rate applies], to give a current rate payable of Z%. | Amount based on Z%. |
| Stepped rate where different interest rates apply over different time periods (for example, fixed interest rate in year 1 changes in year 2). Each element should be dealt with individually as above. | Amount for each of the 'steps'. |
| Combinations of the above must be treated in the same way as the descriptions above, (for example, if a discounted interest rate has a 'floor' then it must be described as such). | Follow the above treatment depending on the combination. |

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5.6.28

FCA

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Where the loan under the *regulated mortgage contract* is divided into more than one part (for example where part of the loan is a fixed interest rate and part of the loan is a discounted variable interest rate) and the *firm* displays this in a tabular format in the *illustration*:

- (1) the following text must be used to introduce the table 'As this mortgage is made up of more than one part, these parts are summarised below:';

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- (2) each part must be numbered for ease of reference in the *illustration*;
- (3) the 'initial rate payable' must be displayed separately from the interest rate description;
- (4) the loan amounts must be totalled; and
- (5) immediately following the table, a statement of what interest rates will apply to each part, (and when they will apply) after any initial interest rate ends in accordance with
 - MCOB 5.6.25 R(2)(c).

5.6.29

FCA

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Further information about the *regulated mortgage contract* may be included in Section 4 of the *illustration* as long as it does not significantly:

- (1) duplicate information contained elsewhere in the *illustration*; and
- (2) extend the length of this section.

5.6.30

FCA

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An example of further information that may be included in accordance with ■ MCOB 5.6.29 R might be that an 'approval in principle' has been granted subject to valuation and satisfactory credit reference.

Section 5: 'Overall cost of this mortgage'

5.6.31

FCA

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Under the section heading 'Overall cost of this mortgage' where the *regulated mortgage contract* has an agreed term for repayment and a regular payment plan (that is, it is not a revolving credit agreement such as a secured overdraft or *mortgage credit card*, or a *regulated mortgage contract* where all of the interest rolls up, such as an open-ended *bridging loan*):

- (1) the following text must be included in the *illustration*: 'The overall cost takes into account the payments in Sections 6 and 8 below.';
- (2) if all of the *regulated mortgage contract* to which the *illustration* relates is an *interest-only mortgage*, the following text must follow the text in (1): 'However, it excludes any payments that you may need to make into a separate savings plan, to build up a lump sum to repay the amount borrowed, but assumes that you pay off the amount borrowed as a lump sum at the end of the mortgage.';
- (3) where all of the *regulated mortgage contract* is a *repayment mortgage*, the following text must follow the text in (1): 'With a repayment mortgage you gradually pay off the amount you

have borrowed, as well as the interest, over the life of the mortgage.';

- (4) if part of the *regulated mortgage contract* to which the *illustration* relates is an *interest-only mortgage*, and part is a *repayment mortgage*, the following text must follow the text in (1): 'However, it excludes any payments that you may need to make into a separate savings plan to build up a lump sum to repay the amount borrowed on an interest-only basis, but assumes that you pay off the amount borrowed on an interest-only basis, as a lump sum at the end of the mortgage.'; and
- (5) reference must be made to any other payments that have been included in the *APR* but not included in Sections 6 and 8 of the *illustration* if these are relevant to the *regulated mortgage contract* that is the subject of the *illustration*.

5.6.32

FCA

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Under the section heading 'Overall cost of this mortgage' where the *regulated mortgage contract* has no agreed term for repayment, (and a 12 month term has been assumed), or no regular payment plan, or both (for example, a revolving credit agreement such as a secured overdraft or *mortgage credit card* or a *regulated mortgage contract* where all the interest rolls up such as an open-ended *bridging loan*):

- (1) the following text must be included in the *illustration*: 'The overall cost takes into account the payments in Sections 6 and 8 below.';
- (2) where all the interest on the *regulated mortgage contract* rolls up and is repaid as a lump sum at the end of the *regulated mortgage contract*, for example a *bridging loan* , then the following text must follow the text in (1): 'It assumes that you pay back the total amount owing as a lump sum at the end of the mortgage term.';
- (3) where the *regulated mortgage contract* is a revolving credit agreement and no regular payments are made, for example a secured overdraft, then the following text must follow the text in (1): 'It assumes that you borrow the maximum amount available, and pay back the total amount owing, as a lump sum at the end of the mortgage term.';
- (4) where the *regulated mortgage contract* is a revolving credit agreement and regular minimum payments are made, for example, a *mortgage credit card*, then the following text must follow the text in (1): 'It assumes that you borrow the maximum amount available, make regular payments of the minimum amount, and pay back the remaining amount owing as a lump sum at the end of the mortgage term.'; and

(5) reference must be made to any other payments that have been included in the *APR* but not included in Sections 6 and 8 of the *illustration* if these are relevant to the *regulated mortgage contract* that is the subject of the *illustration*.

5.6.33

FCA

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■ MCOB 5.6.31 R(5) and ■ MCOB 5.6.32 R(5) would require, for example, a reference to the fact that the overall cost takes into account mortgage payment protection insurance where this is required as a condition of the *regulated mortgage contract* to which the *illustration* relates. The requirement to take out such insurance must be stated in Sections 4 and 9 of the *illustration* in accordance with ■ MCOB 5.6.25 R(6), ■ MCOB 5.6.74 R or ■ MCOB 5.6.77 R.

5.6.34

FCA

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The following text must be included after the text required by ■ MCOB 5.6.31 R or ■ MCOB 5.6.32 R with the relevant cost measures shown in the right-hand column of Section 5 in accordance with the layout shown in ■ MCOB 5 Annex 1 R:

- (1) 'The total amount you must pay back, including the amount borrowed is £[insert *total amount payable*]';
- (2) 'This means you pay back £[insert the *total amount payable*] divided by the amount on which the *illustration* is based from ■ MCOB 5.6.6 R(2) plus all fees, charges and insurance premiums added to the loan in accordance with ■ MCOB 5.6.18 R(2) and ■ MCOB 5.6.18 R(3)] for every £1 borrowed'; and
- (3) 'The overall cost for comparison is [insert the *APR*] % *APR*'.

5.6.35

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- (1) The *APR* and the *total amount payable* in ■ MCOB 5.6.34 R must be calculated on the basis of information obtained from the *customer* under ■ MCOB 5.6.6 R.
- (2) Where there is a charge to be included in the *APR* and *total amount payable* and the precise amount of that charge is not known at the time that the *illustration* is provided, ■ MCOB 10.3 (Formula for calculating the *APR*) sets out a number of relevant assumptions to be used. If the method for including the charge is not addressed in MCOB 10 (Annual Percentage Rate), the charge must be estimated based on information which is known to be representative of the *regulated mortgage contract* to which the *illustration* relates.
- (3) [deleted]
- (4) Where the *regulated mortgage contract* is a revolving credit agreement and regular payments are made, for example, a *mortgage credit card*, then the *APR* and *total amount payable* must be based on the maximum amount that the *customer* could

borrow and take into account any amounts that must be paid in regular instalments.

5.6.36

FCA

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In relation to ■ MCOB 5.6.35 R(2), the cost of conveyancing would be an example of a charge for which representative information may need to be used in the calculation of the APR and the *total amount payable*.

5.6.37

FCA

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At the end of Section 5 of the *illustration* the following text must be included:

- (1) unless the interest rate is fixed throughout the term of the *regulated mortgage contract*: 'The figures in this section will vary following interest rate changes and if you do not keep the mortgage for [insert term from ■ MCOB 5.6.6 R(4)].'; and
- (2) (a) where the *regulated mortgage contract* is a *repayment mortgage*: 'Only use the figures in this section to compare the cost with another repayment mortgage.'; or
- (b) where the *regulated mortgage contract* is an *interest-only mortgage*: 'Only use the figures in this section to compare the cost with another interest-only mortgage.'; or
- (c) where the *regulated mortgage contract* is a combination of a *repayment mortgage* and an *interest-only mortgage*: 'Only use the figures in this section to compare the cost with another mortgage that has the same proportions of the loan on repayment and interest-only as this one.'

5.6.38

FCA

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The purpose of the *illustration* is to provide the *customer* with details of the cost of borrowing the amount required over the term specified from ■ MCOB 5.6.6 R(2) and ■ MCOB 5.6.6 R(4). Section 12 has been designed specifically to allow examples of the effect of any additional features of the *regulated mortgage contract* such as a linked current account or a linked savings account. Examples of these features should therefore be shown in Section 12 and not in Section 5 or Section 6 of the *illustration*.

Section 6: 'What you will need to pay each [insert frequency of payments from MCOB 5.6.40R]'

5.6.39

FCA

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■ MCOB 5.6.40 R to ■ MCOB 5.6.57 G do not apply to loans without a term or regular payment plan where some or all of the interest rolls up, for example *bridging loans*, secured overdrafts or *mortgage credit cards*. In these cases, ■ MCOB 5.6.134 R to ■ MCOB 5.6.138 G apply.

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5.6.40

FCA

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The heading for Section 6 of the *illustration* and the heading of the column on the right-hand side of this section must state the frequency with which payments must be made by the *customer*. (For example, if payments are to be made on a monthly basis, the heading for this section must be 'What you will need to pay each month' and the column must be headed 'Monthly payments'.)

5.6.41

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All the payments in Section 6 of the *illustration* must be calculated based on the frequency used for the purposes of the headings in ■ MCOB 5.6.40 R and must be shown in the column on the right-hand side of this section.

5.6.42

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Section 6 of the *illustration* must contain the following information:

- (1) the loan amount on which the *illustration* is based. This figure should include all fees, charges and insurance premiums that have been added to the loan in accordance with ■ MCOB 5.6.18 R(2) and ■ MCOB 5.6.18 R(3), and the following text must follow the loan amount: 'and include[s] the [fees] [and] [insurance premiums] that are shown in [Section 8] [and] [Section 9] as being added to your mortgage.'
- (2) the assumed start date that has been used in the *illustration* to estimate the number of payments to be charged at given interest rates;
- (3) except where ■ MCOB 5.6.54 R applies, for each of the interest rates charged on the *regulated mortgage contract*:
 - (a) the number of payments at that interest rate;
 - (b) whether the interest rate is fixed or variable;
 - (c) the interest rate charged on the *regulated mortgage contract* at the time the *illustration* is issued; and
 - (d) the amount that the *customer* must pay in each instalment at that interest rate, which must be recorded in the right-hand column of this section (see ■ MCOB 5.6.48 R).

5.6.43

FCA

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Where the *illustration* covers a *regulated mortgage contract* that automatically converts from one repayment method to another after a specified period, then the *illustration* must show the effect of this change on the regular payment, in the same way as the requirements in ■ MCOB 5.6.42 R(3).

5.6.44

FCA

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If appropriate, the two statements required by ■ MCOB 5.6.42 R(1) and ■ MCOB 5.6.42 R(2) may be merged, for example 'These payments are based on a loan amount of £x and assume that the mortgage will start on [dd/mm/yy]'.

5.6.45

FCA

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■ MCOB 5.6.42 R(3) applies to each interest rate charged on the *regulated mortgage contract* covered by the *illustration*. This means that it applies to different interest rates charged at different times, for example, where the interest rate changes at the end of any initial discounted, fixed or other special interest rate period.

5.6.46 **R** The following information must be included in the description of the interest rate required by **■ MCOB 5.6.42 R(3)(c)** except where **■ MCOB 5.6.54 R** applies:

FCA

- (1) where the interest rate can change, the word 'currently' must be used to illustrate the current interest rate payable; and
- (2) where the interest rate changes after a given period the words 'followed by' must be used to indicate this.

5.6.47 **G** An example of how the information required by **■ MCOB 5.6.42 R(3)** and **■ MCOB 5.6.46 R** may be presented when there is an initial fixed interest rate for a period of 22 months followed by the *mortgage lender's* standard variable interest rate for a period of 278 months is as follows: '22 payments at a fixed rate of [...] % followed by 278 payments at a variable rate, currently [...] %'.

FCA

5.6.48 **R** The information required by **■ MCOB 5.6.42 R(3)(d)** must exclude:

FCA

- (1) the cost of repaying the capital if the *regulated mortgage contract* is an *interest-only mortgage*: where part of the *regulated mortgage contract* is an *interest-only mortgage*, the cost of repaying the capital must be excluded only for that part; and
- (2) the cost of any products which may be sold in conjunction with the *regulated mortgage contract* (whether *tied products* or not), unless the cost has been added to the mortgage.

5.6.49 **R** If, because of the assumed start date of the *regulated mortgage contract*, the initial payment differs from the subsequent payments, the initial payment must be shown in this section in accordance with **■ MCOB 5.6.42 R(3)(d)**.

FCA

5.6.50 **R** Where the *illustration* covers a *regulated mortgage contract* that is a combination of a *repayment mortgage* and an *interest-only mortgage*, the payment amounts in **■ MCOB 5.6.42 R(3)(d)** must be the combination of the amount to be paid on the *repayment mortgage* and the amount to be paid on the *interest-only mortgage*, unless **■ MCOB 5.6.13 R** or **■ MCOB 5.6.54 R** apply in which case they must be stated separately.

FCA

5.6.51 **R** Where the interest is deferred on the *regulated mortgage contract*, the following text must be included under the information on the deferred interest rate included in the *illustration* in accordance with **■ MCOB 5.6.42 R(3)**: "The interest deferred will be added to your mortgage. The table at Section [insert 6a or 6b if **■ MCOB 5.6.55 R** applies] of this illustration shows how this will affect the amount you owe."

FCA

5.6.52

FCA

R Where all or part of the *regulated mortgage contract* to which the *illustration* relates is an *interest-only mortgage*:

- (1) the *illustration* must include the sub-heading 'Cost of repaying the capital' with the following text under it: 'You will still owe [insert amount of loan on an interest-only basis] at the end of the mortgage term. You will need to make separate arrangements to repay this. When comparing the payments on this mortgage with a repayment mortgage, remember to add any money that you may need to pay into a separate savings plan to build up a lump sum to repay this amount.';
- (2) if the *regulated mortgage contract* requires the *customer* to take out a *tied product* as a *repayment strategy* either through the *mortgage lender* or *mortgage intermediary* then:
 - (a) include a sub-heading 'Savings plan that you must take out through [insert name of *mortgage lender* or *mortgage intermediary*]';
 - (b) include an accurate quotation or a reasonable estimate of the payments the *customer* will need to make for that *tied product* ; and
 - (c) if a quotation cannot be provided under (b), state that a quotation is not available at present, that a quotation will be provided as soon as possible and that in the event that this is provided after an application is made, and is found to be unacceptable to the *customer*, that the application may be cancelled with a full refund of all fees (in accordance with ■ MCOB 5.4.23 R(3)).
- (3) if the *illustration* includes a quotation for the payments that would need to be made by the *customer* for the *repayment strategy*:
 - (a) unless (2) applies, the *illustration* must include the sub-heading 'Savings plan that you do not have to take out through [insert name of *mortgage lender* or *mortgage intermediary*]';
 - (b) the *illustration* must provide a brief description only of the type of *repayment strategy* illustrated (full details of the *repayment strategy* may be provided separately);
 - (c) the quotation must be based on the frequency of payments in ■ MCOB 5.6.40 R and must be included in the column for payments alongside the description required by (b); and
 - (d) the *illustration* must refer the *customer* to the individual product disclosure documentation required by the Conduct of Business sourcebook (COBS).

- (4) if a quotation for the *repayment strategy* is not provided in the *illustration*, the *illustration* must include a '£' sign in the column for payments alongside the following text, which follows the text in (1): 'When you have found out what payments you need to make into a savings plan you may find it helpful to add these to your mortgage payments and put the total payment in the column opposite.';
- (5) unless ■ MCOB 5.6.55 R applies, if a quotation for the *repayment strategy* has been included in the *illustration*, Section 6 must be extended to illustrate the monthly cost inclusive of the savings plan and must have the sub-heading 'What you will need to pay each [insert frequency of payments from ■ MCOB 5.6.40 R] including the cost of a savings plan to repay the capital' and must include:
 - (a) the information required by ■ MCOB 5.6.42 R(3) for each interest rate charged on the *regulated mortgage contract*; and
 - (b) the sum of what the *customer* would need to pay in each instalment for the *regulated mortgage contract* and for the *repayment strategy* in the payments column. For example if payments are made monthly, this would be the amount that the *customer* would need to pay each month for the *regulated mortgage contract* and the *repayment strategy*. Where different interest rates are charged on the *regulated mortgage contract* the amount payable in each instalment at each interest rate must be shown in the payments column.

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5.6.53
FCA

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Table An example of how the information required by ■ MCOB 5.6.52 R (1), ■ MCOB 5.6.52 R (3) and ■ MCOB 5.6.52 R (5) may be presented is as follows:

Cost of repaying the capital You will still owe £Z at the end of the mortgage term. You will need to make separate arrangements to repay this. When comparing the payments on this mortgage with a repayment mortgage, remember to add any money that you may need to pay into a separate savings plan to build up a lump sum to repay this amount.

Savings plan that you do not have to take out through [insert name of mortgage lender or mortgage intermediary] Monthly payments

XYZ savings plan (see separate product disclosure document) £C

What you will need to pay each month including the cost of a savings plan to repay the capital

36 payments at a fixed rate currently x% followed by: £(A+C)

264 payments at a variable rate currently y%. £(B+C)

PAGE
35

5.6.54
FCA

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Multi-part mortgages

Where the loan under the *regulated mortgage contract* is divided into more than one part (for example, where part of the loan is on a fixed interest rate and part on a discounted variable interest rate) and the *firm* displays

the initial cost of all parts, and the total cost, in a tabular format in the *illustration*, ■ MCOB 5.6.42 R(3) and ■ MCOB 5.6.46 R do not apply; instead:

- (1) each part must be numbered for ease of reference in the *illustration*;
- (2) the loan amounts must be totalled;
- (3) the number and frequency of each payment must be stated;
- (4) the repayment method for each part must be stated;
- (5) the 'initial interest rate payable' for each part must be stated ;
- (6) whether the interest rate payable is fixed or variable for each part must be stated; and
- (7) the regular payment for each part must be stated and the total payment for all parts highlighted (excluding the information listed in ■ MCOB 5.6.48 R).

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5.6.55

FCA

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Unless all of the interest rates described in ■ MCOB 5.6.54 R(5) apply for the term of the loan part to which they apply, then an additional section numbered as 6a and titled 'What you will need to pay in future' must be included to indicate the future stepped payments (if ■ MCOB 5.6.51 R also applies then the section on deferred interest must be numbered 6b). This section must:

- (1) state when a change in payment will occur;
- (2) state the reason for the change in payment; and
- (3) confirm that the payment illustrated assumes interest rates will not change.

5.6.56

FCA

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Where ■ MCOB 5.6.55 R applies and part of the *regulated mortgage contract* is an *interest-only mortgage*:

- (1) if a quotation for the *repayment strategy* has been included in the *illustration* in accordance with ■ MCOB 5.6.52 R(3) then ■ MCOB 5.6.52 R(5) does not apply.
- (2) a statement is required to indicate that these payments do not include the cost of any savings plan.

5.6.57

FCA

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An example of a statement which would meet the requirements of ■ MCOB 5.6.56 R(2) would be 'Remember to add the cost of any savings plan to these monthly payments'.

Section 7: 'Are you comfortable with the risks?'

5.6.58

FCA

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■ MCOB 5.6.59 R to ■ MCOB 5.6.65 R do not apply to loans without a term or regular repayment plan where some or all of the interest rolls up, for example, *bridging loans*, secured overdrafts or *mortgage credit cards*. In these cases ■ MCOB 5.6.140 R to ■ MCOB 5.6.145 R apply.

5.6.59

FCA

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Under the section heading 'Are you comfortable with the risks?':

- (1) under the sub-heading 'What if interest rates go up?' the *illustration* must include the following:
 - (a) if the interest rate is fixed throughout the term of the *regulated mortgage contract*, an explanation that the payments will not vary because the interest rate is fixed;
 - (b) if the interest rate is fixed for part of the term of the *regulated mortgage contract*, an explanation of when or how increases in the interest rate charged on the *regulated mortgage contract* affect the *customer's* payments;
 - (c) if the interest rate cannot go above a certain level or below a certain level, or both, and this applies throughout the term of the *regulated mortgage contract*, an explanation that this is the case;
 - (d) if the interest rate cannot go above or below a certain level for part of the term of the *regulated mortgage contract*, an explanation that this is the case and of when or how increases in the interest rate charged on the *regulated mortgage contract* affect the *customer's* payments;
 - (e) (i) if (c) or (d) apply, the maximum or minimum interest rate, or both, and the payments at each of these interest rates; and
 - (ii) where a *repayment strategy* has been included in the *illustration* in accordance with ■ MCOB 5.6.52 R(3), the payments quoted in (i) must include the cost of the *repayment strategy* and state that this is the case;
 - (f) if the *regulated mortgage contract* is made up of a number of different parts including different types of interest rate and different rates of interest, an explanation of when or how increases in the interest rate charged on the *regulated mortgage contract* affect the *customer's* payments for each part (or combination of parts);
 - (g) except where (2)(a) or (2)(b) apply, the following text: 'The [frequency of payments from ■ MCOB 5.6.40 R] payments shown in this illustration could be considerably different if interest rates change. For example, for one percentage point increase in [describe the interest rate that applies], your [insert frequency

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of payments] payment will increase by around £[insert amount by which payment will increase]'; and

- (h) except where (2)(a) or (2)(b) apply, if (f) applies the following additional text after the text in (g), for each part (or combination of parts), where the amounts by which the *customer's* payments would increase are different: 'After the [describe the interest rate that applies, the part (or parts) to which it applies, and date or period for which it applies] then for one percentage point increase in [describe the interest rate that applies], your [insert frequency of payments] payment will increase by around £[insert amount by which payment will increase].'

(2) paragraphs (1)(g) and (1)(h) do not apply where:

- (a) the interest rate is fixed throughout the term of the *regulated mortgage contract*; or
- (b) the difference between the interest rate included in the *illustration* in accordance with ■ MCOB 5.6.42 R and the maximum interest rate that can be charged on the *regulated mortgage contract* is less than one percentage point.

(3) under the sub-heading 'What if your income goes down?': 'You will still have to pay your mortgage if you lose your job or if illness prevents you from working. Think about whether you could do this.'

5.6.60

FCA

R

The amount by which the *customer's* payments would increase in accordance with ■ MCOB 5.6.59 R(1)(g) and (h) must be calculated as follows:

- (1) the *firm* must use the total amount borrowed, or assume that all payments due on the *regulated mortgage contract* have actually been paid, all additional fees and payments due have been paid, and no underpayments or overpayments have been made;
- (2) where all or part of the *regulated mortgage contract* is a *repayment mortgage*, the calculation must be based on:
 - (a) the total amount borrowed; or
 - (b) the amount of the loan outstanding from the earliest point at which the interest rate charged on the *regulated mortgage contract* can vary (for example, if the *regulated mortgage contract* has an initial fixed interest rate, this will be from the point at which the fixed interest rate ends); and

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(3) the interest rate from which the increase is calculated must be the variable interest rate charged on the *regulated mortgage contract* at the date that the *illustration* is issued (that is, the variable interest rate quoted in Section 4 of the *illustration*); where the variable interest rate changes after a set period or on a set date, it must be based on the initial variable interest rate charged on the *regulated mortgage contract* at the date the *illustration* is issued (for example, if the initial interest rate is discounted, it must be based on the discounted rate).

5.6.61

FCA

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Although the effect of a one percentage point increase in interest rates on the *customer's* payments is not completely linear, the purpose of ■ MCOB 5.6.59 R(1)(g) and (h) is to show the approximate effect of such an increase.

Risk warning

5.6.62

FCA

R

Unless ■ MCOB 5.6.59 R(2)(a) or (b) apply, the following words must be prominently displayed at the end of the sub-section 'What if interest rates go up?': 'Rates may increase by much more than this so make sure you can afford the [insert frequency of payments from ■ MCOB 5.6.40 R] payment'.

5.6.63

FCA

R

The following words must be prominently displayed at the end of the sub-section 'What if your income goes down?': 'Make sure you can afford your mortgage if your income falls'.

5.6.64

FCA

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For guidance on prominence see ■ MCOB 2.2.9 G.

5.6.65

FCA

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The following text must be included at the end of Section 7 'Are you comfortable with the risks?': The *Money Advice Service* information sheet "You can afford your mortgage now, but what if...?" will help you consider the risks. You can get a free copy from <http://www.moneyadviceservice.org.uk>, or by calling 0300 500 5000.'

Section 8: 'What fees must you pay?'

5.6.66

FCA

R

Under the section heading 'What fees must you pay?' the *illustration* must:

- (1) itemise all the fees that are included in the calculation of the *APR* in accordance with ■ MCOB 10 (Annual Percentage Rate), excluding any charges for insurance set out in Section 9 in accordance with ■ MCOB 5.6.73 R; and
- (2) include a statement at the end of the section using the following text: 'You may have to pay other taxes or costs in addition to any fees shown here.'

5.6.67

FCA

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An example of a fee that would normally be included in Section 8 would be a fee to re-inspect a property after completion of works if it is known that this fee will be charged at the time the *illustration* is produced. An example of a fee that would not be included would be a fee payable by the *customer* to insure their property elsewhere (however this

would need to be stated in Section 9 of the *illustration* 'Insurance', as required by ■ MCOB 5.6.77 R(2)). Fees payable upon repayment of the *regulated mortgage contract* at the end of the mortgage term would need to be included. Where fees are payable only on early repayment of the *regulated mortgage contract*, they should not be stated here (however these fees would need to be stated in Section 10 of the *illustration* 'What happens if you do not want this mortgage any more', as required by ■ MCOB 5.6.88 R(2)).

5.6.68

FCA

R

The fees included in this section in accordance with ■ MCOB 5.6.66 R must be itemised under the relevant sub-headings as follows:

- (1) the fees that are payable by the *customer* to the *mortgage lender* must be itemised under the sub-heading 'Fees payable to [name of *mortgage lender*]';
- (2) the remaining fees must be itemised under the sub-heading 'Other fees'; and
- (3) (a) if there are no fees to be itemised in accordance with (1), the sub-heading must be retained and a statement must be included stating that no fees apply; and
 (b) if there are no fees to be itemised in accordance with (2), then the sub-heading must be retained and only the text in ■ MCOB 5.6.66 R(2) applies.

5.6.69

FCA

R

The following information must be provided for each fee included in this section of the *illustration* in accordance with ■ MCOB 5.6.66 R(1):

- (1) a description of the fee;
- (2) the amount payable by the *customer* recorded in a column headed 'Fee amount' on the right-hand side of this section;
- (3) for fees included under the sub-heading 'Other fees', to whom the fee is payable;
- (4) when the fee is payable;
- (5) whether or not the fee is refundable, and if so, the extent to which it is refundable; and
- (6) which fees (if any) are estimated in accordance with ■ MCOB 5.6.35 R(2) and based on representative information; and
- (7) if any fee is payable after the start of the *regulated mortgage contract* and subject to change in the future, for example a fee payable on final repayment of the *regulated mortgage contract*,

the amount of that fee, along with a statement that this is the 'current fee'.

5.6.70

FCA

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- (1) If a *higher lending charge* is payable by the *customer*, the following text must be used to describe such a charge for the purposes of
 - MCOB 5.6.69 R: 'A higher lending charge is payable because you are borrowing [insert the ratio of the mortgage amount (from ■ MCOB 5.6.6 R(2)) to the property's price or value (from ■ MCOB 5.6.6 R(3))] of the property's [estimated] [price/value].'
- (2) If the *customer* has asked for any fees to be added to the loan, this must be stated alongside each fee.
- (3) If the *customer* has the option of adding to the loan amount any of the fees included in this section, the following text must be included: 'If you wish you can add [this/these/the {type of fee}] fee(s) to the mortgage. This would increase the amount you borrow to [insert amount of the mortgage with the fee(s) included] and would increase the payments shown in Section 6. If you want to do this, you should ask for another illustration that shows the effect of this on your [insert frequency of payments from ■ MCOB 5.6.40 R] payments.'
- (4) Any fees that are estimated based on representative information in accordance with ■ MCOB 5.6.35 R(2) must include an appropriate explanation of what the fee represents. For example, if this section includes an estimated fee for the legal work that a *customer* might be charged by his conveyancer for carrying out work on behalf of the *mortgage lender*, the *illustration* must explain that the fee is estimated, and that it only covers part of the costs of legal work that the *customer* might need to pay.

5.6.71

FCA

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'Other fees' will include any fee charged by a *mortgage intermediary*, or another third party, for *advising on* or *arranging* a *regulated mortgage contract* but not commission or *procurement fees* (which are dealt with in Section 13 of the *illustration*).

5.6.72

FCA

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A *mortgage lender* must provide a *tariff of charges* to the *customer*, if the *customer* so requests.

Section 9: 'Insurance'

5.6.73

FCA

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- (1) Under the section heading 'Insurance' the *illustration* must include details of:
 - (a) insurance which is a *tied product*; and
 - (b) insurance which is required as a condition of the *regulated mortgage contract* which is not a *tied product*.

- (2) A *firm* may also provide details of insurance which it is optional for the *customer* to take out under this section heading.
- (3) It must be clear to the *customer* which products he is required to purchase under which circumstances (for example, where both a *tied product* and a *mortgage intermediary* are involved, whether the policy must be purchased from the *mortgage lender* or the *mortgage intermediary*).

5.6.74

FCA

R

Under the sub-heading 'Insurance you must take out through [insert name of *mortgage lender* or where relevant the name of the *mortgage intermediary*, or both]' the following information must be included if the *regulated mortgage contract* requires the *customer* to take out insurance that is a *tied product* either through the *mortgage lender* or where relevant the *mortgage intermediary*:

- (1) details of which insurance is a *tied product*;
- (2) for how long the *customer* is obliged to purchase the insurance;
- (3) an accurate quotation or a reasonable estimate of any payments the *customer* needs to make for the insurance;
- (4) where a quotation is provided for insurance in accordance with (3) on the basis of an estimated sum insured, because the actual required sum insured is unknown, the fact that it is estimated should be stated along with confirmation of the level of cover that has been assumed;
- (5) details of when the *customer's* payments for such insurance change, for example, if premiums are reviewed annually; and
- (6) where a quotation is not provided in accordance with (3) a statement of when and how a quotation will be provided (for example, separately and as soon as possible).

5.6.75

FCA

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Firms are reminded that ■ MCOB 5.4.23 R requires a *firm* to provide a *customer* with an accurate quotation for any *tied products*. Where the level of cover the *firm* requires the *customer* to take up is known at the outset, then the quotation should reflect that level of cover.

5.6.76

FCA

R

If the *regulated mortgage contract* does not require the *customer* to take out insurance as a *tied product*, the sub-heading 'Insurance you must take out through [insert the name of the *mortgage lender*, and where relevant the name of the *mortgage intermediary*]' must be retained and a statement must be provided under this heading that the *customer* is not obliged to take out any insurance through the *mortgage lender* or, where relevant, the *mortgage intermediary*.

5.6.77

FCA

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The following information must be included under the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert the name of the *mortgage lender*, or where relevant the name of the *mortgage intermediary*, or both]':

- (1) if the *regulated mortgage contract* requires the *customer* to take out an insurance policy (other than that which is a *tied product* which the *customer* is obliged to purchase through the *mortgage lender*, or where relevant the *mortgage intermediary*), a brief statement of the type of insurance the *firm* requires; a quotation for the insurance that the *firm* issuing the *illustration* wishes to promote to the *customer* may be included in the *illustration* (estimated where necessary);
- (2) if the *mortgage lender* or the *mortgage intermediary* makes a charge in cases where the *customer* does not arrange insurance that is a condition of the *regulated mortgage contract* through the *mortgage lender* or the *mortgage intermediary*, this must be stated, together with the amount of the charge and the frequency with which this charge is payable; and
- (3) if no insurance policies are required (other than that which is a *tied product*), the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name(s) of *mortgage lender* and, where relevant the *mortgage intermediary*]' must be retained in the *illustration* and a statement must be provided under this heading that no such insurance is required.

5.6.78

FCA

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Under the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name of *mortgage lender* or where relevant the name of the *mortgage intermediary*, or both]' the *illustration* should not include any insurance policy that may be taken out by a *mortgage lender* itself to protect its own interests rather than the *customer's* interests, for example, because of the ratio of the loan amount to the property value.

5.6.79

FCA

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If the cost of any insurance that the *mortgage lender* might take out to protect its own interests, because of the ratio of the loan amount to the property value, is passed on to the *customer*, it will be shown elsewhere in the *illustration*, for example, as a *higher lending charge* or in the interest rate charged.

5.6.80

FCA

R

A *firm* may include in the *illustration*, under the sub-heading 'Optional insurance', quotations (estimated where necessary) for any insurance products (other than the insurance products covered elsewhere in the *illustration* in accordance with ■ MCOB 5.6.74 R and ■ MCOB 5.6.77 R) that the *firm* issuing the *illustration* wishes to promote to the *customer*.

5.6.81 **R** If no quotations are included in the *illustration* in accordance with **FCA** ■ MCOB 5.6.80 R, the sub-heading 'Optional insurance' must not be included in the *illustration*.

5.6.82 **R** (1) If any quotations for insurance are included in the *illustration* in accordance with ■ MCOB 5.6.74 R(3), ■ MCOB 5.6.77 R(1) or ■ MCOB 5.6.80 R, the *illustration*:

(a) must include a brief description only of the type of insurance (full details of the insurance cover may however be provided separately); and

(b) (i) must include the total price to be paid by the *customer* in a column on the right hand side of the *illustration* under the heading '[insert frequency of payments quoted] payments'; and

(ii) may refer the *customer* to the individual insurance product disclosure documentation.

(2) If the *customer* has asked to add any insurance premiums or insurance-related charges to the amount borrowed in accordance with ■ MCOB 5.6.18 R(3), the illustration must state that this is the case.

5.6.83 **G** The terms on which an insurance premium has been calculated should be presented to the *customer* in the format determined by the relevant regulatory requirements. **FCA**

Section 10: 'What happens if you do not want this mortgage any more?'

5.6.84 **R** Under the heading 'What happens if you do not want this mortgage any more?', the *illustration* must include the following information on the *regulated mortgage contract*: **FCA**

(1) under the sub-heading 'Early repayment charges':

(a) an explanation that the *customer* cannot repay the *regulated mortgage contract* early, if this is the case;

(b) an explanation of whether *early repayment charges* are payable;

(c) an explanation of when *early repayment charges* are payable;

(d) an explanation of any other fees that are payable if the *regulated mortgage contract* is repaid early, and the current level of these fees;

(e) a basic explanation of the basis on which *early repayment charges* are calculated (for example, as a percentage of the loan or as so many months' interest), including where

appropriate details of any *cashback* or other incentives that must be repaid. The *illustration* may refer to a separate document for full details of all terms and conditions relating to the charges that apply if the *regulated mortgage contract* is repaid early;

- (f) example cash amounts of any *early repayment charges* indicating the range of charges that apply over the period during which such charges apply calculated in accordance with ■ MCOB 5.6.88 R, which must be described in the *illustration* as cash examples;
- (g) the maximum *early repayment charge* that the *customer* could be charged in accordance with ■ MCOB 12.3 (Early repayment charges), plus the cost of any other fees, which must be shown as cash amounts and described in the *illustration* as 'the maximum charge you could pay' [add if applicable, 'plus (a) fee(s) which (is/are) currently £x']; and

- (2) under the sub-heading 'What happens if you move house?': details of whether or not the *regulated mortgage contract* is portable on moving house and a brief explanation of any conditions or restrictions that apply including whether there are any restrictions on changing the terms of the *regulated mortgage contract* during the period in which any *early repayment charges* apply (a reference to another document may be made in order to provide the *customer* with further details of the conditions or restrictions).

5.6.85

FCA

G

The requirements in ■ MCOB 5.6.84 R(1) may be presented in a tabular format.

5.6.86

FCA

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Where ■ MCOB 5.6.84 R(1)(f) would result in more than three cash amounts being shown in the *illustration*, the cash amounts shown in the *illustration* may be restricted to three examples. These examples must be representative of the full range of charges that apply and not be limited to the lowest charges that apply. These three examples are in addition to:

- (1) any statement of the amount of any fees described in ■ MCOB 5.6.84 R(1)(d); and
- (2) the maximum *early repayment charge* required by ■ MCOB 5.6.84 R(1)(g).

5.6.87

FCA

G

An example which would comply with ■ MCOB 5.6.86 R would be if a five year fixed rate mortgage had a charge which reduced linearly by 1% each year from 5% in the first year to 1% in the final year and cash examples were used based on 5% in year 1, 3% in year 3 and 1% in year 5.

5.6.88

FCA

R

- (1) In calculating example cash amounts in accordance with ■ MCOB 5.6.84 R(1)(f), it must be assumed that:

- (a) the *regulated mortgage contract* is repaid in full;
- (b) unless the original amount borrowed is used, that all payments due on the *regulated mortgage contract* are actually paid;
- (c) additional fees and charges such as insurance premiums have been paid; and
- (d) no underpayments or overpayments have been made.

(2) If:

- (a) *cashbacks* or other incentives need to be repaid; or
- (b) fees need to be paid;

the amounts that would need to be repaid or paid must be included in the example cash amounts.

- (3) Where the calculation of the *early repayment charge* is based on the interest rate charged on the *regulated mortgage contract* or on interest rates generally, the interest rates used for the calculation of the example cash amounts must be those in force at the date that the *illustration* is issued to the *customer*.
- (4) The example cash amounts must reflect the maximum charge in a particular year. Where it is possible to state exact *early repayment charges* (that is, where all such charges are based on the original amount borrowed), the *illustration* must do so.

5.6.89

FCA

R

Where the cash examples from ■ MCOB 5.6.88 R included in the *illustration* would vary either if the interest rate charged on the *regulated mortgage contract* changed or with changes in interest rates generally, an appropriate warning that the *early repayment charges* may vary from the cash examples must be included in the *illustration*.

Section 11: 'What happens if you want to make overpayments?'.....

5.6.90

FCA

R

- (1) Under the section heading 'What happens if you want to make overpayments?', the *illustration* must include details of any restrictions on lump sum and regular overpayments on the *regulated mortgage contract*, together with a statement as to whether or not the amount on which the interest charged is recalculated is reduced immediately on receipt of any lump sum or regular overpayment.
- (2) Where such recalculation does not take place immediately (for example, if an annual rest method is used), then this statement must be accompanied by an explanation of when the amount on which the interest charged is recalculated is reduced following a lump sum or regular overpayment.

- (3) Where *early repayment charges* apply, this section must not repeat the details provided in Section 10 of the *illustration*, but may refer to Section 10.

5.6.91

FCA

G

Where the interest recalculation described in ■ MCOB 5.6.90 R takes place immediately, *firms* may add a statement in this section explaining that the *customer* will get the benefit of the overpayment immediately, and *firms* may refer to supplementary information to illustrate further, the benefits of making regular overpayments.

Section 12: 'Additional features'

5.6.92

FCA

R

Under the section heading 'Additional features' the *illustration* must include, where relevant, details of any additional features or facilities under the various sub-headings in ■ MCOB 5.6.94 R.

5.6.93

FCA

R

- (1) If none of the features at ■ MCOB 5.6.94 R are applicable to the *regulated mortgage contract* to which the *illustration* relates, the section headed 'Additional features' must be retained, but the sub-headings must not be included and a statement must be added to explain that there are no additional features.
- (2) Only those features available on the *regulated mortgage contract* need be included in the *illustration*.
- (3) If a *firm* provides a *customer* with supplementary information about any additional features or facilities over and above the information required under ■ MCOB 5.6.92 R to ■ MCOB 5.6.112 G, the *firm* may include a reference to that supplementary information in Section 12.

5.6.94

FCA

R

The relevant sub-headings are as follows:

- (1) 'Underpayments';
- (2) 'Payment holidays';
- (3) 'Borrow back';
- (4) 'Incentives';
- (5) 'Additional borrowing available without further approval';
- (6) 'Additional secured borrowing';
- (7) 'Credit card';
- (8) 'Unsecured borrowing';
- (9) 'Linked current account'; and

(10) 'Linked savings account'.

5.6.95
FCA

R Under the sub-heading 'Underpayments', the *illustration* must include details of circumstances in which the *customer* can make underpayments and a brief statement of any conditions that apply.

5.6.96
FCA

R Under the sub-heading 'Payment holidays', the *illustration* must include details of circumstances in which the *customer* can take *payment holidays* and a brief statement of any conditions that apply.

5.6.97
FCA

R Under the sub-heading 'Borrow back', the *illustration* must include details of circumstances in which the *customer* can *borrow back* any monies overpaid and a brief statement of any conditions that apply.

5.6.98
FCA

R Under the sub-heading 'Incentives', the *illustration* must include:

- (1) any incentives including *cashbacks*; and
- (2) if a *cashback* is provided, the amount of the *cashback* and details of when it is paid to the *customer*.

5.6.99
FCA

R Under the sub-heading 'Additional borrowing available without further approval', the *illustration* must provide details of circumstances in which there are any *linked borrowing* facilities that would allow the *customer* to increase the amount of the loan on which the *illustration* is based without any further approval from the *mortgage lender* (for example, if there are additional drawdown facilities).

5.6.100
FCA

R Under the sub-heading 'Additional secured borrowing', the *illustration* must provide details of circumstances in which additional *secured lending* is offered with the *regulated mortgage contract* that would allow the *customer*, subject to certain conditions, to increase the amount of the loan on which the *illustration* is based.

5.6.101
FCA

R Under the sub-heading 'Unsecured borrowing', the *illustration* must provide details of circumstances in which *unsecured lending* is offered with the *regulated mortgage contract* that would allow the *customer* to increase the amount of the loan on which the *illustration* is based.

5.6.102
FCA

R Under the sub-heading 'Credit card', the *illustration* must:

- (1) state if a credit card is offered with *the regulated mortgage contract*; and
- (2) if a credit card is offered and it is a *mortgage credit card*:
 - (a) unless (b) applies, include the following text: 'This card will not give you a number of the statutory rights associated with traditional credit cards. Your mortgage offer will tell you more about the differences.'; or

- (b) where the *mortgage lender* provides the *customer* with contractual rights in relation to a *mortgage credit card* equal to or greater than the rights that the *customer* would have under the Consumer Credit Act 1974 and CONC if the card were issued under a *regulated credit agreement*, include the following text: 'This card will not give you a number of the statutory rights associated with traditional credit cards. However, [insert name of *mortgage lender*] will ensure that you will be treated no differently from the user of a traditional credit card. Your mortgage offer will tell you more about this.'

5.6.103

FCA

R

Where any of the additional features under ■ MCOB 5.6.99 R to ■ MCOB 5.6.102 R inclusive apply, then the following must also be stated if the amount of additional borrowing that would be available to the *customer* is stated in the *illustration*:

- (1) the maximum additional amount available;
- (2) if the interest rate payable on any additional borrowing is different to the interest rate in Section 4 and Section 6 of the *illustration*, the interest rate and the *APR* charged on the additional borrowing. The *APR* must be calculated in accordance with ■ MCOB 10 (Annual Percentage Rate), based on the maximum amount of additional borrowing that would be permitted for the *customer* and the term of the loan from ■ MCOB 5.6.6 R(4);
- (3) the total resulting debt the *customer* could incur (including the original loan amount);
- (4) (where there is a regular payment plan) the payments on this total debt based on the frequency of payments in ■ MCOB 5.6.40 R and the current interest rate(s) applying on the date the *illustration* is issued;
- (5) whether this additional borrowing must be repaid in full if the original loan is repaid in full, along with details of any conditions that apply;
- (6) if *early repayment charges* apply to the additional amount borrowed:
 - (a) that *early repayment charges* are payable;
 - (b) an explanation of when *early repayment charges* are payable; and
 - (c) the maximum *early repayment charge* that the *customer* could be charged in accordance with ■ MCOB 12.3 (Early repayment charges) which must be shown as a cash amount; and

(7) if it is the case, that the maximum amount of borrowing available, or the terms and conditions, may change depending on factors such as ratio of the loan amount to the property value.

5.6.104
FCA

R Where more than one additional borrowing facility from **■ MCOB 5.6.99 R** to **■ MCOB 5.6.102 R** applies, the total debt and total payments due under all these *linked borrowing* facilities must be included under a separate sub-section titled 'Total additional borrowing'.

5.6.105
FCA

G The purpose of **■ MCOB 5.6.104 R** is to show the total amount of any additional borrowing facilities that would be available to the *customer* and the cost of utilising these facilities. It must combine the amount available under any *linked borrowing* facilities including additional *secured lending*, credit cards and *unsecured lending*.

5.6.106
FCA

R (1) Where additional features are included in accordance with **■ MCOB 5.6.92 R** and these are credit facilities that do not meet the definition of a *regulated mortgage contract* or a *regulated credit agreement*, the relevant parts of Section 12 of the *illustration* must include the following text:

'This additional feature is not regulated by the *FCA*'.

(2) Where additional features are included in accordance with **■ MCOB 5.6.92 R** and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 12 of the *illustration* must include the following text 'This additional feature is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. You will receive a separate credit agreement with any offer document for this additional feature, describing the detailed terms on which this feature is available.'

5.6.107
FCA

R Where all or part of the maximum amount of additional borrowing is secured on the *customer's* home, a prominent warning must be included that additional borrowing increases the amount of credit secured on the *customer's* home.

5.6.108
FCA

G Suitable wording for the warning contained in **■ MCOB 5.6.107 R** would be: 'This will increase the amount of borrowing secured on your home'.

5.6.109
FCA

R (1) Under the sub-heading 'Linked current account', the *illustration* must include the following information:

(a) whether a linked current account is a compulsory or optional product (if the current account is a compulsory product this must also be stated in Section 4 of the *illustration* in accordance with **■ MCOB 5.6.25 R(6)**);

- (b) an explanation of the interest rates that apply under different circumstances to the linked current account, if different from the interest rate charged on the *regulated mortgage contract* (for example, if a different interest rate applies if the account is overdrawn); and
- (c) the *firm* providing the linked current account if it is not the *mortgage lender*.

(2) If an example to show the effect of the linked current account on the *regulated mortgage contract* is included in the *illustration*, it must be based on the actual or likely amount that the *customer* intends to pay into the linked current account on a regular basis and the actual or likely expenditure profile of the *customer* concerned.

5.6.110

R

FCA

- (1) Under the sub-heading 'Linked savings account', the *illustration* must include the following information:
 - (a) whether a linked savings account is a compulsory or optional product (if the savings account is a compulsory product this must also be stated in Section 4 of the *illustration* in accordance with ■ MCOB 5.6.25 R(6));
 - (b) the interest rate paid on the linked savings account if it differs from the interest rate charged on the *regulated mortgage contract*; and
 - (c) the *firm* providing the linked savings account if it is not the *mortgage lender*.

(2) If an example to show the effect of the linked savings account on the *regulated mortgage contract* is included in the *illustration*, it must be based on the actual or likely level of relevant savings for the *customer* concerned.

5.6.111

G

FCA

If an example is included in the *illustration* in accordance with ■ MCOB 5.6.109 R(2) or ■ MCOB 5.6.110 R(2), it must be based on information obtained from the *customer* and the amounts that are intended to be paid into the current or savings account on a regular basis; the amounts that it is intended are saved; and the actual or likely expenditure profile. The amounts involved and the expenditure profile should not be standard assumptions made by the *firm*, but should be those of the *customer* or the relevant person who would hold the accounts, or both, and be of a conservative nature. These assumptions should be stated in the *illustration*. For example, it should not be assumed that the *customer* will make lump sum payments unless he has indicated that he intends to do so, and in the case of linked current accounts it should not be assumed that the *customer* or person holding the account leaves monies in the current account at the end of each month unless he actually does so, or intends to do so. In this case, a conservative assumption might be that the *customer* spends all the money paid into his current account evenly over the month.

5.6.112 FCA G If a linked current account and a linked savings account are offered as part of the *regulated mortgage contract*, the examples in ■ MCOB 5.6.109 R(2) and ■ MCOB 5.6.110 R(2) can be combined into one example.

Section 13: 'Using a mortgage intermediary'

5.6.113 FCA R Where the *illustration* is issued to a *customer* by, or on behalf of, a *mortgage intermediary*, Section 13 'Using a mortgage intermediary' must be included in the *illustration* and must include the following:

- (1) unless ■ MCOB 5.6.114 R applies, a clear statement of the amount payable (either directly or indirectly) by the *mortgage lender* to the *mortgage intermediary*, or to any third parties; and
- (2) the name of the *mortgage lender* who will make the payment, the name of the *mortgage intermediary* and the names of any third parties who will be paid.

5.6.114 FCA R If the amount payable by the *mortgage lender* to the *mortgage intermediary* and to third parties is £250 or less, the *mortgage intermediary* need only state that the amount of the payment is 'no more than £250', unless the *customer* requests the actual amount.

5.6.115 FCA R If the *mortgage intermediary* will pass to the *customer* all or part of the amount payable to the *mortgage intermediary* under ■ MCOB 5.6.113 R(1) or ■ MCOB 5.6.114 R, that fact may be stated in this section, along with the amount payable to the *customer*.

5.6.116 FCA R If the *mortgage lender* will make no payment to the *mortgage intermediary* or any third party, this section may state that the *mortgage intermediary* will receive no payment.

5.6.117 FCA R The amount payable in ■ MCOB 5.6.113 R(1) or ■ MCOB 5.6.114 R must include, but is not limited to:

- (1) any *procurator fee*; and
- (2) a cash value for any material non-cash inducements that the *mortgage lender* provides to a *mortgage intermediary* or third party, whether payable directly or indirectly.

5.6.118 FCA G ■ MCOB 2.3.7 R requires any material inducements provided by a *mortgage lender*, whether directly or indirectly, to a *mortgage intermediary* or third party (unless the payment only reflects the cost of outsourcing work relating to the processing of mortgage applications by a *firm* unconnected to the *mortgage intermediary*) to be quantified in cash terms, which will enable the cash values to be included in the *illustration* in accordance with ■ MCOB 5.6.117 R.

5.6.119 G An example of a statement which would comply with ■ MCOB 5.6.113 R and ■ MCOB 5.6.117 R would be: '[name of *mortgage lender*] will pay [name of *mortgage intermediary*] an amount of £350 in cash and benefits if you take out this mortgage.'

FCA

Section 14: 'Where can you get more information about mortgages?'

5.6.120 R This section must be renumbered Section 13 if the *illustration* is not provided by, or on behalf of, a *mortgage intermediary*.

FCA

5.6.121 R Under the section heading 'Where can you get more information about mortgages?', the prescribed text under this heading in ■ MCOB 5 Annex 1 R must be included.

FCA

Contact details

5.6.122 R This section must follow the section 'Where can you get further information about mortgages?' and must include the name, address and contact point of the *firm* providing the *illustration*.

FCA

5.6.123 G An example of wording which would comply with ■ MCOB 5.6.122 R would be: 'If you wish to discuss this mortgage illustration please contact [name of *firm*] at [address] or on [telephone number]'.

FCA

Risk warning

- 5.6.124** R
- (1) The following words must be prominently displayed in the *illustration*, after the contact details: 'Your home may be repossessed if you do not keep up repayments on your mortgage'.
 - (2) If the loan may be secured on property which is not the *customer's* home the statement in (1) may be amended but only to the extent necessary in order to reflect that fact.

FCA

5.6.125 G For guidance on prominence see ■ MCOB 2.2.9 G.

FCA

Amortisation table

- 5.6.126** G
- (1) An amortisation table may be added to the end of the *illustration* after the information required by ■ MCOB 5.6.124 R if the *mortgage lender* or *mortgage intermediary* wishes. A *firm* may find that this is particularly appropriate to illustrate certain types of *regulated mortgage contract*, for example, a *regulated mortgage contract* with more than one part.
 - (2) The purpose of (1) is to permit a *firm* to add an amortisation table in accordance with the European Commission's 'Recommendation of 1 March 2001 on pre-contractual information to be given to consumers by lenders offering home loans' (C(2001) 477 final).

FCA

5.6.127

FCA

R

Foreign currency mortgages

If the *customer's* liability under a *regulated mortgage contract* is in a currency other than sterling, ■ MCOB 5.6 applies to the *illustration* for that *regulated mortgage contract* with the following amendments:

- (1) all cash amounts must be given in the relevant currency except where otherwise required in (2)(a) and (3);
- (2) the following information must be stated under Section 4 'Description of this mortgage':
 - (a) the amount in sterling on which the *illustration* is based from ■ MCOB 5.6.6 R(2) based on the exchange rate in (2)(b);
 - (b) the exchange rate used; and
 - (c) when the exchange rate quoted applied;
- (3) the following text must be added at the end of Section 4 'Description of this mortgage': 'This illustration is based on the sterling equivalent of [insert details from (2)(a)] based on [insert details from (2)(b)] as at [insert details from (2)(c)]. Exchange rates can vary significantly. The effect of a 5% decrease in the value of sterling to the [insert name of relevant currency] would increase your total borrowing to [insert amount to which the amount borrowed from ■ MCOB 5.6.6 R(2) would increase in sterling]. This would increase your [insert frequency of payments from ■ MCOB 5.6.40 R] payments by the sterling equivalent of £[insert amount in sterling].' The following information must be added to this text:
 - (a) the cash amount to which the amount borrowed would increase in sterling if there was a decline of 5% in the value of sterling when compared to the relevant currency; and
 - (b) the amount by which (2)(b) would increase the *customer's* payments based on the frequency of payments from ■ MCOB 5.6.40 R, shown as a sterling equivalent cash amount.

Risk warning

5.6.128

FCA

R

The text at ■ MCOB 5.6.124 R must be immediately followed by the following additional text, prominently displayed (see ■ MCOB 2.2.9 G): 'Changes in the exchange rate may increase the sterling equivalent of your debt.'

5.6.129

FCA

R

Shared appreciation mortgages

If the *regulated mortgage contract* is a *shared appreciation mortgage*,
 ■ MCOB 5.6 applies to the *illustration* with the following amendments:

- (1) Section 4 'Description of this mortgage' must contain the following additional information and text in this order after the details required by ■ MCOB 5.6.25 R to ■ MCOB 5.6.29 R:
 - (a) 'This mortgage involves [name of *mortgage lender*] taking a percentage share in any increase in the value of your property [insert details of all occasions when the share will be payable to the *mortgage lender*, for example, "after x years, or when this mortgage comes to an end or is terminated early"]. The amount [name of *mortgage lender*] will take depends on any increase in the value of your property.' [Include if relevant: 'If your property falls in value between now and the end of this mortgage you will be required to pay [add details of what the *customer* will need to pay the *mortgage lender* if the property falls in value.];
 - (b) (i) a basic explanation of how the amount of the share payable to the *mortgage lender* is calculated including the proportions of any given increase in the value of the property and whether this is dependent on the level of growth (for example, that the share payable to the *mortgage lender* is all of the increase in value of the property for the first 5% increase in value, plus half of the additional increase in the value of the property above this);
 - (ii) a reference to a separate document for full details of the terms and conditions relating to the amount of the share payable followed by: 'The example below shows how this works. EXAMPLE: Based on the current [estimated] value of your property of [insert details from ■ MCOB 5.6.6 R(3)], the example(s) below show(s) what your property value would be and what share of that value [name of *mortgage lender*] would take after [insert term of the loan in accordance with ■ MCOB 5.6.6 R(4) or the term after which the equity share becomes payable if less] if the value of your property increased. [Include if relevant: "and what would happen if your property decreased in value."] Please note that you should add this payment to the amount of any early repayment charges that may be payable - see Section 10';
 - (c) except where (g) applies, example cash amounts for the value of the property and the corresponding amount of the equity share payable assuming an average annual increase, in the value of the property secured by the *regulated mortgage contract* of 1%, 5% and 10% over the term from (i);

5

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- (d) if the *customer* would be required to pay the *mortgage lender* an amount because the value of the property on which the *regulated mortgage contract* would be secured had decreased from its value at the start of the term of the *regulated mortgage contract*, include example cash amounts for the value of the property and the corresponding amount payable assuming an average annual decrease, in the value of the property secured by the *regulated mortgage contract* of 1%, 5% and 10% over the term from (i);
 - (e) if the amount of the equity share payable cannot go above or below a certain level, an explanation that this is the case along with a cash example described as 'the maximum amount you could pay';
 - (f) include this text after the cash examples in (c) (or, if applicable, after the cash examples in (d) or (e)): 'This is not an indication of how the actual value of your property may change.';
 - (g) where (c) or (d) apply and the maximum percentage equity share payable is less than the example percentages in (c) or (d), only cash examples for those percentages required by (c) or (d) which are below this maximum need be quoted, along with the maximum in accordance with (e);
 - (h) if there are no restrictions on the amount of the equity share payable, the following text should follow the text in (f): 'The amount you will need to pay could be much higher than this.'; and
 - (i) for the purposes of the examples required by (c) or (d), the term used must be stated and must be the term of the *regulated mortgage contract* in accordance with
■ MCOB 5.6.6 R(4) or the term after which the equity share becomes payable, if less;
- (2) Section 5 'Overall cost of this mortgage' of the *illustration* must contain the following text at the end of the section: 'The APR and the total amount you must pay do not take account of the share that [insert name of *mortgage lender*] takes in any increase in the value of your property as described in Section 4. So you should not use these measures to compare this mortgage with other mortgages that do not involve [insert name of *mortgage lender*] taking a share in any increase in the value of your property.'; and
- (3) Section 10 'What happens if you do not want this mortgage any more?' must contain the following text at the end of the first sub-heading 'Early repayment charges': 'Remember to add the

cost of paying any share in the value of the property to [insert name of *mortgage lender*] - see Section 4.'

5.6.130

G

The requirements in ■ MCOB 5.6.129 R(1)(c) and (d) may be presented in a tabular format.

FCA

Risk warning

5.6.131

R

The requirements at ■ MCOB 5.6.129 R(1) must be immediately followed by the following additional text, prominently displayed (see ■ MCOB 2.2.9 G): 'You will need to pay this share in the value of your property either as a lump sum or through extra loan payments. Think carefully about whether you can afford this.'

FCA

Deferred interest rate mortgages

5.6.132

R

If the interest rate charged on the *regulated mortgage contract* is deferred, ■ MCOB 5.6 applies with the following additions:

FCA

- (1) A section headed: 'Effect of deferring interest on the amount you owe' must be included in the *illustration* after Section 6.
- (2) This section must be numbered 6a so that the numbering follows on consecutively from the preceding section unless ■ MCOB 5.6.55 R applies in which case it should be numbered 6b.
- (3) Under the section heading the following text must be included: 'This table shows the effect of the deferred interest being added to the amount you owe'; and if the interest rate is variable: 'The amounts shown in this table could be considerably different if the interest rate changes.'
- (4) Under the text in (3), a table must be included showing each year or part year that the interest rate charged on the *regulated mortgage contract* is deferred, in the format set out in ■ MCOB 5 Annex 1 R and containing the following information in the columns under the following headings:
 - (a) 'Year': This must list the years as 1, 2, 3 and so on for each year or part year that the interest charged on the *regulated mortgage contract* is deferred. Where the interest rate charged on the *regulated mortgage contract* changes at a particular date rather than annually, the table may be adapted to accommodate this (for example, by including details of more than one interest rate each year).
 - (b) 'Interest deferred': This must show the percentage of interest deferred based on the rates charged on the *regulated mortgage contract* at the date the *illustration* is issued.

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- (c) 'Amount of deferred interest added to the mortgage': This must show the cumulative amount that is added to the loan as a cash amount as a result of deferring the payment of interest.
- (d) 'Remaining debt before deferred interest is added': This must show the amount of loan outstanding on the *regulated mortgage contract* before any deferred interest is added.
- (e) 'Remaining debt with deferred interest added': This must show the amounts from (4)(c) and (4)(d) added together.

Alternative requirements for loans without a term or a regular repayment plan Section 6: 'What you will need to pay each [insert frequency of payments from MCOB 5.6.40R]'

5.6.133

FCA

R

■ MCOB 5.6.134 R to ■ MCOB 5.6.138 G apply only to loans without a term or regular payment plan where some or all of the interest rolls up, for example *bridging loans* , secured overdrafts or *mortgage credit cards*.

5.6.134

FCA

R

The heading for Section 6 of the *illustration* and the heading of the column on the right-hand side of this section must state the frequency with which payments must be made by the *customer*. (For example, if payments were to be made on a monthly basis, the heading for this section would be 'What you will need to pay each month' and the column would be headed 'Monthly payments'). Where no regular payments are required on the *regulated mortgage contract*, for example where all interest is rolled-up on a *bridging loan* , then this section must be retained and the frequency of payments assumed must be 'monthly'.

5.6.135

FCA

R

All the payments in Section 6 of the *illustration* must be calculated based on the frequency used for the purposes of the headings in ■ MCOB 5.6.40 R and must be shown in the column on the right-hand side of this section. If no payments are required, for example on a *bridging loan* or secured overdraft, then this column should be marked on the *illustration* as nil.

5.6.136

FCA

R

Section 6 of the *illustration* must contain the following information:

- (1) the loan amount on which the *illustration* is based. Where fees are being added to the loan then this figure should include all fees, charges and insurance premiums that have been added to the loan in accordance with ■ MCOB 5.6.18 R(2) and ■ MCOB 5.6.18 R(3), and the following text must follow the loan amount:'and include[s] the fees [and insurance premiums] that are shown in Section 8 [and Section 9] as being added to your mortgage.';
- (2) the assumed start date that has been used in the *illustration* must be stated using the following text:'This illustration assumes that the mortgage will start on [insert assumed start date].';

- (3) where no payments are required (or no payments are allowed), for example a *bridging loan* or secured overdraft, then section 6 of the *illustration* should state if no payments are required or no payments can be made; or
- (4) where a minimum payment is required, for example on a *mortgage credit card*:
 - (a) a statement that a minimum payment will be required;
 - (b) an explanation of the basis on which this has been calculated, for example a percentage of the loan amount;
 - (c) if this monthly payment is insufficient on its own to repay the *regulated mortgage contract* over the term specified, the following text: 'This payment will not be sufficient to repay the mortgage over the term specified'; and
 - (d) the amount that the *customer* must pay, recorded in the right-hand column of this section.

5.6.137
FCA

G An example of the statement required by ■ MCOB 5.6.136 R(3) would be: 'You [do not need to/cannot] make regular payments on this mortgage.'

5.6.138
FCA

G An example of ■ MCOB 5.6.136 R(4) would be: 'You need to make minimum payments as follows: 3% of the amount outstanding £x.xx This payment will not be sufficient to repay the mortgage over the term specified.'

Section 7: 'Are you comfortable with the risks?'

5.6.139
FCA

R ■ MCOB 5.6.140 R to ■ MCOB 5.6.145 R apply only to loans without a term or regular payment plan where some or all of the interest rolls up, for example *bridging loans* , secured overdrafts or *mortgage credit cards*.

5.6.140
FCA

R Under the section heading 'Are you comfortable with the risks?':

- (1) under the sub-heading 'What if interest rates go up?' the *illustration* must include the following:
 - (a) if the interest rate is fixed throughout the term of the *regulated mortgage contract*, an explanation that the interest rate will not vary because the interest rate is fixed;
 - (b) if the interest rate is fixed for part of the term of the *regulated mortgage contract*, an explanation of when or how increases in the interest rate charged on the *regulated mortgage contract* affect the amount the *customer* must pay back;
 - (c) if the interest rate cannot go above or below a certain level, or both, throughout the term of the *regulated mortgage contract*, an explanation that this is the case;

- (d) if the interest rate cannot go above or below a certain level for part of the term of the *regulated mortgage contract*, an explanation that this is the case and of when or how increases in the interest rate charged on the *regulated mortgage contract* affect the amount the *customer* must pay back;
- (e) except where (2)(a) or (2)(b) apply, Section 7 of the *illustration* must include the following text: 'The total amount you must pay back shown in this illustration could be considerably different if interest rates change. For example, for one percentage point increase in [describe the interest rate that applies], the total amount you must pay back will increase by around £[insert amount by which the *total amount payable* will increase].'

(2) paragraph (1)(e) does not apply:

- (a) where the interest rate is fixed throughout the term of the *regulated mortgage contract*; or
- (b) where the difference between the interest rate included in the *illustration* in accordance with ■ MCOB 5.6.25 R(2) and the maximum interest rate that can be charged on the *regulated mortgage contract* is less than one percentage point.

(3) under the sub-heading 'What if your income goes down?': 'You will still have to pay your mortgage if you lose your job or if illness prevents you from working. Think about whether you could do this.'

5.6.141

FCA

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The amount by which the *total amount payable* would increase in accordance with ■ MCOB 5.6.140 R(1)(e) must be calculated as follows:

- (1) unless the total amount borrowed is used, it must be assumed that all payments due on the *regulated mortgage contract* have actually been paid, all additional fees and payments due have been paid, and no under or overpayments have been made;
- (2) unless the total amount borrowed is used, the calculation must be based on the amount of the loan outstanding from the earliest point at which the interest rate charged on the *regulated mortgage contract* can vary; for example, if the *regulated mortgage contract* has an initial fixed interest rate, this will be from the point at which the fixed interest rate ends;
- (3) the interest rate from which the increase is calculated must be the variable interest rate charged on the *regulated mortgage contract* at the date that the *illustration* is issued (that is, the

variable interest rate quoted in Section 4 of the *illustration*); where the variable interest rate changes after a set period or on a set date, it must be based on the initial variable interest rate charged on the *regulated mortgage contract* at the date the *illustration* is issued. (For example, if the initial interest rate is discounted, it must be based on the discounted rate.)

Risk warning

5.6.142
FCA

R Unless **■** MCOB 5.6.140 R(2)(a) or (b) applies, the following words must be prominently displayed at the end of the sub-section 'What if interest rates go up?': 'Rates may increase by much more than this so make sure you can afford this loan.'

5.6.143
FCA

R The following words must be prominently displayed at the end of the sub-section 'What if your income goes down?': 'Make sure you can afford your mortgage if your income falls'.

5.6.144
FCA

G For guidance on prominence see **■** MCOB 2.2.9 G.

5.6.145
FCA

R The following text must be included at the end of Section 7 'Are you comfortable with the risks?': The *Money Advice Service* information sheet "You can afford your mortgage now, but what if...?" will help you consider the risks. You can get a free copy from <http://www.moneyadviceservice.org.uk>, or by calling 0300 500 5000.'

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

5.7.1

FCA

R

Where the *regulated mortgage contract* is for a business purpose or a *high net worth mortgage customer*, a *firm* may choose to provide a *business illustration* or *high net worth illustration* (as applicable) (in compliance with ■ MCOB 5.7.2 R) instead of complying with ■ MCOB 5.6.

5.7.1A

FCA

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Firms are reminded that, in accordance with ■ MCOB 1.2.3 R, they should comply in full with *MCOB*, but in doing so may opt to take account of all tailored provisions in *MCOB* that relate to business loans or loans to *high net worth mortgage customers*. Therefore, a *firm* may only follow the tailored provisions in ■ MCOB 5.7 in relation to one of these sectors if it also follows all other tailored provisions in *MCOB* that relate to that sector. In either case, the rest of *MCOB* applies in full.

5.7.2

FCA

R

A *business illustration* or *high net worth illustration* provided to a *customer* must:

- (1) use the headings and prescribed text in ■ MCOB 5 Annex 1 R (except as provided in ■ MCOB 5.7) but need not follow the format;
- (2) include the content required by ■ MCOB 5.6.3 R to ■ MCOB 5.6.130 G (except ■ MCOB 5.6.5 R, ■ MCOB 5.6.101 R, ■ MCOB 5.6.109 R to ■ MCOB 5.6.112 G, ■ MCOB 5.6.120 R and ■ MCOB 5.6.121 R);
- (3) use the key facts logo followed by the text 'about this [term used by the *firm* to describe the borrowing, for example 'mortgage']';
- (4) use font sizes and typefaces consistently throughout the *business illustration* or *high net worth illustration* which are sufficiently legible so that the *business illustration* or *high net worth illustration* can be easily read by a typical *customer*;
- (5) ensure that the information is clearly laid out (for example, through the use of bullet points or similar devices to separate information);

- (6) describe any *early repayment charge* as an 'early repayment charge' and not use any other expression to describe such charges;
- (7) describe any *higher lending charge* as a 'higher lending charge' and not use any other expression to describe such charges; and
- (8) include the risk warning described in ■ MCOB 5.6.124 R, or an equally clear and effective variation of this reflecting the nature of the *regulated mortgage contract*.

5.7.3

FCA

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- (1) ■ MCOB 5.7.2 R(1) means that *firms* do not have to follow the ordering of sections set down in ■ MCOB 5.6, although they may choose to do so.
- (2) In accordance with ■ MCOB 5.7.2 R(8) an example of an appropriate variation to the risk warning would be: 'Your home may be repossessed if you are unable to fulfil the terms of this secured overdraft'.
- (3) A *firm* may also choose to include other information beyond that required by ■ MCOB 5.6. However, when adding additional material a *firm* should have regard to:
 - (a) the intended use of the *business illustration* or *high net worth illustration* as an aid to comparison by *customers*; and
 - (b) the requirement in ■ MCOB 2.2.6 that any communication should be clear, fair and not misleading.
- (4) The *business illustration* or *high net worth illustration* provided in accordance with ■ MCOB 5.7.2 R should be based upon the total borrowing that the *firm* is willing to provide under the *regulated mortgage contract*. This means that there is no requirement for a *firm* to provide a further *business illustration* or *high net worth illustration* (or *business offer document* or *high net worth offer document*) where a *customer* redraws against payments made under the *regulated mortgage contract*, providing this redrawing does not exceed the borrowing described in the original *business offer document* or *high net worth offer document*.
- (5) ■ MCOB 5.6.6 R(4) requires that where the term of the *regulated mortgage contract* is open-ended, the *business illustration* or *high net worth illustration* must be based on an assumed term of 12 months and that this assumption must be stated. This does not mean that a *firm* is limited in the actual term of the *regulated mortgage contract*. A *firm* is able to include in the *business illustration* or *high net worth illustration* an explanation that while a 12-month term has been assumed for the purpose of the *business illustration* or *high net worth illustration*, the *regulated mortgage contract* itself will be open-ended.

5.7.4

FCA

R

Any *business illustration* or *high net worth illustration* provided by a *firm* must be limited to facilities provided under a *regulated mortgage contract*.

5.7.5

FCA

R

■ MCOB 5.6.31 R(2), ■ MCOB 5.6.52 R(1) and ■ MCOB 5.6.52 R(4) prescribe text that should be used to remind a *customer* with an *interest-only mortgage* that there is a need to separately arrange for the repayment of

capital. The options for repayment of capital may be different where the *regulated mortgage contract* is for a business purpose or a *high net worth mortgage customer*, and a *firm* must vary the prescribed wording in the *business illustration* or *high net worth illustration* to reflect this. One approach may be for the *firm* to revise the wording to reflect how the *customer* has said he will repay the capital.

5.7.6
FCA

R

- (1) When providing a *business illustration* or *high net worth illustration* in accordance with ■ MCOB 5.7.2 R a *firm* should describe facilities provided under the *regulated mortgage contract* that are not a loan within section 12 (Additional features) of the *business illustration* or *high net worth illustration*.
- (2) In complying with (1), a *firm* should follow the requirements in ■ MCOB 5.6.92 R ■ MCOB 5.6.108 G where these are relevant. Where the facility is of a type not considered in ■ MCOB 5.6.92 R ■ MCOB 5.6.108 G the *firm* should provide in section 12:
 - (a) a brief description of the facility involved;
 - (b) the term of the facility if different from the term described elsewhere in the *business illustration* or *high net worth illustration*; and
 - (c) a summary of any charges, including any *early repayment charges*, which apply to the operation of the facility.
- (3) Full information on any facility described in section 12 must be provided in supplementary materials that accompany the *business illustration* or *high net worth illustration* .

5.7.7
FCA

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- (1) In accordance with ■ MCOB 5.7.6 R(1), where the *regulated mortgage contract* includes a loan, the facilities described in section 12 of the *business illustration* or *high net worth illustration* should include the existence of, and a simple explanation of, any all monies charge, any contingent liabilities such as guarantees and so on.
- (2) Where the *regulated mortgage contract* includes more than one loan facility (such as a secured loan and a separate secured overdraft facility) the *business illustration* or *high net worth illustration* should be based upon the primary facility and describe any other loan within section 12.



5.8 Home purchase plans

5.9

Applying for a home purchase plan

Note: The rules regarding applying for a *home purchase plan* are set out in ■ MCOB 5.3.

Financial information statement: timing

5.8.1

FCA

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Except in the circumstances in ■ MCOB 5.8.1A R, a *firm* dealing directly with a *customer* must ensure that the *customer* is, or has been, provided with an appropriate financial information statement for a *home purchase plan* in a *durable medium*:

- (1) before the *customer* submits an application for that particular plan to a *home purchase provider*; and
- (2) without undue delay when any of the following occurs:
 - (a) the *firm* advises the particular *customer* to enter into one or more *home purchase plans*, in which case a financial information statement must be provided at the point the *advice* is given (and financial information statements for all recommended *home purchase plans* must be provided), unless the *advice* is given by telephone, in which case the *firm* must provide a financial information statement within five *business days*; or
 - (b) [deleted]
 - (c) [deleted]
 - (d) the *customer* requests a financial information statement, unless the *firm* is aware that it is unable to offer that *home purchase plan* to him; or
 - (e) as part of an *execution-only sale* (or potential *execution-only sale*) the *customer* has provided the *firm* with the information in ■ MCOB 4.10.9D R (Execution-only sales) (see ■ MCOB 4.10.9B R and ■ MCOB 4.10.9C G) to indicate which *home purchase plan* or variation he wishes to enter into.

- (3) A *firm* may comply with (1) and (2) by providing an *offer document* if this can be done as quickly as providing a financial information statement.

5.8.1A

FCA

R A *firm* need not provide a financial information statement:

- (1) in relation to a *direct deal*; or
- (2) if the *customer* refuses to disclose key information (for example, in a telephone conversation, his name or a communication address) or where the *customer* is not interested in pursuing the enquiry; or
- (3) if the *firm* does not wish to do business with the *customer*.

5.8.1B

FCA

R If the *firm* chooses not to give a financial information statement in the circumstances set out in **■ MCOB 5.8.1A R**, where it has given *advice* on a *direct deal*, the *firm* must give the *customer* a written record of the *advice*.

5.8.2

FCA

G In ensuring that the *customer* is provided with an appropriate financial information statement, a *firm* need not provide another when one that remains appropriate has already been provided for that particular *home purchase plan*. If a financial information statement ceases to be appropriate, for example because the terms of the proposed plan are subsequently materially altered, a new appropriate statement must be provided.

5.8.3

FCA

G The guidance on the timing of mortgage *illustrations* may be relevant (see **■ MCOB 5.5**).

Financial information statement: format

5.8.4

FCA

R A financial information statement must:

- (1) be personalised to reflect the *customer's* requirements;
- (2) contain only the material prescribed or permitted in this section;
- (3) contain that material in the order set out in this section; and
- (4) present the material concisely, clearly and consistently.

5.8.5

FCA

R A financial information statement, if not set out in a separate document, must be:

- (1) in a prominent place within the document and clearly identifiable as key information that the *customer* should read; and
- (2) separate from the other content of the document in which it is included.

5.8.6

FCA

G

The guidance on the content, order and format of *illustrations* may be relevant (see ■ MCOB 5.6.4 G).

Financial information statement: content

5.8.7

FCA

R

A financial information statement must contain:

- (1) a prominent keyfacts logo at the top of the statement;
- (2) the term of the *home purchase plan*;
- (3) the overall cost of the plan, comprising:
 - (a) the purchase price of the property;
 - (b) the deposit payable;
 - (c) the amount of the plan required;
 - (d) the amount of any *fees* added to the plan;
 - (e) the total amount payable; and
 - (f) the amount the *customer* must pay per £1 provided under the plan;
- (4) details of the payments the *customer* must make, including:
 - (a) the assumed start date;
 - (b) all rental rates that will apply;
 - (c) when the rental rates will apply and for how long;
 - (d) for each rental rate, the number, frequency and amount of the periodic payments that will apply;
 - (e) in relation to the first periodic payment, the amount of the purchase payment and of the rental payment;
 - (f) the amount of any insurance rent payments;
 - (g) a summary total; and
 - (h) details of when the summary total will change.

5.8.8

FCA

R

A financial information statement may contain a figure equivalent to an *APR* after the amount the *customer* must pay per £1 provided under the *home purchase plan*. A *firm* must use an approach equivalent to the *APR rules* when calculating an *APR* equivalent.

5.8.9

FCA

G

See the *keyfacts logo provisions* for further requirements regarding the use of the keyfacts logo and the location of specimens.

5.8.10
FCA

G

The details of the rental rate charged should be based on information available to a *firm* at the time of producing the financial information statement. For example, if a rental rate cannot be ascertained at that time because it is based on a fluctuating rate of interest, a *firm* should base the information on the current fluctuating rate.

Opportunity to consider pre-application disclosure

5.8.11
FCA

R

A *firm* must ensure that the *customer* has had a reasonable opportunity to consider the financial information statement and risks and features statement before committing the *customer* to an application.

Message to be given when providing information on home purchase plans

5.8.12
FCA

R

- (1) Except in the circumstances in (2), whenever a *firm* provides a *customer* with information specific to the amount of finance to be provided on a particular *home purchase plan* following an assessment of the *customer's* needs and circumstances in order to comply with ■ MCOB 4.10.5D R, it must give, clearly and prominently, the following information:
 - (a) the same information on the *firm's* product range as is required by ■ MCOB 4.4A.1 R (1), ■ MCOB 4.4A.2 R and ■ MCOB 4.4A.4 R (1) (as applied in relation to *home purchase plans* by ■ MCOB 4.10.3A R); and
 - (b) that the *customer* has the right to request a financial information statement for any *home purchase plan* which the *firm* is able to offer the *customer*.
- (2) A *firm* need not give the information in (1) if it has previously given that information in compliance with this *rule* within the last ten *business days*.

Message to be given when customer requests an execution-only sale

5.8.13
FCA

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Whenever, as part of an *execution-only sale* (or potential *execution-only sale*), a *customer* provides a *firm* with the information in ■ MCOB 4.10.9D R (Execution-only sales) (see ■ MCOB 4.10.9B R and ■ MCOB 4.10.9C G) the *firm* must inform the *customer*, clearly and prominently, unless the *firm* has previously given this information in compliance with this *rule* within the last ten *business days*, that the *customer* has the right to request a financial information statement for any *home purchase plan* which the *firm* is able to offer the *customer*.



5.9 Pre-sale disclosure for regulated sale and rent back agreements

Pre-sale disclosure

5.9.1

FCA

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- (1) A *firm* must, as soon as a *customer* expresses an interest in becoming a *SRB agreement seller*, ensure that the disclosures and warnings set out in (1A) are made to the *customer*, both orally and confirmed in writing, and he is given an adequate opportunity to consider them. The *firm* must not demand or accept any fees, charges or other sums from the *customer*, or undertake any action that commits the *customer* in any way to entering into a specific agreement, until:
 - (a) the written pre-offer document that is required by ■ MCOB 6.9.3 R has been provided to the *customer*; and
 - (b) the written offer document for signing (Stage Two) that is required by ■ MCOB 6.9.10 R (1) has been returned to the *firm* duly signed by the *customer*.

- (1A) The disclosures and warnings referred to in (1) are the following:
 - (a) where a valuation of the property that is the subject matter of the *regulated sale and rent back agreement* has already been carried out in accordance with ■ MCOB 2.6A.12 R, a statement of its market value or, if a valuation of the property has not yet been carried out, the price or value of the property on which the proposed *regulated sale and rent back agreement* would be based (estimated if necessary);
 - (b) [deleted]
 - (c) any fees, charges or retentions that the *firm* will deduct from the purchase price for the property, net of any fees or charges otherwise payable, and whether there are any fees, charges or other sums that are payable to any *SRB intermediary* that is involved in the proposed transaction or to a third party;
 - (d) the purchase price that the *firm* is prepared to pay the *SRB agreement seller* for the property, net of any fees, charges or retentions;

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- (e) the percentage of the figure in (a) for the market value of the property that the figure in (d) for the purchase price represents;
- (ea) that the *SRB agreement seller* should in his own best interests independently seek whatever information he can on the market value of his property, as explained in the *FCA* consumer factsheet provided to the *customer*, before proceeding with the proposed transaction and how and from where information on its value may be available;
- (f) brief details of the main terms of the tenancy under the proposed *regulated sale and rent back agreement*, including its type, the letting period including the fixed term and the security of tenure the *SRB agreement seller* (or trust beneficiary or related person) will be given under it, an explanation that the seller (or trust beneficiary or related person) cannot be evicted unless the *SRB agreement provider* obtains a possession order from the court and an explanation of the seller's (or trust beneficiary's or related person's) ability to terminate the tenancy;
- (g) [deleted]
- (h) [deleted]
- (i) a prominent warning that once the fixed term under (f) expires, the *SRB agreement seller* and his family may be required to leave the property;
- (ia) where the *SRB agreement seller* is to be given an option under the proposed agreement to buy back the property at some future date from the *SRB agreement provider*, a statement confirming that this is the case, together with details of the option, including how it may be exercised and any restrictions such as time limits that will apply to it, and a clear explanation as to how the repurchase price is to be determined;
- (j) the initial rent due under the proposed agreement;
- (k) the circumstances in which the rent in (j) can be increased or changed in any way under the terms of the tenancy agreement;
- (l) the risks associated with the transaction from the *SRB agreement seller's* perspective, including in particular:
 - (i) that failure to abide by the terms of the tenancy may result in the loss of the right to occupy the property; and
 - (ii) that failure to obtain legal or professional advice may mean his interests are not fully protected;

- (m) whether there are any other features or restrictions in the *regulated sale and rent back agreement* which the *SRB agreement seller* would reasonably need to know about for the purpose of making an informed judgment about the merits of entering into the proposed agreement;
 - (n) information on what the *SRB agreement seller* should do if he wishes to make a complaint against the *firm* arising out of or in connection with the proposed *regulated sale and rent back agreement*, including provision of an address and phone number at which the *firm* may be contacted should the customer wish to pursue a complaint and that if he cannot settle his complaint with the *firm*, that he may be entitled to refer it to the *Financial Ombudsman Service*; and
 - (o) information on the circumstances in which the *SRB agreement seller* might be entitled to compensation under the Financial Services Compensation Scheme, depending on the type of business and the circumstances of the claim, and, if so, details of the relevant coverage.
- (2) The *firm* must make the written disclosures and warnings specified in (1) to the *SRB agreement seller* in a clear, fair and not misleading way before he enters into the proposed *regulated sale and rent back agreement* and in doing so must ensure that:
- (a) the information is set out in the same order as set out in (1);
 - (b) the disclosures and warnings are made in a separate and standalone document; and
 - (c) the disclosures and warnings are accompanied by a prominent written statement from the *firm* drawing the *SRB agreement seller's* attention to the importance of the information.
- (3) In making the disclosures in writing to the *SRB agreement seller* that are required by (1) and (1A), the *firm* must make prominent use of the key facts logo in accordance with ■ GEN 5.1 (Application and purpose), followed by the text "about this sale and rent back agreement".

Compliance with the pre-sale disclosure requirement

A *firm* may comply with the requirement in ■ MCOB 5.9.1 R (Pre-sale disclosure) for disclosures and warnings to be confirmed in writing by providing the potential *SRB agreement seller* with the written pre-offer document that is required by ■ MCOB 6.9.3 R (Written pre-offer document: Stage One) if this can be done as quickly as providing the pre-sale disclosures, provided that (in accordance with ■ MCOB 5.9.1 R) the *firm* does not demand or accept any fees, charges or other sums from the *customer* or undertake any action that commits the *customer* to the proposed *regulated sale and rent back agreement* until:

5.9.1A

FCA

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- (1) the written pre-offer document that is required by ■ MCOB 6.9.3 R has been provided to the *customer*; and
- (2) the written offer document for signing (Stage Two) that is required by ■ MCOB 6.9.10 R (1) has been returned to the *firm* duly signed by the *customer*.

Information on valuations and rental values

5.9.1B
FCA

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Where the potential *SRB agreement seller* has not commissioned his own valuation of the property, a *firm* must ensure that he realises that there are other possible sources of information on the property's value that are available to him, including local estate agents, local newspapers which carry advertisements for the sale of residential property in the *customer's* locality and on-line sites where details of recent property sales in the locality may be accessed.

5.9.1C
FCA

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A *firm* must ensure that the *SRB agreement seller* realises that there are other possible sources of information on the appropriate rental value for the property available to him, including local estate agents, local newspapers and on-line sites which carry advertisements for the rental of residential property in the *customer's* locality.

5.9.1D
FCA

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There is no requirement for the property to be valued before making the pre-sale disclosures. However, ■ MCOB 6.9.2 R requires that an independent valuation of the property be carried out before the provider supplies the *customer* with the written pre-offer document at Stage One (see ■ MCOB 6.9.3 R).

Disclosure of relevant features or restrictions

5.9.1E
FCA

G

Examples of features of a *regulated sale and rent agreement* that a *SRB agreement seller* would reasonably need to know about (see ■ MCOB 5.9.1R (1A)(m)) would include an arrangement under which the seller is to receive from the *SRB agreement provider* a refund of some agreed percentage of the discount (on the market value of the property) that was reflected in the sale price under the *regulated sale and rent back agreement* after the end of the agreed letting term. Should any restrictions or the payment of any costs or fees be attached to the seller's entitlement to exercise such an option, these should be explained clearly.

Revised pre-sale disclosures

5.9.1F
FCA

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Where a *firm* has already provided the required pre-sale disclosures and the terms for the proposed *regulated sale and rent back agreement* are subsequently materially altered, the *firm* must ensure that, at the *firm's* option, either:

- (1) the pre-sale disclosures are re-issued to the *customer*, incorporating the agreed amendment; or
- (2) the agreed amendment is incorporated in the written pre-offer document at Stage One (see ■ MCOB 6.9.3 R).

5.9.1G

FCA

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What constitutes "materially altered" requires consideration of the facts of each individual case. For example, a change in the proposed purchase or valuation price of the property should normally be regarded as material, as would the introduction of an additional charge applying to the *regulated sale and rent back agreement* when it did not previously.

Records of pre-sale disclosure

5.9.2

FCA

R

A *firm* must keep a record of the disclosures and warnings made to the *SRB agreement seller* under ■ MCOB 5.9.1 R for a period of:

- (1) one year after the end of the fixed term of the tenancy under the *regulated sale and rent back agreement*; or
- (2) five years from the date of the disclosures and warnings;

whichever is the longer.

Initial disclosure information to SRB agreement sellers: unauthorised SRB agreement providers

5.9.3

FCA

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- (1) A *SRB intermediary* must ensure that, on first making contact with a prospective *SRB agreement seller*, whether or not he is the *firm's customer*, who is proposing to enter into a *regulated sale and rent back agreement* with an *unauthorised SRB agreement provider*, it provides him with the written warning in (2) before he enters into any such agreement.

- (2) The warning in (1) is that:

- (a) the agreement provider is not authorised or regulated by the *FCA*, and that key protections under the *regulatory system* will not apply; and
- (b) the provider is not subject to the jurisdiction of the *Financial Ombudsman Service*, and that the *SRB agreement seller* will not be entitled to refer complaints against the provider to the *Financial Ombudsman Service*.

Initial disclosure information to unauthorised SRB agreement providers

5.9.4

FCA

R

- (1) A *SRB intermediary* must ensure that, on first making contact with a *customer* who is both an individual and an *unauthorised SRB agreement provider*, when it anticipates giving personalised information or advice on a *regulated sale and rent back agreement*, it must provide him with the written warning in (2).

- (2) The warning in (1) is that a *regulated sale and rent back agreement* is a complex legal arrangement and that expert independent legal advice should be obtained before entering into any such agreement.

5.9.5

FCA

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A *person* may enter into a *regulated sale and rent back agreement* as agreement provider without being regulated by the *FCA* (or an *exempt person*) if the *person* does not do so by way of business. However, a *SRB intermediary* should at all times be conscious of its

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obligations under *Principle 6* (Customers' interests). Should the *firm* have any reason to believe or entertain any suspicions that the *SRB agreement seller* may be proposing to enter into a *regulated sale and rent back agreement* with an *unauthorised SRB agreement provider* notwithstanding that the provider appears to be doing so by way of business and therefore appears to require authorisation under the *Act*, the *firm* should warn the seller that he should not be proceeding with the transaction.

Uncertainty whether the arrangements constitute a sale and rent back agreement

5.9.6
FCA

R

- (1) If, at the point that the required pre-sale disclosures must be provided to a potential *SRB agreement seller*, a *firm* is uncertain whether the arrangement will qualify as a *regulated sale and rent back agreement*, the *firm* must:
 - (a) provide the required pre-sale disclosures on the basis that the arrangement might constitute a *regulated sale and rent back agreement*; or
 - (b) seek to obtain from the potential seller information that will enable the *firm* to ascertain whether the contract will qualify as a *regulated sale and rent back agreement*.
- (2) Where (1)(b) applies, pre-sale disclosures must be provided, unless, on the basis of information the potential seller provides, the *firm* has reasonable evidence that the contract would not qualify as a *regulated sale and rent back agreement*.

5.9.7
FCA

G

If the *firm* has reasonable evidence that the contract is not a *regulated sale and rent back agreement*, for example where at least 40% of the property is not going to be occupied as a dwelling by the seller or his family, and has not provided the required pre-sale disclosures and the *firm* subsequently concludes that the contract does qualify as a *regulated sale and rent back agreement*, there is no requirement to provide separate pre-sale disclosures at the time the *firm* reaches that conclusion. However, the requirement to integrate the pre-sale disclosures into the written pre-offer document at Stage One that is required by ■ MCOB 6.9.3 R will apply.

Record of sale and rent back providers

5.9.8
FCA

R

- (1) A *SRB intermediary* must for each *regulated sale and rent back agreement* in relation to which it carries on *regulated sale and rent back mediation activity* keep a record of the contact details of the provider that enters into or is proposed to enter into the agreement, making it clear whether the provider is a *SRB agreement provider* or an *unauthorised SRB agreement provider*.
- (2) The record in (1) must be retained for a period of one year, or one year from the end of the fixed term of the tenancy under the *regulated sale and rent back agreement*, whichever is the longer.



6.3 General

6.3.1

FCA

G

■ MCOB 2.2.6 R (Clear, fair and not misleading communication) applies to information provided to a *customer* by a *firm* in accordance with this chapter.

6.3.2

FCA

R

Any *communication* required by ■ MCOB 6 to be provided to a *customer* by a *firm* must be in a *durable medium*.

6



6.4 Mortgages: content of the offer document

6.4.1
FCA

R

- (1) If a *firm* offers to entering into a regulated mortgage contract with a *customer*, it must provide the *customer* with an *offer document* containing an *illustration*.
- (2) The *firm's* offer in the *offer document* must be on the basis of the information set out in the *illustration* provided in accordance with (1).

Accuracy of the offer document

6.4.2
FCA

G

■ MCOB 5.4.7 G acknowledges that the *offer document* and *illustration* provided before an application may not always be the same, even where the *customer's* requirements have not changed. However, the *FCA* expects the *offer document* to be an accurate reflection of the actual costs of the *regulated mortgage contract*.

Records

6.4.3
FCA

R

- (1) A *firm* must make an adequate record of each *offer document* which it issues to a *customer* in accordance with ■ MCOB 6.
- (2) The record required by (1) must be retained for a year from the date that the *offer document* is issued to the *customer*.
- (3) If, in accordance with ■ MCOB 6.5 (Information to be provided in the offer document or separately), information is included in a separate document that is sent with the *offer document*, that information must also be retained as part of the record required by (1).

Modifications to the illustration

6.4.4
FCA

R

The *illustration* provided as part of the *offer document* in accordance with ■ MCOB 6.4.1 R (1) must meet the requirements of ■ MCOB 5.6 (Content of illustrations) with the following modifications:

- (1) the *illustration* must be suitably adapted and revised to reflect the fact that the *firm* is making an offer to a *customer* and updated to reflect changes to, for example, the interest rate,

- charges, the exchange rate or the APR required by ■ MCOB 10 (Annual Percentage Rate), at the date the *illustration* is issued;
- (2) ■ MCOB 5.6.2 R (2) (a) does not apply;
 - (3) ■ MCOB 5.6.15 R (Information to be included at the head of the illustration) does not apply;
 - (4) ■ MCOB 5.6.16 R (Section 1: 'About this illustration') is replaced by the following: "Section 1: 'About this offer document': Under the section heading 'About this offer document', the following text must be included:
 - (a) 'You are not bound by the terms of this offer document until [insert relevant circumstances, including the names of any documents that must be signed. For example "you have signed the legal charge and the funds are released for your mortgage"]. We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this offer document.'; and
 - (b) (unless ■ MCOB 6.6.1 R applies) "You should compare this offer document with the key facts illustration given to you before you applied for this mortgage, to see how the details may have changed.";
 - (5) Unless (b) applies, ■ MCOB 5.6.17 R (Section 2: 'Which service are we providing you with?') is replaced with the following: "Section 2: 'Which service did we provide you with?'
 - (a) Under the section heading 'Which service did we provide you with?' the following text should be presented as two options each with a 'check box', one of which must be marked prominently to indicate the level of service provided to the *customer*: 'We have recommended, having assessed your needs, that you take out this mortgage. We have not recommended a particular mortgage for you. You must make your own choice whether to accept this mortgage offer.';
 - (b) If the service described in ■ MCOB 5.6.17 R (Section 2: 'Which service are we providing you with?') was provided by another *firm*, ■ MCOB 5.6.17 R is replaced by the following: "Section 2: 'Which service were you provided with?' Under the section heading 'Which service were you provided with?' the following text should be presented as two options each with a 'check box' one of which must be marked prominently to indicate the level of service provided to the *customer*: '[name of firm] recommended that you take out this mortgage. [name of firm] did not recommend a particular mortgage for you. You must make your own choice whether to accept this mortgage offer.';

- (6) ■ MCOB 5.6.29 R (2) does not apply;
- (7) ■ MCOB 5.6.52 R to ■ MCOB 5.6.53 G is replaced by the following: Where all or part of the *regulated mortgage contract* is an *interest-only mortgage*, the *illustration* in the *offer document* must:
 - (a) clearly state that the payments on the *regulated mortgage contract* cover only interest, and not the capital borrowed; and
 - (b) [deleted]
 - (c) include a statement reminding the *customer* to check regularly the performance of any *investment* used as a *repayment strategy*, to see whether it is likely to be adequate to repay the capital and, where applicable, pay the interest accrued at the end of the term of the *regulated mortgage contract*;
- (7A) The *illustration* may state the *repayment strategy* the *customer* intends to use.
- (8) the fees recorded in the *illustration* that is part of the *offer document* in accordance with ■ MCOB 5.6.66 R (1) must include any fees paid or payable by the *customer*;
- (9) ■ MCOB 5.6.69 R (5) is replaced by the following: '(where the fee is payable or has been paid to the *mortgage lender*), whether or not the fee is refundable, and if so, the extent to which it is refundable;'
- (10) [deleted]
- (11) where additional features are included in accordance with ■ MCOB 5.6.92 R and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 12 of the *illustration* that is part of the *offer document* must include the following text: "This credit facility is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 . Please refer to the separate credit agreement which describes the facility and the terms on which the credit is available";
- (12) The text required by ■ MCOB 5.6.102 R (2) (a) or (b) should be adapted to include, or tell the *customer* where they can find, the information required by ■ MCOB 6.5.4 R; and

6.4.5
FCA

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(13) ■ MCOB 5.6.113 R applies to the *illustration* that is part of the *offer document* if the *illustration* given out in accordance with ■ MCOB 5 (Pre-application disclosure) was issued by, or on behalf of, a *mortgage intermediary*.

(1) One consequence of ■ MCOB 6.4.4 R(5)(b) is that the *mortgage lender* will need to know, for each individual transaction *arranged* by a *mortgage intermediary*, whether or not the *customer* has received *advice* from that *mortgage intermediary*.

(2) When complying with ■ MCOB 6.4.4 R(5)(b), *mortgage lenders* may wish to include a statement after the level of service in Section 2 confirming that the level of service described was given by another *firm*, and explaining that they, as the *mortgage lender*, are not responsible for the level of service given, and that the *customer* should contact the other *firm* if they have any queries about the level of service provided. For example: "If you have any queries about this service, you should contact [Name of firm]. [Name of lender] is not responsible for the advice or information you received."

6.4.6
FCA

R

In adapting and revising the *illustration* that is part of the *offer document* in accordance with ■ MCOB 6.4.4 R(1) a *firm* must:

(1) avoid amending the format of the information required by ■ MCOB 5.6 (Content of illustrations) where possible, since this could result in the *illustration* in the *offer document* being difficult to compare with the *illustration* originally provided to the *customer* in accordance with ■ MCOB 5.5.1 R;

(2) use, where possible, the same headings, ordering of information, and language that appeared in the *illustration* provided in accordance with ■ MCOB 5.6 (Content of illustrations); and

(3) only change section headings where necessary (for example 'What you have told us' could be renamed 'Your mortgage requirements').

6.4.7
FCA

R

In adapting and revising the *illustration* in accordance with ■ MCOB 6.4.4 R(1), a *firm* may:

(1) add extra information at the beginning and end of the *illustration*, such as conditions which are not covered by the *illustration*;

(2) include greater detail within each of the specified sections than that included in an *illustration* provided in accordance with ■ MCOB 5 (Pre-application disclosure); and

(3) leave blank, except for the text 'not applicable', sections that are irrelevant, such as:

(a) the section on insurance (see ■ MCOB 5.6.73 R to ■ MCOB 5.6.83 G), where the *customer* is not buying insurance

from the *firm* and the *firm* does not require insurance to be in place; and

- (b) the section and sub-sections on additional features (see ■ MCOB 5.6.92 R to ■ MCOB 5.6.112 G) if there are no additional features available.

6.4.8
FCA

G

Examples of the additional information that should be included in the *offer document* in accordance with ■ MCOB 6.4.7 R (1) or ■ MCOB 6.4.7 R (2) is information about any retentions or reinspections that will be required by the *firm*.

6.4.9
FCA

R

A *firm* must ensure that the *illustration* forms the main, and an integral, part of the *offer document*.

6.4.10
FCA

G

■ MCOB 6.4.9 R prevents a *firm* from preparing a separate *illustration* and simply adding it to the existing material provided to the *customer* at the offer stage.

Other information contained in the offer

6.4.11
FCA

R

A *firm* must ensure that the *offer document* contains a prominent statement:

- (1) of the period for which the offer is valid;
- (2) explaining, where the *regulated mortgage contract* contains features, such as additional unsecured borrowing facilities, which could result in the *customer* borrowing more money, that where such features are used, the amount of the *customer's* debt will increase;
- (3) explaining when any interest rate change on the *regulated mortgage contract* takes effect. This statement must be used, for example, to explain cases where an annual review system is used;
- (4) explaining the consequences that might arise from the *customer* not entering into the *regulated mortgage contract*, including any fees that the *customer* has paid which will not be reimbursed;
- (5) explaining that once the *regulated mortgage contract* is concluded there will be no right of withdrawal; and
- (6) explaining that although no right of withdrawal exists the *customer* will have a right to repay the *regulated mortgage contract* in accordance with the terms of the *regulated mortgage contract*.

- 6.4.11A** **R** If the *illustration* provided by the *firm* to the *customer* does not state the *repayment strategy* the *customer* intends to use, as permitted by **FCA** **■** MCOB 6.4.4 R (7A), that information must be included in the *offer document*.
- 6.4.12** **G** In complying with **■** MCOB 6.4.11 R (6) the *firm* is not required to repeat in this section of the *offer document* the cash amounts of the *early repayment charges* set out in the *illustration* provided as part of the *offer document*. The *firm* may instead insert a reference to the relevant section of that *illustration*.
- 6.4.13** **R** A *firm* must ensure that the contact details section of the *offer document* (as required by **■** MCOB 5.6.122 R) also includes information on how to complain to the *firm* about the services provided by the *firm* in relation to the *regulated mortgage contract* and whether or not complaints may subsequently be referred to the *Financial Ombudsman Service*.
- 6.4.14** **G** **■** DISP 1 requires a *firm* to deal promptly and fairly with *complaints*, including referring to another *firm* *complaints* about that other *firm*'s services.
- 6.4.15** **G** In addition to the information required by **■** MCOB 6.4.13 R, a *firm* may include information about how to complain to any other *firm* about the services that *firm* provided to the *customer* in relation to the *regulated mortgage contract*. For example, where the *customer* received advice from another *firm*, a *mortgage lender* may include contact details for the *firm* that provided the advice.
- 6.4.16** **R** If the *firm* knows at the point that the offer is made to the *customer* that its interest in the *regulated mortgage contract* will be assigned (by sale or transfer) and the *firm* will no longer be responsible for setting interest rates and charges, the *offer document* must:
- (1) state this; and
 - (2) state, where known, who will be responsible for setting interest rates and charges after the sale or transfer.
- 6.4.17** **R** Where **■** MCOB 6.4.16 R applies, if the name of the party who will be responsible for setting interest rates and charges after the sale or transfer is not known at the point the offer is made, the *firm* must notify the *customer* of this as soon as it becomes known.
- 6.4.18** **G** **■** MCOB 6.4.16 R and **■** MCOB 6.4.17 R could apply where the ownership of a *regulated mortgage contract* is transferred to a third party through *securitisation*.



6.5 Mortgages: information to be provided in the offer document or separately

Tariff of charges

6.5.1 **R** If a *firm* makes an offer to a *customer* with a view to *entering into a regulated mortgage contract*, it must provide the *customer*, along with the *offer document*, with a *tariff of charges* that could be incurred on the *regulated mortgage contract*.
FCA

6.5.2 **R** If the *regulated mortgage contract* has any *linked borrowing* or *linked deposits*, details of the charges on these linked facilities, for example charges payable on a linked current account, must be included in the *firm's tariff of charges*.
FCA

6.5.3 **G** A *firm* may include the *tariff of charges* as an integral part of the *offer document*, or provide it separately along with the *offer document*.
FCA

Mortgage credit cards

6.5.4 **R** If a *firm* makes an offer to a *customer* with a view to *entering into a regulated mortgage contract* that includes a *mortgage credit card*, it must provide the *customer* with information explaining that the card will not give the *customer* the statutory rights associated with traditional credit cards.
FCA

6.5.5 **G** A *firm* may include the information described in **MCOB 6.5.4 R** as an integral part of the *offer document*, or provide it separately along with the *offer document*.
FCA

Distance contracts with retail customers

6.5.6 **R** If a *firm* makes an offer to a *consumer* with a view to *entering into a regulated mortgage contract* which is a *distance contract*, it must provide the *consumer* with the following information with the *offer document*:

- (1) the *EEA State* or States whose laws are taken by the *firm* as a basis for the establishment of relations with the *customer* prior to the conclusion of the *regulated mortgage contract*;
- (2) any contractual clause on law applicable to the *regulated mortgage contract* or on competent court, or both;

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

6.7.1

FCA

R

- (1) Where the *regulated mortgage contract* is for a business purpose or a *high net worth mortgage customer*, a *firm* may choose to provide a *customer* with a *business offer document* or *high net worth offer document* (as applicable) instead of the *offer document* referred to in ■ MCOB 6.4.1 R.
- (2) If a *firm* provides a *customer* with a *business offer document* or *high net worth offer document* in accordance with (1), it must ensure that:
 - (a) an updated *business illustration* or *high net worth illustration* (as applicable) , as required by ■ MCOB 5.7 (Business loans and loans to high net worth mortgage customers: tailored provisions) , forms part of the *business offer document* or *high net worth offer document*; and
 - (b) subject to the tailoring required by ■ MCOB 5.7 (Business loans and loans to high net worth mortgage customers: tailored provisions) , the *business offer document* or *high net worth offer document* complies with ■ MCOB 6.4 (Mortgages: content of the offer document).

6.7.1A

FCA

G

Firms are reminded that in accordance with ■ MCOB 1.2.3 R, they should comply in full with MCOB , but in doing so may opt to take account of all tailored provisions in MCOB that relate to business loans or loans to *high net worth mortgage customers* (as applicable) . Therefore, a *firm* may only follow the tailored provisions in ■ MCOB 6.7 in relation to one of these sectors if it also follows all other tailored provisions in MCOB that relate to that sector. In either case, the rest of MCOB applies in full .

6.7.2

FCA

G

■ MCOB 6.7.1 R (2) means, for example, that the required text in ■ MCOB 6.4.4 R (7) should be replaced by text that satisfies the requirements for *business illustrations* or *high net worth illustrations* in ■ MCOB 5.7.5 R

PAGE
15

6.7.3

FCA

G

A *firm* may supplement the first paragraph of text prescribed in ■ MCOB 6.4.4 R (5)(a) to clarify that, while the *regulated mortgage contract* is not binding until the relevant mortgage document has been signed and funds have been released, the *business offer document* or

high net worth offer document may form part of a wider set of negotiated facilities and that the *customer* is separately bound by these.

6.8 Home purchase plans

Offer document

6.8.1

FCA

R

- (1) If a *firm* offers to *enter into a home purchase plan* with a *customer*, it must ensure that the *customer* is, or has been provided with an appropriate *offer document* in a *durable medium* which includes:
- (a) the period for which the offer is valid;
 - (b) an explanation of the consequences that might arise from the *customer* not entering into the *home purchase plan* including details of any *fees* that the *customer* has paid which will not be refunded;
 - (c) an explanation of when the *customer* will become bound by the offer and the implications of this;
 - (d) the charges that a *customer* may incur under the plan, including the reason for, and amount of, each charge, when they are payable, whether they will be refunded and, if so, when;
 - (e) a financial information statement;
 - (f) the *firm's* contact details, including its name and address; and
 - (g) how to complain to the *firm* and whether or not complaints may subsequently be referred to the *Financial Ombudsman Service*.
- (2) A *firm* may omit details of the charges that a customer may incur under a *home purchase plan* from the *offer document* if they are included in a separate *tariff of charges* provided to the customer at the same time.

6.8.2

FCA

G

Although an *offer document* may not match information given in a financial information statement before an offer is made, an *offer document* should be an accurate reflection of the actual costs of the *home purchase plan*.

6.8.3

FCA

G

A *firm* should bear in mind its obligations under *Principle 6*. For example, if a *firm* knows that its interest in a *home purchase plan* will be assigned and the *firm* will no longer be responsible for setting rental payments and charges, the *offer document* should state this

fact and who will become responsible after the assignment (if this is not known at the offer stage the *customer* should be notified as soon as it becomes known).

6.8.4

FCA

R

A *firm* must ensure that the financial information statement forms the main, and an integral, part of the *offer document*.

Distance contracts with retail customers

6.8.5

FCA

R

(1) A *firm* must communicate to a *consumer* the *distance marketing information* in a *durable medium* available and accessible to the *consumer* in good time before the *consumer* is bound by any *distance contract* or offer to *enter into a home purchase plan*.

(2) If the *distance contract* or offer has been concluded at the *consumer's* request using a means of distance communication which does not enable providing the information in accordance with (1) then it must be communicated no later than immediately after the conclusion of the *home purchase plan*.

6.8.5A

[Note: article 5 *Distance Marketing Directive*]

6.8.6

FCA

G

Distance contract information may be included in an *offer document* provided that it does not significantly increase its length.



6.9 Regulated sale and rent back agreements

Process for concluding regulated sale and rent back agreements

6.9.1
FCA

R

A *SRB agreement provider* must not *enter into a regulated sale and rent back agreement* unless it follows the process outlined in this section.

Valuation of the property

6.9.2
FCA

R

- (1) A *SRB agreement provider* intending to *enter into a specific regulated sale and rent back agreement* with a *SRB agreement seller* and before it complies with the other requirements in this section, must ensure that the property is properly valued by a valuer:
 - (a) that meets the competence and independence requirements (see ■ MCOB 2.6A.12 R, ■ MCOB 2.6A.12A R and ■ MCOB 2.6A.13 E); and
 - (b) using the definition of "market value" set out in the Valuation Standard of the Royal Institution of Chartered Surveyors from time to time.

- (2) Where the *SRB agreement provider* has applied to a *mortgage lender* for financing for a proposed *regulated sale and rent back agreement* and the relevant lender in accordance with its standard lending practices requires its own valuation of the property to be carried out, the valuation will only satisfy the requirements of (1) if the property is properly valued by a valuer that meets the competence and independence requirements (see ■ MCOB 2.6A.12 R and ■ MCOB 2.6A.13 E).

- (3) The *firm* must ensure that a copy of the valuation report accompanies the written pre-offer document at Stage One (see ■ MCOB 6.9.3 R).

- (4) This *rule* does not apply if the *SRB agreement seller* has already obtained his own recent valuation of the property from a valuer that meets the competence and independence requirements (see ■ MCOB 2.6A.12 R and ■ MCOB 2.6A.13 E).

6

Written pre-offer document: Stage One

6.9.3
FCA

R

- (1) As soon as a *SRB agreement provider* agrees the key terms of a proposed *regulated sale and rent back agreement* with a *SRB agreement seller* and before he becomes contractually committed to enter into the agreement, the *SRB agreement provider* must provide the seller with a written pre-offer document summarising its key terms (Stage One).
- (2) The written pre-offer document must be in the form prescribed by **■ MCOB 6 Annex 2 R** and must be adapted by the *firm*, as appropriate, to the extent specified.
- (3) The written pre-offer document must be accompanied by the Money Advice Service consumer factsheet on sale and rent back (even if the *firm* has already provided this) which the *firm* must provide to the *customer* in a *durable medium* and which may be accessed through www.moneyadvice.service.org.uk.
- (4) On providing the Money Advice Service consumer factsheet to the *SRB agreement seller*, the *firm* must give him an oral explanation of what it contains, so as to ensure that he understands its contents, unless the *firm* has already done so.
- (5) The *firm* must ensure that the written pre-offer document is accompanied by all associated legal documents in draft form that the seller will need to sign at Stage Two (**■ MCOB 6.9.10 R**) to give effect to the proposed *regulated sale and rent back agreement*.

Cooling-off: No contact between SRB agreement provider and SRB agreement seller

6.9.4
FCA

R

The *SRB agreement provider* must not instigate any contact or otherwise seek to communicate with the *SRB agreement seller* or a member of his family for a period of 14 *days* from the time that he has been supplied with the written pre-offer document at Stage One, together with the associated legal documentation in draft form.

6.9.5
FCA

R

If the *SRB agreement seller* or a member of his family makes contact with the *SRB agreement provider* during the 14 *day* cooling-off period, for example because he wants to query a term of the written pre-offer document, the provider must endeavour to answer the query in as factual a manner as the circumstances permit but avoid any language or conduct which could be interpreted as amounting to an attempt to exert pressure on the *SRB agreement seller* to enter into the proposed agreement.

Exercise of cooling-off rights: costs and expenses

6.9.6
FCA

R

The *SRB agreement provider* must not charge or seek to charge a potential *SRB agreement seller* for any fee, cost, or expense unless and

until the seller has entered into the *regulated sale and rent back agreement* following the 14 *day* cooling-off period.

Responsibility of SRB agreement provider during cooling-off period

6.9.7
FCA

R

The *SRB agreement provider* must not offer to or *enter into a regulated sale and rent back agreement* with the seller until the 14 *day* cooling off period has elapsed and must not allow the seller to become contractually committed to enter into any such agreement by signing any associated legal documentation to give effect to it within that period.

Requirement to notify the mortgage lender or home purchase provider where the seller is in arrears

6.9.8
FCA

R

As soon as a *SRB agreement provider* has provided the written pre-offer document at Stage One to a *SRB agreement seller* who is in *arrears* under his *regulated mortgage contract* or *home purchase plan* on the property to which the proposed *regulated sale and rent back agreement* relates, it must, in a *durable medium*, immediately notify the *mortgage lender*, *home purchase provider* or the providers of other loans that may be secured on the property:

- (1) explaining that the *firm* is proposing to enter into a *regulated sale and rent back agreement* with the seller and that, as required by the *FCA*, he will be given a cooling-off period of 14 days before deciding whether he wishes to enter into the proposed agreement;
- (2) summarising the key terms of the proposed agreement;
- (3) advising the lender or provider that the proposed agreement is likely to be relevant to any repossession action or other forbearance option the lender or provider may already be, or may be contemplating, taking with respect to the property; and
- (4) giving the *firm's* contact details should the lender or provider wish for any further information.

Data protection

6.9.9
FCA

G

Firms will need to consider the implications of the Data Protection Act 1998 under which personal data that a *firm*, as data controller, holds about its *customer* cannot be disclosed to a third party without his consent. In practice the *firm* is likely to need the *SRB agreement seller's* consent to disclosing the matters covered by ■ MCOB 6.9.8 R to the relevant *mortgage lender* or *home purchase provider*.

Written offer document for signing: Stage Two

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21

6.9.10
FCA

R

- (1) No sooner than 14 *days* after the *SRB agreement provider* has supplied the *SRB agreement seller* with the written pre-offer at Stage One, the provider must provide him with a written offer document for signing (Stage Two), accompanied by any formal

legal documentation that the parties will need to sign to give effect to the proposed *regulated sale and rent back agreement*.

- (2) The written offer document for signing (Stage Two) must be in the form prescribed by ■ MCOB 6 Annex 3 R and must be adapted by the *firm*, as appropriate, to the extent specified.

Records of written pre-offer documents and written offer documents for signing

6.9.11

FCA

R

The *SRB agreement provider* must keep a record of the written pre-offer document at Stage One and the written offer document for signing at Stage Two for a period of:

- (1) one year after the end of the fixed term of the tenancy under the *regulated sale and rent back agreement*; or
- (2) five years from the date of the disclosures and warnings, written offer documents and cooling-off period notices;

whichever is the longer.



7.3 General

7.3.1
FCA

G

■ MCOB 2.2.6 (Clear, fair and not misleading communication) applies to information provided to a *customer* by a *firm* in accordance with this chapter.

7.3.2
FCA

R

A *firm* must provide all of the information required by this chapter in a *durable medium*.

Information provided in more than one document

7.3.3
FCA

R

The information required by this chapter, ■ MCOB 7, may be provided in more than one document, provided the use of several documents does not materially diminish the significance of any information the *firm* is required to give the *customer*, or the ease with which this can be understood.



7.4 Mortgages: disclosure at the start of the contract

Disclosure requirements

7.4.1
FCA

R

(Subject to ■ MCOB 7.7.5 R) a *firm* that enters into a regulated mortgage contract with a *customer* must provide the *customer* with the following information before the *customer* makes the first payment under that regulated mortgage contract:

- (1) the amount of the first payment required;
- (2) the amount of the subsequent payment(s) if different from the first payment;
- (3) the method by which the payment will be collected (for example, by direct debit) and the date of collection of the first and subsequent payment;
- (4) confirmation of whether, in connection with the regulated mortgage contract, insurance or investments (such as a repayment strategy, term assurance, buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (5) the first premium (and subsequent premium where different) for any insurance or investments purchased through the *firm* in connection with the regulated mortgage contract;
- (6) confirmation of whether the insurance or investment premiums in (5) are to be collected with the mortgage payment or separately (where the latter applies, the *firm* must give details or state that these will be confirmed separately);
- (7) confirmation of whether the regulated mortgage contract is a repayment mortgage or interest-only mortgage, or a combination of both;
- (8) if all or part of the regulated mortgage contract is an interest-only mortgage, a reminder to the *customer* to check

that a *repayment strategy* is in place, if the *repayment strategy* is not provided by the *firm*;

- (9) what to do if the *customer* falls into a *payment shortfall* , explaining the benefit of making early contact with the *firm*, providing the address and telephone number of a contact point for the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;
- (10) confirmation of any *linked borrowing* and *linked deposits*; and
- (11) whether the *regulated mortgage contract* permits the *customer* to make any overpayments or underpayments of the amounts due.

7.4.2
FCA

R The information in ■ MCOB 7.4.1 R must be provided to the customer in a single communication, except (4), (5) and (6) which may be provided separately.

7.4.3
FCA

G In the case of a *regulated mortgage contract* under which the loan is advanced to the *customer* in separate tranches, the amount required under ■ MCOB 7.4.1 R(1) will be the repayment relating to the first tranche. The amount(s) required under ■ MCOB 7.4.1 R(2) will need to reflect the fact that when each subsequent tranche is advanced, the payment that the *customer* will need to make will change.

Record keeping

7.4.4
FCA

- R**
- (1) A *firm* must make and retain an adequate record of the information that it provides to each *customer* at the start of the *regulated mortgage contract* in accordance with this section.
 - (2) The record required by (1) must be maintained for a year from the date that the information is provided to the *customer*.



7.5 Mortgages: statements

Annual statement: requirement

7.5.1
FCA

R

Subject to ■ MCOB 7.5.2 R, a *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months):

- (1) covering the *regulated mortgage contract* and any *tied product* purchased through the *firm*; and
- (2) giving information about the existence of any *linked borrowing* or *linked deposits*, or any other products purchased through the *firm* where the payments for those products are combined with the payments on the *regulated mortgage contract*.

7.5.2
FCA

R

Where a *tied product* is operated separately from the *regulated mortgage contract*, for example where the premiums on a tied insurance product are not combined with payments on the *regulated mortgage contract*, the statement required by ■ MCOB 7.5.1 R in relation to *the tied product* may be provided in a separate communication.

Annual statement: content

7.5.3
FCA

R

The statement required by ■ MCOB 7.5.1 R must contain the following:

- (1) except in the case of *mortgage credit cards*, information on the type of *regulated mortgage contract*, including:
 - (a) a clear statement of whether the *regulated mortgage contract* is an *interest-only mortgage*, or *repayment mortgage*, or a combination of both; and
 - (b) a prominent reminder, where all of the *regulated mortgage contract* is an *interest-only mortgage*, that:
 - (i) the *customer's* payments to the *firm* do not include any costs of the *repayment strategy* (if that is the case); and
 - (ii) the *customer* should have in place arrangements to pay off the capital, and should check the performance of

any *investments* they might have in place for this purpose; using the following text: 'This is an interest-only mortgage. Your mortgage payments [include the costs of a savings plan/an investment that you] [do not include the costs of any savings plan or other investment you may] have arranged to build up a lump sum to repay the amount you borrowed. It is important to check regularly that your savings plan or other investment is on track to repay this mortgage at the end of the term.'

- (c) a prominent reminder, where only part of the *regulated mortgage contract* is an *interest-only mortgage*, that:
 - (i) the *customer's* payments to the *firm* do not include any costs of the *repayment strategy* (if that is the case); and
 - (ii) the *customer* should have in place arrangements to pay off the amount of the loan that is on an *interest-only* basis, and should check the performance of any *investments* they might have in place for this purpose;

using the following text: 'This mortgage includes [insert amount] borrowed on interest-only terms. Your mortgage payments [include the costs of a savings plan/an investment that you] [do not include the costs of any savings plan or other investment you may] have arranged to build up a lump sum to repay this amount. It is important to check regularly that your savings plan or other investment is on track to repay the interest-only part of your mortgage at the end of the term.'

- (2) details of the following transactions and information on the *regulated mortgage contract* during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *regulated mortgage contract*):
 - (a) the date and amount of each payment made;
 - (b) the amount of each payment that was due during the statement period;
 - (c) the rate(s) of interest applicable to the *regulated mortgage contract* during the statement period and, if applicable, the date(s) on which the rate(s) of interest changed;
 - (d) the amount of interest charged under the *regulated mortgage contract* during the statement period; and
 - (e) any other amounts charged under the *regulated mortgage contract* during the statement period, including fees and any amounts due in relation to *tied products*;

- (3) a reminder that the *customer* should contact the *firm* if they are unable to make their regular payments under the *regulated mortgage contract*; and
- (4) information at the date the statement is issued on:
 - (a) the amount owed by the *customer* under the *regulated mortgage contract*;
 - (b) the actual remaining term of the *regulated mortgage contract* (but if the term of the *regulated mortgage contract* is open-ended this should be clearly stated);
 - (c) the date at which any *early repayment charges* on the *regulated mortgage contract* cease to apply;
 - (d) where applicable, the *early repayment charge* that applies, expressed as a monetary amount (see ■ MCOB 5.6.84 R);
 - (e) the cost of redeeming the *regulated mortgage contract* (this must be shown as the sum of ■ MCOB 7.5.3 R(4)(a) and ■ MCOB 7.5.3 R(4)(d) plus any *linked borrowing* that cannot be retained (including the outstanding balances) plus any other charges that can be quantified at the date the statement is issued); if additional charges are payable that cannot be quantified at the point that the statement is issued (for example if the *customer* is in arrears) a warning must be included to that effect; and
 - (f) where applicable, the date on which the requirement for the *customer* to purchase any *tied products* from the *firm* comes an end.

7.5.3A
FCA

R

- (1) ■ MCOB 7.5.3 R (1)(b) does not apply where as a result of the *customer* having payment difficulties:
 - (a) the *regulated mortgage contract* has changed to an *interest-only mortgage*; and
 - (b) interest is being deferred and capitalised by the *firm*.
- (2) Paragraph (1) applies only where the *customer* continues to have payment difficulties.

7.5.4
FCA

R

Where payments are not being made for a *repayment strategy* (for example, for a *bridging loan*) the text in ■ MCOB 7.5.3 R(1)(b)(ii) or ■ MCOB 7.5.3 R(1)(c)(ii) is replaced with the following: "As all or part of your mortgage is an interest-only mortgage, it assumes that you pay back the total amount borrowed on an interest-only basis as a lump sum at the end of the mortgage term."

7.5.5 **R** Where a *firm* provides a *customer* with a statement containing the information set out in ■ MCOB 7.5.3 R(2) more frequently than once a year, the information set out in ■ MCOB 7.5.3 R(1), ■ MCOB 7.5.3 R(3) and ■ MCOB 7.5.3 R(4) may be provided in a separate communication, but must be provided at least once a year.

7.5.6 **G** Whether a *firm* is likely to provide the information set out in ■ MCOB 7.5.3 R(2) more frequently than once a year will depend on the nature of the *regulated mortgage contract*. In determining how frequently to provide that information, a *firm* should take into account the need to keep the *customer* informed of any changes in the amount they owe, the *customer's* expectations and, where appropriate, the duration of the loan. For example, for a *mortgage credit card* the information might be provided monthly.

7.5.7 **R** [deleted]

Annual statement - additional content for customers in arrears

7.5.8 **G** If a *firm* chooses to use the annual statement to provide a *customer* with a regular written statement in accordance with ■ MCOB 13.5.1 R (Statements of charges), as described in ■ MCOB 13.5.2 G(4), it will need to include the actual *payment shortfall* in the annual statement.

7.5.9 **G** In some circumstances, a *firm* may agree a temporary payment plan with a *customer* that does not involve the *customer* paying the full amount he owes in each payment period. Where an account in *arrears* is subject to such a payment plan, and the amount that falls due each payment period is greater than the agreed payment, the *firm* will still need to show the payments that were due in accordance with ■ MCOB 7.5.3 R(2)(b). However, in these circumstances, the *firm* may wish to add information to acknowledge that a temporary payment plan is in place.

Annual statement: additional content if tariff of charges has changed

7.5.10 **R** If the *tariff of charges* has changed since the last annual statement was sent to the *customer* (or, where the annual statement is the first statement, since the *customer* entered into the *regulated mortgage contract*) and a *firm* has not already sent a revised *tariff of charges* to the *customer*, it must include one with the annual statement.

7



7.6 Mortgages: event-driven information

Notification of payment changes and other material changes to terms and conditions

7.6.1
FCA

R A *firm* must give the *customer* reasonable notice, in advance, of:

- (1) any changes to the payments that the *customer* is required to make resulting from interest rate changes; and
- (2) any material change by the *firm* (other than changes which come within **■** MCOB 7.6.2 R) to the terms and conditions of the *regulated mortgage contract*, where that change is permitted without the *customer's* prior consent.

Notification where the regulated mortgage contract is sold, assigned or transferred

7.6.2
FCA

R A *firm* must notify a *customer*, as soon as the details are known, of who will be responsible for setting interest rates and charges on the *regulated mortgage contract* if any interest in the *regulated mortgage contract* is to be sold, assigned, or transferred, and the *firm* will no longer be responsible for this.

7.6.3
FCA

R For the purposes of **■** MCOB 7.6.2 R the *firm* may be treated as continuing to be responsible for setting interest rates and charges if, under the terms of the sale, assignment or transfer, it is expected that the rates and charges will continue to be set by reference to, and be no higher than, those set by the *firm* for other contracts of the same kind.

7.6.4
FCA

G **■** MCOB 7.6.2 R and **■** MCOB 7.6.3 R may be relevant where a *regulated mortgage contract* is transferred to a third party through *securitisation*.

Notification where additional borrowing taken up

7.6.5
FCA

R Where the *customer* has, in accordance with the terms of the *regulated mortgage contract*, taken up an additional tranche of borrowing on a mortgage that is released in tranches and this did not require any further approval of the *mortgage lender*, a *firm* must provide confirmation as soon as possible of:

- (1) the new amount owed by the *customer* under the *regulated mortgage contract*;
- (2) the amount of each payment that is due; and
- (3) the interest rate charged.

7.6.6
FCA

G Examples of where **■** MCOB 7.6.5 R will apply are the release of tranches of money to the *customer* in relation to a self-build mortgage or other instalment mortgage.

Further advances

7.6.7
FCA

R Before a *customer* submits an application to a *firm* for a further advance on an existing *regulated mortgage contract* or for a further advance that is a new *regulated mortgage contract*, if the further advance requires the approval of the *mortgage lender*, the *firm* must provide the *customer* with an *illustration* that complies with the requirements of **■** MCOB 5 (Pre-application disclosure) and **■** MCOB 7.6.9 R to **■** MCOB 7.6.17 R for the further advance, unless an *illustration* has already been provided or the *regulated mortgage contract* is for a business purpose or to a *high net worth mortgage customer* and the *firm* has chosen to comply with the tailored provisions for *regulated mortgage contracts* for a business purpose or loans to *high net worth mortgage customers* (see **■** MCOB 7.7 (Business loans and loans to high net worth mortgage customers: tailored provisions)).

7.6.8
FCA

G If a number of different *firms* are involved in relation to the transaction referred to in **■** MCOB 7.6.7 R, having regard to **■** MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the *illustration* required by **■** MCOB 7.6.7 R.

7.6.9
FCA

R The *illustration* provided in accordance with **■** MCOB 7.6.7 R must:

- (1) be based on the amount of the further advance only;
- (2) use the term 'additional borrowing' in place of the term 'mortgage' where appropriate throughout the titles and text of the *illustration*;
- (3) include an additional section headed: 'Total borrowing' and numbered '7a' after Section 7, including the following text:
 - (a) "This section gives you information about how your mortgage will be affected by taking out this additional borrowing. Talk to [your mortgage lender] [insert name of mortgage lender] if you are not sure of the details of your current mortgage."; and
 - (b) a clear statement explaining the total amount that the *customer* will owe if he takes out the additional borrowing and what the *customer's* new payments will be.

- (4) include a clear statement, where all or part of the *regulated mortgage contract* is an *interest-only mortgage* and the amount paid in each instalment does not include the cost of a *repayment strategy*, to indicate that these payments do not include the cost of any savings plan or other investment.

7.6.10
FCA

G

In order to comply with ■ MCOB 7.6.9 R(1), a *firm* should calculate the *APR* required by ■ MCOB 5.6.34 R on the basis of the further advance amount only.

7.6.11
FCA

G

For the purposes of ■ MCOB 7.6.9 R(3) and (4):

- (1) a *customer's* existing mortgage includes a mortgage entered into prior to 31 October 2004 as well as a *regulated mortgage contract*;
- (2) the frequency of payments is that in ■ MCOB 5.6.40 R; and
- (3) a *firm* may generally rely on information provided by the *customer* unless, taking a common-sense view of this information, it has reason to doubt it.

7.6.12
FCA

G

An example of the total borrowing section referred to in ■ MCOB 7.6.9 R(3) is in ■ MCOB 7 Annex 1 G.

7.6.13
FCA

R

Where not all of the mortgage interest rates described in accordance with ■ MCOB 5.6.25 R(2)(a) apply for the term of the loan part to which they apply, the *firm* must disclose the amount that will be paid in each instalment when complying with ■ MCOB 7.6.9 R(3)(b), including the following information:

- (1) when a change in payment will occur;
- (2) the reason for the change in payment; and
- (3) confirmation that the payment illustrated assumes rates will not change.

7.6.14
FCA

R

The *illustration* provided in accordance with ■ MCOB 7.6.7 R may diverge from the requirements of ■ MCOB 5 (Pre-application disclosure) where it is necessary to do so in order to reflect the fact that the *illustration* is being provided for a further advance.

7.6.15
FCA

G

■ MCOB 7.6.14 R allows the *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading for the *customer*. For example, the *firm* may add text to let the *customer* know if conditions applying to the original mortgage do not apply to the additional borrowing, such as 'The early repayment charges applying to your existing loan do not apply to this additional borrowing.'

7.6.16
FCA

R

- (1) (In the case of a *business illustration*), ■ MCOB 5.6.16 R is replaced with the following: "Section 1: 'About this

illustration'Under the section heading 'About this illustration', the following text must be included:'We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this illustration.'

- (2) (In all other cases), ■ MCOB 5.6.16 R is replaced with the following;"Section 1: 'About this illustration'Under the section heading 'About this illustration, the following text must be included:'We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this illustration.All firms selling mortgages are required to give illustrations like this one, that contain similar information presented in the same way.' "

7.6.17

FCA

R

- (1) Where the further advance for which the *customer* has applied is in the form of an annual insurance premium secured by a first legal charge, a *firm*:
- (a) may, instead of providing an *illustration* in accordance with ■ MCOB 7.6.7 R, provide confirmation of the matters required by ■ MCOB 7.6.5 R; and
 - (b) where (a) applies use the following text:"Your annual insurance premium has been/will be added to your mortgage account [unless you pay it by dd/mm/yy]. If you choose to pay it in full on or before dd/mm/yy there will be no extra cost. If you do not, interest will be charged on the amount outstanding at [insert details of the applicable interest rate e.g. 'the same rate as your mortgage' or 'the standard variable rate which is currently x%']."
- (2) If the insurance premium described in (1) is not an annual premium, (1)(a) and (b) apply but a *firm* must amend the text in (1)(b) to reflect the length of the contract.

Rate switches

7.6.18

FCA

R

Before a *customer* submits an application to a *firm* to change all or part of a *regulated mortgage contract* from one interest rate to another (for example, a transfer from a variable rate *regulated mortgage contract* to a fixed rate *regulated mortgage contract*, or from one fixed rate *regulated mortgage contract* to another fixed rate *regulated mortgage contract*), the *firm* must provide the *customer* with an *illustration* for the whole loan that complies with the requirements of ■ MCOB 5 (Pre-application disclosure), unless such an *illustration* has already been provided.

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7.6.19

FCA

G

If a number of different *firms* are involved in relation to the transaction referred to in ■ MCOB 7.6.18 R, having regard to ■ MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the *illustration* required by ■ MCOB 7.6.18 R.

7.6.20
FCA

R

The *illustration* provided in accordance with ■ MCOB 7.6.18 R may diverge from the requirements of ■ MCOB 5 where it is necessary to do so in order to reflect the fact that the *illustration* is being provided for a rate switch.

7.6.21
FCA

G

■ MCOB 7.6.20 R allows a *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading to the *customer*. For example, a *firm* could replace the statement in Section 3 of the *illustration*, explaining that if information provided by the *customer* changes, the *illustration* may be affected, with a statement explaining that the *illustration* is based on information gathered in the past, which may no longer be accurate.

Addition or removal of a party to the contract

7.6.22
FCA

R

Before a *customer* submits an application to add or remove a party to a *regulated mortgage contract*, a *firm* must provide any *customer* who will remain or become a party to the contract with an *illustration* for the whole loan that complies with the requirements of ■ MCOB 5 (Pre-application disclosure).

7.6.23
FCA

G

The FCA would not view:

- (1) a simple notification of the death of a party to the *regulated mortgage contract* as an application for the purposes of ■ MCOB 7.6.22 R; or
- (2) a guarantor as a party to a *regulated mortgage contract*;

so ■ MCOB 7.6.22 R does not mean that someone becoming a surviving joint borrower on or a guarantor to the *regulated mortgage contract* should receive an *illustration*.

7.6.24
FCA

G

If a number of different *firms* are involved in relation to the transaction referred to in ■ MCOB 7.6.22 R, having regard to ■ MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the *illustration* required by ■ MCOB 7.6.22 R.

7.6.25
FCA

R

The *illustration* provided in accordance with ■ MCOB 7.6.22 R may diverge from the requirements of ■ MCOB 5 (Pre-application disclosure) where it is necessary to do so in order to reflect the fact that the *illustration* is being provided in respect of the addition or removal of a party to the contract.

7.6.26
FCA

G

■ MCOB 7.6.25 R allows the *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading to the *customer*. For example, a *firm* may choose not to include a property valuation in the 'What you have told us' section of the *illustration* if the property value does not have a bearing on the terms of the *regulated mortgage contract*.

7.6.27

R

[deleted]

Changes to the amount of each payment due

7.6.28

FCA

R

If a *customer* requests, or agrees to, a change to a *regulated mortgage contract* (other than a change as described in ■ MCOB 7.6.7 R to ■ MCOB 7.6.26 G) that changes the amount of each payment due, a *firm* must provide the *customer* with the following information, in a single communication (subject to ■ MCOB 7.6.28AR (3)) , before the change takes effect:

- (1) the amount outstanding on the *regulated mortgage contract* at the date the change is requested;
- (2) the payment due and the frequency of payments; where it is known that the payment will change (for example at the end of a fixed rate period), the new payment and the date of the change must also be shown;
- (3) the rate of interest applying to the *regulated mortgage contract*; where it is known that the rate of interest will change, the new rate and the date of the change must also be shown;
- (4) the type of interest rate (for example fixed, or discounted); where it is known that the type of interest rate will change the new type and the date of the change must also be shown;
- (5) where the *regulated mortgage contract* will change to an *interest-only mortgage*, a prominent reminder that the *customer* should have in place arrangements to repay the capital, using the following text: 'You will still owe [insert amount borrowed or, where part of the *regulated mortgage contract* is an *interest-only mortgage*, insert the amount borrowed under the *interest-only mortgage*] at the end of the mortgage term. You will need to make separate arrangements to repay this. When comparing the new payments on this mortgage with your previous payments, remember to add any money you may need to pay into a separate savings plan to build up a lump sum to repay the amount you have borrowed.'; and
- (6) details of any charges that apply for changing the *regulated mortgage contract*.

7.6.28A

FCA

R

- (1) ■ MCOB 7.6.28 R (5) does not apply where the *regulated mortgage contract* is changing to an *interest-only mortgage* and interest is being deferred and capitalised by the *firm* as a result of the *customer* having payment difficulties.
- (2) Where (1) applies, the *firm* must instead provide a prominent reminder to the *customer* of the amount outstanding together with an explanation of the implications of deferred payments being

capitalised, before the change in the *regulated mortgage contract* takes effect.

(3) The reminder in (2) may be provided in a separate communication.

7.6.29
FCA

G

Examples of where ■ MCOB 7.6.28 R will apply are where the *customer* requests a change from an *interest-only mortgage* to a *repayment mortgage*, requests a change to the term of his mortgage or agrees to his *arrears* being capitalised.

7.6.30
FCA

G

If a number of different *firms* are involved in relation to the transaction referred to in ■ MCOB 7.6.28 R, having regard to ■ MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the information required by ■ MCOB 7.6.28 R.

Use of illustrations in place of information under MCOB 7.6.28R

7.6.31
FCA

R

Where ■ MCOB 7.6.28 R applies, a *firm* may issue an *illustration* in accordance with ■ MCOB 5 (Pre-application disclosure) in place of the information set out in ■ MCOB 7.6.28 R.

7.6.32
FCA

R

Where ■ MCOB 7.6.28 R applies and the *customer* simultaneously requests a rate switch or the addition or removal of a party to the contract, a *firm* will not be required to provide the information in accordance with ■ MCOB 7.6.28 R where it is provided as part of an *illustration* issued in accordance with ■ MCOB 7.6.18 R or ■ MCOB 7.6.22 R.

Simultaneous request for a rate switch and addition or removal of a party to a contract

7.6.33
FCA

G

Where a *customer* simultaneously requests a rate switch and the addition or removal of a party to the loan, a *firm* will not be required to provide the *customer* with a separate *illustration* for each in accordance with ■ MCOB 7.6.18 R and ■ MCOB 7.6.22 R. The *firm* may provide the *customer* with a single *illustration* that complies with the requirements of ■ MCOB 5(Pre-application disclosure) for both.

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

Further advances

7.7.1

FCA

R

- (1) Where, in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer*, a *customer* either:
 - (a) seeks an immediate increase in the borrowing provided under the *regulated mortgage contract*; or
 - (b) overdraws on the borrowing under the *regulated mortgage contract*;the further advance rules in ■ MCOB 7.6.7 R to ■ MCOB 7.6.17 R do not apply.
- (2) Where (1) applies, the *firm* must within five *business days* (for a loan for a business purpose) or in good time before the *customer* is bound by the *regulated mortgage contract* (for a *high net worth mortgage customer*) provide the *customer* with either:
 - (a) a *business illustration* or *high net worth illustration* (as applicable) for the new total borrowing; or
 - (b) the following information, in a single communication:
 - (i) the new amount outstanding on the *regulated mortgage contract*;
 - (ii) details of any changes in the repayment arrangements or interest rate charged as a result of the change;
 - (iii) where there is a new *early repayment charge* or a change to the existing *early repayment charge*, the maximum amount payable as an *early repayment charge* in respect of the *regulated mortgage contract*; and
 - (iv) details of any charges that apply for changing the *regulated mortgage contract*.

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7.7.1A

FCA

G

Firms are reminded that in accordance with ■ MCOB 1.2.3 R, they should comply in full with MCOB , but in doing so may opt to take account of all tailored provisions in MCOB that relate to business loans or loans to *high net worth mortgage customers*. Therefore, a firm may only follow the tailored provisions in ■ MCOB 7.7 in relation to one of these

sectors if it also follows all other tailored provisions in *MCOB* that relate to that sector. In either case, the rest of *MCOB* applies in full.

7.7.2
FCA

G

Where a *customer* remains in breach, for more than one month, of an agreed borrowing limit ■ *MCOB* 7.7 or of an obligation to repay where the *regulated mortgage contract* does not have a regular repayment plan, *firms* are reminded that ■ *MCOB* 13 (Arrears and repossessions) applies.

7.7.3
FCA

R

Where a *customer* applies for a further advance that is a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* and ■ *MCOB* 7.7.1 R does not apply:

- (1) the *business illustration* or *high net worth illustration* must be based upon the total borrowing; and
- (2) ■ *MCOB* 7.6.9 R to ■ *MCOB* 7.6.10 G and ■ *MCOB* 7.6.12 G do not apply.

Arrangements to repay capital

7.7.4
FCA

R

Where ■ *MCOB* 7.6.28 R(5) applies, a *firm* may omit the final sentence of the required text where it is aware, in the context of an *interest-only mortgage*, that the *customer's* intention is not to use a savings plan as a *repayment strategy* .

Disclosure

7.7.5
FCA

R

■ *MCOB* 7.4 (Disclosure at the start of the contract) does not apply in relation to a *regulated mortgage contract* that is for a business purpose or a *high net worth mortgage customer*.



7.8 Home purchase plans

7.9

General

Note: The rules in this chapter regarding how a *firm* must provide information required by this section apply (see ■ MCOB 7.3).

Post-sale disclosure

7.8.1

R

A *firm* that enters into a home purchase plan with a *customer* must ensure that before making the first payment the *customer* is provided with a prominent reminder that the *customer* should check that his right to occupy the property has been properly safeguarded.

FCA

7.8.2

G

A *firm* is reminded of its obligation to ensure that its *customer's* interests are protected to a reasonable standard (see ■ MCOB 2.6A).

FCA

Annual statement

7.8.3

R

A *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months of the plan term) covering the *home purchase plan* and including information about:

FCA

- (1) payments due and made during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *home purchase plan*), including:
 - (a) whether the payment is a rental payment or a purchase payment;
 - (b) the applicable rental rate(s);
 - (c) where relevant, the *customer's* beneficial interest in the property;
- (2) the remaining acquisition amount;
- (3) the actual remaining term;
- (4) the ability of the *customer* to terminate it early and sell the property, together with any charges that would apply.

Annual statement - additional content for customers in arrears

7.8.4
FCA

G

If a *firm* uses the annual statement to provide a *customer* with a written statement relating to *arrears*, it will need to include the actual *payment shortfall* in the annual statement (see ■ MCOB 13.5.2 G (4)).

7.8.5
FCA

G

In some circumstances, a *firm* may agree a temporary payment plan with a *customer* that does not involve the customer paying the full amount he owes in each payment period. Where an account in *arrears* is subject to such a payment plan, and the amount that falls due each payment period is greater than the agreed payment, the *firm* will still need to show the payments that were due during the period since the last statement. However, in these circumstances, the *firm* may wish to add information to acknowledge that a temporary payment plan is in place.

Tariff of charges

7.8.6
FCA

R

A *firm* must include a *tariff of charges* with the annual statement if it has changed since the previous version provided.

Event-driven information

7.8.7
FCA

G

When a post-sale variation of the *home purchase plan* is proposed or takes place, a *firm* should have regard to the *Principles* (in particular, *Principles 6* and *7*) in determining the action it should take and what information to provide to the *customer*.

Chapter 8

Equity release: advising and selling standard



8.1 Application

Who?

8.1.1
FCA

R This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 8.1.2 R in accordance with column (2) of that table.

8.1.2
FCA

R Table This table belongs to ■ MCOB 8.1.1 R

| (1) Category of firm | (2) Applicable section |
|--------------------------------|---|
| <i>equity release provider</i> | whole chapter except MCOB 8.5A and MCOB 8.7, MCOB 8.6A in accordance with MCOB 8.1.2A R |
| <i>equity release adviser</i> | whole chapter MCOB 8.7 does not apply in relation to a <i>lifetime mortgage</i> |
| <i>equity release arranger</i> | whole chapter except MCOB 8.5A. MCOB 8.7 does not apply in relation to a <i>lifetime mortgage</i> |

8.1.2A
FCA

R ■ MCOB 8.6A only applies to an *equity release provider* in relation to entering into an *equity release transaction* where there is no *firm* which is *arranging (bringing about)* the *equity release transaction* to which ■ MCOB 8.6A applies.

8.1.2B
FCA

G ■ MCOB 8.1.2A R means that the situations where ■ MCOB 8.6A applies to an *equity release provider* include where an *equity release intermediary* has been involved in *arranging (bringing about)* an *equity release transaction* but is no longer involved in the transaction.

What?

8.1.3
FCA

R (1) This chapter applies to a *firm* which in the course of carrying on an *equity release activity enters into, advises on or arranges* an *equity release transaction* or a variation of the terms of an *equity release transaction*.

8.1.4
FCA

R

(2) In respect of *arranging or advising on a home reversion plan* for a *customer* who is acting in his capacity as an *unauthorised reversion provider*, only ■ MCOB 8.1, ■ MCOB 8.2 and ■ MCOB 8.7 apply.

(1) Initial disclosure requirements apply only in relation to varying the terms of an *equity release transaction* entered into by the *customer* in any of the following ways:

- (a) adding or removing a party;
- (b) taking out a further advance; or
- (c) switching all or part of the *lifetime mortgage* from one interest rate to another.

(2) Otherwise, this chapter applies in relation to any form of variation of an *equity release transaction*.

8.1.5
FCA

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[deleted]



8.2 Purpose

8.2.1

FCA

G

[deleted]

8.2.2

FCA

G

- (1) This chapter amplifies *Principle 6* (Customers' interests), *Principle 7* (Communications with clients) and *Principle 9* (Customers: relationships of trust).
- (2) The purpose of this chapter is to ensure that:
 - (a) *customers* are adequately informed about the nature of the service they may receive from a *firm* in relation to *equity release transactions*. In particular *firms* need to make clear to *customers* the range of *equity release transactions* available from them and the basis of the *firm's* remuneration;
 - (b) where *advice* is given, it is suitable for the *customer*;
 - (c) *customers* for *equity release transactions* receive *advice* in all cases;
 - (d) subject to certain limited exceptions (which are set out in ■ MCOB 8.6A), *execution-only sales* are only provided where the *customer* has rejected *advice* which has been given, has been warned about the implications of proceeding and has specifically instructed the *firm* that he wishes to do so.
- (3) This chapter also implements certain requirements of the *Distance Marketing Directive* in relation to *distance mortgage mediation contracts*.



8.3 Application of rules in MCOB 4

8.3.1

FCA

R

- (1) (a) Subject to (c), ■ MCOB 4.1 to ■ MCOB 4.6A (with the modifications stated in ■ MCOB 8.3.2B R to ■ MCOB 8.3.4 R) apply to a *firm* where the *home finance transaction* is a *lifetime mortgage*.
- (b) ■ MCOB 4.1 to ■ MCOB 4.4A (with the modifications stated in ■ MCOB 8.3.2B R to ■ MCOB 8.3.4 R) apply to a *firm* where the *home finance transaction* is a *home reversion plan*, except for those provisions that by their nature are only relevant to *regulated mortgage contracts*.
- (c) ■ MCOB 4.6A applies to a *lifetime mortgage* only if it is not an *interest roll-up mortgage*.
- (2) The table in ■ MCOB 8.3.3 R shows how the relevant *rules* and *guidance* in ■ MCOB 4 must be modified by replacing the cross-references in that chapter with the relevant cross-references to *rules* and *guidance* in ■ MCOB 8.
- (3) The table in ■ MCOB 8.3.4 R replaces certain *rules* and *guidance* in ■ MCOB 4 with *rules* and *guidance* from ■ MCOB 8.
- (4) The terms that by their nature are relevant only to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans*.

8.3.1A

FCA

G

The *rules* and *guidance* that are not relevant to *home reversion plans* are those related, for example, to interest rates, *APR*, *higher lending charge*, *mortgage credit cards*, multi-part mortgages and foreign currency mortgages.

8.3.1B

FCA

G

Firms should substitute equivalent home reversion terminology for *lifetime mortgage* terminology, where appropriate. Examples of terms and expressions that should be replaced in relation to *home reversion plans* are 'loan' or 'amount borrowed', which should be replaced with 'amount released' or 'amount to be released', as appropriate, and '*mortgage lender*' and '*mortgage intermediary*' which should be replaced with '*reversion provider*' and '*reversion intermediary*'.

8.3.2 **R** [deleted]

FCA

8.3.2A **G** [deleted]

FCA

8.3.2B **R** For the purposes of **■ MCOB 4.4A.2 R (1)** there is one relevant market for *equity release transactions*. Accordingly, a *firm* offering a *customer* only *lifetime mortgages* or only *home reversion plans* must include in its disclosure under **■ MCOB 4.4A.1 R (1)** that it is limited in that regard in the range of products that it can offer to the *customer*.

FCA

8.3.2C **G** In the light of **■ MCOB 8.3.2B R**, a *firm* may wish to consider using a sentence appropriate to the circumstances, along the following lines:

FCA

- "We offer a comprehensive range of equity release products from across the market."
- "We sell home reversion plans only and not lifetime mortgages, though we will consider all home reversion plans available in the market."

8.3.3 **R** **Table Table of modified cross-references to other rules: This table belongs to **■ MCOB 8.3.1 R**.**

FCA

| Subject | Rule or guidance | Reference in rule or guidance | To be read as a reference to: |
|---|------------------------|-------------------------------|--|
| Additional disclosure for <i>distance mortgage mediation contracts</i> | <i>MCOB 4.5</i> | <i>MCOB 4</i> | <i>MCOB 4 as modified by MCOB 8</i> |

8.3.4 **R** **Table Table of rules in **■ MCOB 4** replaced by rules in **■ MCOB 8**: This table belongs to **■ MCOB 8.3.1 R**.**

FCA

| Subject | Rule(s) | Rule(s) replaced by |
|-----------------------------|------------------|---------------------|
| Advised sales | MCOB 4.7A | MCOB 8.5A |
| Execution-only sales | MCOB 4.8A | MCOB 8.6A |



8.4 [deleted]

8.4.1

R

[deleted]

8



8.5

[Deleted]



8.5A Advised sales

8.5A.1

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- (1) ■ MCOB 8.5A sets out standards to be observed by *firms* when *advising* a particular *customer* on *equity release transactions*.
- (2) The *rules* at ■ MCOB 8.6A require *firms* selling *equity release transactions* to provide *advice* to the *customer*, subject to the *customer's* right to reject *advice* which has been given and to proceed on an execution-only basis.

Suitability

8.5A.2

FCA

R

If a *firm* gives *advice* to a particular *customer* to enter into an *equity release transaction*, or to vary an existing *equity release transaction*, it must take reasonable steps to ensure that the *equity release transaction* is, or after the variation will be, suitable for that *customer*.

8.5A.3

FCA

R

In ■ MCOB 8.5A, a reference to *advice* to enter into an *equity release transaction* is to be read as including *advice* to vary an existing *equity release transaction*.

8.5A.4

FCA

G

A *firm* should take reasonable steps to obtain from a *customer* all information likely to be relevant for the purposes of ■ MCOB 8.5A.

8.5A.5

FCA

R

For the purposes of ■ MCOB 8.5A.2 R:

- (1) an *equity release transaction* will not be suitable for a *customer* unless the *equity release transaction* is appropriate to the needs and circumstances of the *customer*;
- (2) a *firm* must base its determination of whether an *equity release transaction* is appropriate to a *customer's* needs and circumstances on the facts disclosed by the *customer* and other relevant facts about the *customer* of which the *firm* is or should reasonably be aware;
- (3) no *advice* must be given to a *customer* to enter into an *equity release transaction* if there is no *equity release transaction* which is suitable from the product range offered by the *firm*;

- (4) if a *mortgage lender* is dealing with an existing *customer* with a *payment shortfall* and has concluded that there is no *equity release transaction* which satisfies the requirements of
 - MCOB 8.5A.2 R, the *firm* must nonetheless have regard to
 - MCOB 13.3.

8.5A.6
FCA

R

When a *firm* assesses whether the *equity release transaction* is appropriate to the needs and circumstances of the *customer* for the purposes of ■ MCOB 8.5A.5 R, the factors it must consider include the following:

- (1) whether the benefits to the *customer* outweigh any adverse effect on:
 - (a) the *customer's* entitlement (if any) to means-tested benefits; and
 - (b) the *customer's* tax position (for example the loss of an Age Allowance);
- (2) alternative methods of raising the required funds such as, in particular:
 - (a) (where relevant) a local authority (or other) grant; or
 - (b) taking a further advance under an existing *regulated mortgage contract* (including a *lifetime mortgage*), or a new *regulated mortgage contract* (including a *lifetime mortgage*) to replace an existing one, or an additional release under an existing *home reversion plan*;
- (3) whether the *customer's* requirements appear to be within the *equity release provider's* known eligibility criteria for the *equity release transaction*;
- (4) the *customer's* preferences for his estate (for example, whether the *customer* wishes to be certain of leaving a bequest to his family or others);
- (5) the *customer's* health and life expectancy;
- (6) the *customer's* future plans and needs (for example, whether the *customer* is likely to need to raise further funds or is likely to move house);
- (7) whether the *customer* has a preference or need for stability in the amount of payments (where payments are required) especially having regard to the impact on the *customer* of significant interest rate changes in the future;

- (8) whether the *customer* has a preference or need for any other features of an *equity release transaction*; and
- (9) for *lifetime mortgages* only, whether it is more appropriate for the *customer* to pay any fees or charges in relation to the *lifetime mortgage* up front, rather than adding them to the sum advanced (see also ■ MCOB 4.6A).

8.5A.7
FCA

G

Examples of eligibility criteria in ■ MCOB 8.5A.6R (3) are: the amount that the *customer* wishes to borrow or to release; the loan-to-value ratio; the age of the *customer*; the value of the property which would be the subject of the *equity release transaction*.

The customer's needs and circumstances: means-tested benefits, customer's tax position and alternative methods of finance

8.5A.8
FCA

R

In considering the factor at ■ MCOB 8.5A.6R (1), where a *firm* has insufficient knowledge of means-tested benefits and tax allowances to reach a conclusion, the *firm* must refer a *customer* to an appropriate source or sources such as the Pension Service, HM Revenue and Customs or Citizens Advice Bureau (or other similar agency) to establish the required information.

8.5A.9
FCA

A

- (1) In considering the factor at ■ MCOB 8.5A.6 R (2)(a), a *firm* should:
 - (a) establish, on the basis of information given by the *customer* about his needs and objectives, whether these appear to be within the general scope of a local authority (or other) grant (for example where the *customer* requires funds for essential repairs to his property); and
 - (b) refer a *customer* to an appropriate source such as his local authority or Citizens Advice Bureau (or other similar agency) to identify whether such a grant is available to him.
- (2) Compliance with (1) may be relied upon as tending to show compliance with ■ MCOB 8.5A.6 R (2)(a).

8.5A.10
FCA

R

If for any reason a *customer*:

- (1) declines to seek further information on means-tested benefits, tax allowances or the scope for local authority (or other) grants; or
- (2) rejects the conclusion of a *firm* that alternative methods of raising the required funds are more suitable;

a *firm* can advise the *customer* (in accordance with the remaining requirements of this chapter) to enter into an *equity release transaction* where there is an *equity release transaction* (or more than one *equity release transaction*) that is appropriate to the needs and circumstances of

the *customer*, but must confirm to the *customer*, in a *durable medium*, the basis on which the *advice* has been given.

Debt consolidation

8.5A.11
FCA

R

In relation to ■ MCOB 8.5A.5 R (1), when a *firm* advises a *customer* in relation to entering into an *equity release transaction* where the main purpose for doing so is the consolidation of existing debts by the *customer*, it must also take account of the following in assessing whether the *equity release transaction* is suitable for the *customer*:

- (1) the costs associated with increasing the period over which a debt is to be repaid;
- (2) whether it is appropriate for the *customer* to secure a previously unsecured loan; and
- (3) where the *customer* is known to have payment difficulties, whether it would be more appropriate for the *customer* to negotiate an arrangement with his creditors than to enter into an *equity release transaction*.

8.5A.12
FCA

A

An attempt by the *firm* to misdescribe the *customer's* purpose or to encourage the *customer* to tailor the amount he wishes to borrow so that ■ MCOB 8.5A.11 R does not apply may be relied on as tending to show contravention of ■ MCOB 2.5A.1 R (The customer's best interests).

Further advances

8.5A.13
FCA

R

Where the *customer* is looking to increase the borrowing secured on the property which is the subject of an existing *regulated mortgage contract*, a *firm* must inform the *customer* (either orally or in writing) that it may be possible, and more appropriate, for the *customer* to take a further advance with the existing lender rather than entering into an *equity release transaction* with another provider.

8.5A.14
FCA

G

■ MCOB 8.5A.13 R does not mean that *firms* are under any obligation to explore whether a further advance with the existing lender is, in fact, more appropriate for the *customer*.

Other considerations when advising

8.5A.15
FCA

R

When *advising* a *customer* on the suitability of an *equity release transaction*, a *firm* must explain to the *customer* that the assessment of whether the *equity release transaction* is appropriate to his needs and circumstances is based on the *customer's* current circumstances, which may change in the future.

8.5A.16
FCA

G

Different considerations apply when dealing with a *customer* with a *payment shortfall*. For example, the circumstances of the *customer* may mean that, viewed as a new transaction, a *customer* should not be advised to enter into an *equity release transaction*. In such cases, a *firm* may still be able to *advise* the *customer* to enter into an *equity*

release transaction where it is more suitable than the *customer's* existing *home finance transaction*.

8.5A.17

FCA

G

■ MCOB 8.5A.5 R (3) means that where the *advice* provided is based on a selection of *equity release transactions* from a single or limited number of providers, the assessment of suitability should not be limited to the types of *equity release transactions* which the *firm* offers. A *firm* cannot recommend the 'least worst' *equity release transaction* where the *firm* does not have access to products appropriate to the *customer's* needs and circumstances. This means, for example, that if a *firm* only has access to lump sum *equity release transactions* it should not recommend or arrange one of these if approached by a *customer* requiring regular payments.

8.5A.18

FCA

G

■ MCOB 8.5A.5R (1) does not require a *firm* to provide *advice on investments*. Whether such *advice* should be given will depend upon the individual needs and circumstances of the *customer*. ■ MCOB 8 does not restrict the ability of an adviser to refer the *customer* to another source of *investment advice* (for example, where the adviser is not qualified to provide *advice on investments*).

Record keeping

8.5A.19

FCA

R

- (1) A *firm* must make and retain a record:
 - (a) of the *customer* information, including that relating to the *customer's* needs and circumstances and the *customer's* apparent satisfaction of the *equity release provider's* known eligibility criteria, that it has obtained for the purposes of ■ MCOB 8.5A;
 - (b) that explains why the *firm* has concluded that any *advice* given to a *customer* complies with ■ MCOB 8.5A.2 R and satisfies the suitability requirement in ■ MCOB 8.5A.5R (1);
 - (c) of any *advice* which the *customer* has rejected, including the reasons why they were rejected and details of the *equity release transaction* which the *customer* has proceeded with as an *execution-only sale*; and
 - (d) where applicable, of the *customer's* positive choice in ■ MCOB 4.6A.2 R (Rolling up of fees or charges into loan).
- (2) The records in (1) must be retained for a minimum of three years from the date on which the *advice* was given or, in the case of (1)(d), the making of the choice.



8.6

[Deleted]



8.6A Execution-only sales

Scope and application of this section

8.6A.1

FCA

G

- (1) ■ MCOB 8.6A provides that a *firm* may only *enter into an equity release transaction* with a *customer*, or *arrange* such a transaction for a *customer*, as an *execution-only sale* if the *customer* has rejected *advice*, identified the product he wishes to purchase and positively elected to proceed with an *execution-only sale*.
- (2) The aim of ■ MCOB 8.6A is to ensure that, in all sales of *equity release transactions*, there is one *firm* which *advises* the *customer* on the *equity release transaction* and, where applicable, is responsible for ensuring that the conditions for an *execution-only sale* are satisfied. So, as provided in ■ MCOB 8.1.2A R, ■ MCOB 8.6A only applies to *equity release providers* in relation to *entering into equity release transactions* where there is no *firm* which is *arranging* the transaction and to which ■ MCOB 8.6A applies.

The customer's best interests

8.6A.2

FCA

G

Firms are reminded that ■ MCOB 2.5A.1 R (The customer's best interests) applies in all cases, including in relation to *execution-only sales*.

8.6A.3

FCA

R

A *firm* must not encourage a *customer* to reject *advice* received by him on *equity release transactions*.

The conditions for execution-only sales

8.6A.4

FCA

R

A *firm* must not *enter into* or *arrange* an *execution-only sale* for a *equity release transaction* unless:

- (1) the *customer* has rejected the *advice* given by the *firm* and instead requested an *execution-only sale* of an *equity release transaction*;
- (2) the *customer* has identified which particular *equity release transaction* he wishes to purchase, and specified to the *firm* at least the required additional information (where applicable);
- (3) after providing the required information in (2), the *customer* has been informed, clearly and prominently and in a *durable medium*,

and that the *customer* will not benefit from the protection of the rules (in ■ MCOB 8.5A) on assessing suitability.

- (a) in any case where the *firm* has advised the *customer* that the *equity release transaction* is unsuitable for the *customer*, that that is the case; and
- (b) in any other case, that in the provision of its services for the *execution-only sale* the *firm* is not required to assess the suitability of that *equity release transaction*;

and in either case that the *customer* will not benefit from the protection of the rules (in ■ MCOB 8.5A) on assessing suitability. In any case where there is spoken dialogue between the *firm* and the *customer* at any point, the *firm* must also provide this information orally; and

- (4) after the *customer* has been provided with the information in (3), in any case where there is spoken or other interactive dialogue between the *firm* and the *customer* at any point, the *customer* has confirmed in writing to the *firm* that he is aware of the consequences of losing the protections of the rules on assessing suitability and is making a positive election to proceed with an *execution-only sale*. The written confirmation must be in the same document as the information in *durable medium* in (3), which must be separate from any other information and contractual documentation.

Exception: rate switches and other variations to lifetime mortgages.....

8.6A.5

FCA

R

- (1) The condition in ■ MCOB 8.6A.4 R (1) does not apply in the case of a variation of a *lifetime mortgage*, provided that:
 - (a) the variation would not involve the *customer* taking on additional borrowing beyond the amount currently outstanding under the existing *lifetime mortgage*, other than to finance any product fee or arrangement fee for the proposed new or varied contract; and
 - (b) where the variation will (in whole or part) change from one interest rate to another, the *firm* has presented to the *customer*, using a non-interactive channel, all products offered by it for which the *customer* is eligible, whether or not the *customer* then selects from those products using an interactive channel.
- (2) The reference to a variation in (1) (and in all other provisions which cross-refer to this *rule*) must be read as including any new *lifetime mortgage* which would replace an existing *lifetime mortgage* between the *customer* (or, where there are joint borrowers, at least one of them) and the *firm* (either as the

8.6A.6

FCA

G

original *equity release provider* or as the transferee of the existing contract).

- (1) The variation in ■ MCOB 8.6A.5 R might involve the addition or removal of a borrower for joint mortgages or a change in payment method. This list is not exhaustive.
- (2) Examples of rate changes in ■ MCOB 8.6A.5 R (2) are: a transfer from a variable rate to a fixed rate; and a transfer from one fixed rate to another fixed rate.
- (3) *Firms* are reminded that, if their presentation in ■ MCOB 8.6A.5 R (1)(b) has (either explicitly or implicitly) steered the *customer* towards any one or more of the products offered by them such as to constitute *advice*, the requirements of ■ MCOB 8.5A will apply.

8.6A.7

FCA

R

The required additional information in ■ MCOB 8.6A.4 R (2) is:

- (1) for a *lifetime mortgage* other than one falling within ■ MCOB 8.6A.5 R:
 - (a) the name of the *mortgage lender*;
 - (b) the rate of interest;
 - (c) the interest rate type;
 - (d) the price or value of the property on which the *lifetime mortgage* would be secured (estimated where necessary); and
 - (e) the sum the *customer* wishes to borrow under it, either immediately or in the future (including the amount of any lump sum, any regular drawdown or flexible facility or any combination of amounts the *customer* wishes to apply for);
- (2) for a *home reversion plan*:
 - (a) the name of the *equity release provider*;
 - (b) any initial lump sum required and any lump sum required in the future;
 - (c) the price or value of the property to which the *home reversion plan* would relate (estimated where necessary); and
 - (d) in the case of a *home reversion plan* which is not a full reversion, the amount or percentage of the value of the property that the *customer* wishes to retain.

8.6A.8

FCA

G

Where the information in ■ MCOB 8.6A.4 R (3) is given by electronic means, the *firm* should ensure that the *customer* cannot progress to the next stage of the sale unless the information has been communicated to the *customer*.

8.6A.9
FCA

R

Record keeping

- (1) Whenever a *firm enters into or arranges an execution-only sale for an equity release transaction*, it must make and maintain a record of;
- (a) the required information provided by the *customer* which satisfies ■ MCOB 8.6A.4 R (2);
 - (b) the information in *durable medium* in ■ MCOB 8.6A.4 R (3);
 - (c) the confirmation by the customer in ■ MCOB 8.6A.4 R (4) (where applicable); and
 - (d) any *advice* from the *firm* which the *customer* rejected, including the reasons why it was rejected, before deciding to enter into an *execution-only sale*.
- (2) The record in (1) must be retained for a minimum of three years from the date on which the *equity release transactions* was *entered into or arranged*.

8.6A.10
FCA

R

Forbearance

The restrictions in ■ MCOB 8.6A on entering into *execution-only sales* do not apply to any variation which is made solely for the purposes of forbearance where the *customer* has a *payment shortfall*, or in order to avoid a *payment shortfall*.



8.7 Initial disclosure information: unauthorised reversion provider

8.7.1

FCA

R

A *firm* must ensure that, on first making contact with a *customer* who is an individual and an *unauthorised reversion provider*, when it anticipates giving personalised information or advice on a *home reversion plan*, it must provide the *customer* with the following warnings in a *durable medium*:

- (1) that a *home reversion plan* is a long-term investment; and
- (2) that a *home reversion plan* is a complex legal arrangement, and that expert independent legal advice should be obtained before entering into any agreement.

Initial disclosure document [deleted]



9.3 Pre-application disclosure

9.3.1

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- (1) ■ MCOB 5.1 to ■ MCOB 5.5 (with the modifications stated in ■ MCOB 9.3.2 R to ■ MCOB 9.3.12 R) apply to a *firm* where the *home finance transaction* is an *equity release transaction*, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans* (see ■ MCOB 9.1.2A G).
- (2) The table in ■ MCOB 9.3.2 R shows how the relevant *rules* and *guidance* in MCOB 5 must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* applicable to *equity release transactions*.
- (3) The table in ■ MCOB 9.3.3 R replaces certain *rules* and *guidance* in MCOB 5 with *rules* and *guidance* from ■ MCOB 9.3 and ■ MCOB 9.4.
- (4) The table in ■ MCOB 9.3.4 R disapplies certain *rules* in MCOB 5 for the purposes of MCOB 9.
- (5) The terms that by their nature are relevant only to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans*.

9.3.1A

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The provisions in this sourcebook that apply to *home reversion plans* should be read in a purposive way. This means that *firms* should substitute equivalent home reversion terminology for *lifetime mortgage* terminology, where appropriate. Examples of terms and expressions that must be replaced are 'loan' or 'amount borrowed', which should be replaced with 'amount released' or 'amount to be released', as appropriate, and '*mortgage lender*' and '*mortgage intermediary*' which should be replaced with '*reversion provider*' and '*reversion intermediary*'.

PAGE
5

9.3.2

FCA

R

Table Table of modified cross-references to other rules.

This table belongs to ■ MCOB 9.3.1 R.

9

| Subject | Rule or guidance | Reference in rule or guidance | To be read as a reference to: |
|--|---|---|--|
| Variations | <i>MCOB 5.1.3R(2)</i> | <i>MCOB 7</i> | <i>MCOB 7 as modified by MCOB 9</i> |
| Part of loan not an equity release transaction | <i>MCOB 5.1.9G</i> | <i>MCOB 5.6.6R(2)</i> | <i>MCOB 9.4.6R(2)</i> |
| Waiver of provisions | MCOB 5.1.10G | MCOB 5.6 | MCOB 9.4. |
| Purpose | <i>MCOB 5.2.1G</i> | <i>MCOB 5</i> | <i>MCOB 5 as modified by MCOB 9</i> |
| Applying for a lifetime mortgage | <i>MCOB 5.3.2G</i> | <i>MCOB 5.6.26R and MCOB 5.6.27R</i> | <i>MCOB 9.4.26R and MCOB 9.4.27R</i> |
| Messages to be given when providing information on equity release transactions | MCOB 5.4.18A R (1) MCOB 5.4.18A R (1)(a) | MCOB 4.7A.2 R MCOB 4.4A.1 R (1), MCOB 4.4A.2 R and MCOB 4.4A.4 R (1) | MCOB 8.5A.2 R MCOB 4.4A.1 R (1), MCOB 4.4A.2 R and MCOB 4.4A.4 R (1), each as applied by MCOB 8.3.1 R in modified form |
| Messages to be given when customer requests an execution-only sale | MCOB 5.4.18B R (1) | MCOB 4.8A.14 R (1) to MCOB 4.8A.14 R (3) | MCOB 8.6A.4 R (2) |
| Guidance relevant to messages given to customer | MCOB 5.4.18C G | MCOB 5 Annex 1 R | MCOB 9 Annex 1 R for a lifetime mortgage; MCOB 9 Annex 2 R for a home reversion plan. |
| Tied products | <i>MCOB 5.4.24G</i> | <i>MCOB 5.6.74R</i> | <i>MCOB 9.4.73R or MCOB 9.4.160R</i> |
| Provision of illustrations: timing | MCOB 5.5.1 R (2)(e) | MCOB 4.8A.14 R (1), (2) or (3) | MCOB 8.6A.4 R (2) |

| Subject | Rule or guidance | Reference in rule or guidance | To be read as a reference to: |
|---|---------------------|-------------------------------|--|
| Issue of offer document in place of illustration | MCOB 5.5.3G | MCOB 6.4 and MCOB 6.6 | MCOB 6.4 and MCOB 6.6 as modified by MCOB 9 |
| Customer's credit record | MCOB 5.5.16R | MCOB 5.5.15R(4) | MCOB 9.3.12R(3) |

9.3.3
FCA

R Table Table of rules in *MCOB 5* replaced by rules in *MCOB 9*: This table belongs to *MCOB 9.3.1R*

| Subject | Rule(s) or guidance | Rule(s) or guidance replaced by: |
|-------------------------------------|----------------------------------|-----------------------------------|
| Accuracy of the illustration | MCOB 5.4.2R - MCOB 5.4.7G | MCOB 9.3.5R - MCOB 9.3.10G |
| Providing an illustration | MCOB 5.5.15R - MCOB 5.6 | MCOB 9.3.12R - MCOB 9.4 |

9.3.4
FCA

R Table Table of rules in *MCOB 5* which do not apply to *MCOB 9*: This table belongs to *MCOB 9.3.1R*.

| Subject | Rule(s) |
|---|-----------------|
| Business loans and loans to high net worth mortgage customers: tailored provisions | MCOB 5.7 |

9.3.5
FCA

R An *illustration* on a particular *equity release transaction* issued by, or on behalf of an *equity release provider*, must be an accurate reflection of the costs of the *equity release transaction*.

9.3.6
FCA

R A *mortgage intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by a *mortgage lender*:

- (1) is accurate within the following tolerances:
 - (a) no more than one percent or £1, whichever is the greater, below the actual figures charged by the *mortgage lender* for the following:
 - (i) the *total amount payable* in Section 15 of the *illustration*;
 - (ii) the amounts that the *customer* must pay by regular instalment (where payments are required), or the amounts of interest charged, in Section 8 of the *illustration*; and

(iii) the amount by which the regular instalment, or the estimated amount owed, would increase following a one percentage point increase in interest rates in Section 9 of the *illustration*.

(b) the *APR* in Section 15 of the *illustration* cannot be understated by more than 0.1%; and

(2) except in the case of conveyancing fees and insurance premiums (where estimates may be used), is accurate in respect of other figures quoted in the *illustration* including fees payable to the *mortgage lender* or *mortgage intermediary* in Section 11 and cash examples of *early repayment charges*, calculated in accordance with the rules at ■ MCOB 9.4.83 R to ■ MCOB 9.4.88 R, in Section 13.

9.3.6A

FCA

R

A *reversion intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by an *reversion provider*, is accurate, except in the case of conveyancing fees and insurance premiums (where estimates may be used).

9.3.7

FCA

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Given that the *APR* is presented as a percentage, and must be rounded to one decimal place in accordance with MCOB 10 (Annual Percentage Rate), *firms* should note that the tolerance allowed for the *APR* in ■ MCOB 9.3.6 R(1)(b) means that, for example, where the actual *APR* is 5.0%, the quoted *APR* must be no lower than 4.9%, or where the actual *APR* is 16.0%, the quoted *APR* must be no lower than 15.9%.

9.3.8

FCA

G

There are no restrictions on figures which are quoted as higher than those actually charged by the *equity release provider* although this should not be purposely done in order to make one *equity release transaction* look more expensive than another.

9.3.9

FCA

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It is the responsibility of an *equity release intermediary* to ensure an *illustration* is accurate. However, where a *firm* can show that it was reasonable for it to rely on information provided to it by another *person*, other than the *equity release provider*, he may be able to rely on that *person* (see ■ MCOB 2.5.2 R).

9.3.10

FCA

G

An *offer document* may not always exactly match the *illustration* provided before application even when the equity release requirements have not changed. For example, where a fixed rate has a defined end date, the *total amount payable* may be different because the number of payments at the fixed rate has reduced, or the estimated amount of interest to be charged has changed, assuming a later date at which the *lifetime mortgage* will start.

9.3.11

FCA

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[deleted]

9.3.12

FCA

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In meeting a request an *illustration* in relation to a particular *equity release transaction* (see ■ MCOB 5.5.1 R (2)(d)) , the *firm* must not delay the provision of the *illustration* by requesting information other than:

- (1) the information necessary to personalise the *illustration* , if the *firm* does not already know it;
- (2) where the *firm* is uncertain whether the transaction will be an *equity release transaction*, such information as is necessary to ascertain this;
- (3) where the interest rates, payments (if required) or any other terms and conditions to be included in the *illustration* are dependent on the *customer's* credit record, such information as is necessary to produce an *illustration*;
- (4) where the *firm* includes a quotation for any *tied products* or compulsory insurance in the *illustration*, such information as is necessary to produce those quotations; and
- (5) where the *customer* agrees to receive a quotation for insurance in the *illustration* (other than that provided for in (4)), such information as is necessary to produce those quotations



9.4 Content of illustrations

Purpose

9.4.1

FCA

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This section sets out the required content of an *illustration* for an *equity release transaction* provided to a *customer* by a *firm*. The template of an *illustration* for a *lifetime mortgage* is set out in ■ MCOB 9 Annex 1 R and for a *home reversion plan*, in ■ MCOB 9 Annex 2 R.

Content, order, format etc

9.4.2

FCA

R

An *illustration* provided to a *customer* must:

- (1) contain the material set out in the relevant annex to this chapter in the order and using the numbered section headings, sub-headings and text prescribed, except where this section provides otherwise;
- (2) follow the format of the template in the relevant annex to this chapter , with:
 - (a) prominent use of the keyfacts logo followed by the text 'about this lifetime mortgage' or 'about this home reversion plan' ;
 - (b) each section clearly separated;
 - (c) all the amounts set out in Sections 6, 8, 11, 12 and 15 in columns that make the amounts clear; and
 - (d) no section split across different pages except where it is impractical not to do so;
- (3) use font sizes and typefaces consistently throughout the *illustration* which are sufficiently legible so that the *illustration* can be read easily by a typical *customer*;
- (4) ensure that the information within each section is clearly laid out (for example, through the use of bullet points or similar devices to separate information);



9.7 Disclosure at the start of the contract: lifetime mortgages

9.7.1

FCA

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■ MCOB 9.7 applies to a *firm* when it *enters into a lifetime mortgage*.

Disclosure requirements where interest payments are required

9.7.2

FCA

R

A *firm* that *enters into a lifetime mortgage* with a *customer* where interest payments are required (whether or not they will be collected by deduction from the income from an annuity or other linked *investment* product) must provide the *customer* with the following information before the *customer* makes the first payment under the contract:

- (1) the amount of the first payment required;
- (2) the amount of the subsequent payments;
- (3) the method by which the payments will be collected (for example, by direct debit or by deduction from a linked *investment* product such as an annuity) and the frequency of such payments and the date of collection of the first and subsequent payments;
- (4) the net amount which the *customer* will receive, where the interest payment is deducted from the income generated by a linked *investment* product such as an annuity, and the method by which this amount will be paid to the *customer*;
- (5) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (6) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (7) confirmation of whether the insurance premiums are to be collected with the mortgage payment or separately (where the latter applies, the *firm* must give details or state that these will be confirmed separately);

- (8) confirmation that the *lifetime mortgage* is on an interest-only basis, and details of how the *firm* expects the capital to be repaid (for example, from the proceeds of the sale of the property);
- (9) if it is possible for a *payment shortfall* to occur, what to do if the customer has a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the name, address and telephone of a contact point with the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;
- (10) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (11) whether the *lifetime mortgage* permits the *customer* to make any overpayments or underpayments of the amounts due.

9.7.3
FCA

R The information in **■ MCOB 9.7.2 R** must be provided to the *customer* in a single communication, except (5), (6) and (9) which may be provided separately.

Disclosure requirements where the regulated lifetime mortgage contract is a drawdown mortgage with fixed payments to the customer

9.7.4
FCA

R A *firm* that enters into a *lifetime mortgage* which is a *drawdown mortgage*, with fixed payments to the *customer*, must provide the *customer* with the following information before the first payment is drawn down by the *customer*:

- (1) the amount of the first payment to be made;
- (2) the amount of subsequent payments, if different;
- (3) the method by which the payment will be made (for example, by transfer to the *customer's* bank account) and the date of issue of the first and subsequent payments;
- (4) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (5) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (6) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm*;

- (7) details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (8) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (9) whether the *lifetime mortgage* permits the *customer* to make any repayments on the *lifetime mortgage*

9.7.5

FCA

R

The information in ■ MCOB 9.7.4 R must be provided to the *customer* in a single communication, except (4), (5) and (6) which may be provided separately.

9.7.6

FCA

R

Disclosure requirements where the regulated lifetime mortgage contract is a drawdown mortgage without fixed payments to the customer Where the *lifetime mortgage* is a *drawdown mortgage* and the *customer* can choose the amount and frequency of the payments they receive, or the amount and frequency of payments can vary for other reasons (for example in line with interest rates) the *firm* must provide the *customer* with the following information before the first payment is drawn down by the *customer*:

- (1) (a) where the *customer* can choose the amount and frequency of the payments they receive, details of any limitations to the amount and frequency of the payments which the *customer* may request; or
 - (b) where the amount and frequency of payments can vary for other reasons (for example in line with interest rates), the amount of the first payment and details of how the amount and frequency of the payments can be varied in future;
- (2) the method by which the payment will be made (for example, by transfer to the *customer's* bank account);
- (3) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*.
- (4) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (5) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm*;
- (6) details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);

- (7) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (8) whether the *lifetime mortgage* permits the *customer* to make any repayments on the *lifetime mortgage*.

9.7.7
FCA

R The information in **■ MCOB 9.7.6 R** must be provided to the *customer* in a single communication, except (3), (4) and (5) which may be provided separately

Disclosure requirements where a lump sum payment is made to the customer and interest is rolled up

9.7.8
FCA

R Where the *lifetime mortgage* provides for a lump sum payment to be made to the *customer*, and all or part of the interest will be rolled up during the life of the mortgage, the *firm* must provide the *customer* with the following information before the *customer* makes the first payment under the contract, or if no payments are required from the *customer*, within seven days of completion of the mortgage:

- (1) if no payments are required from the *customer*, confirmation that no payments are required and details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (2) if payments are required from the *customer*:
 - (a) the amount of the first payment required;
 - (b) the amount of the subsequent payments;
 - (c) the method by which the payments will be collected, the frequency of such payments and the date of collection of the first and subsequent payments; and
 - (d) what to do if the *customer* has a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the name, address and telephone of a contact point with the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;
- (3) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*.
- (4) the amount of the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;

- (5) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (6) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (7) whether the *lifetime mortgage* permits the *customer* to make any overpayments or underpayments of the amounts due.

9.7.9

FCA

R

The information in ■ MCOB 9.7.8 R must be provided to the *customer* in a single communication, except (3) (4) and (5) which may be provided separately

Record keeping requirements

9.7.10

FCA

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- (1) A *firm* must make and retain an adequate record of the information that it provides to each *customer* at the start of the *lifetime mortgage* in accordance with this section.
- (2) The record required by (1) must be maintained for a year from the date that the information is provided to the *customer*.



9.8 Disclosure after sale: lifetime mortgages

Annual statements: content

9.8.1
FCA

R

The statement required by ■ MCOB 7.5.1 R must contain the following information:

- (1) except in the case of *mortgage credit cards*, information on the type of *lifetime mortgage*, (for example, fixed rate or variable rate) including a clear statement of how the *firm* expects the capital, or capital and interest (whichever is applicable) to be repaid (for example, from the proceeds of the sale of the property);
- (2) details of the following transactions and information on the *lifetime mortgage* during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *lifetime mortgage*):
 - (a) (if applicable) the date and amount of each payment made by the *customer*;
 - (b) (if applicable) the amount of each payment that was due from the *customer* during the statement period;
 - (c) for *drawdown mortgages*, the date and amount of each payment made to the *customer*;
 - (d) the rates(s) of interest applicable to the *lifetime mortgage* during the statement period and, if applicable, the date(s) on which the rate(s) of interest changed;
 - (e) the amount of interest charged under the *lifetime mortgage* during the statement period; and
 - (f) any other amounts charged under the *lifetime mortgage* during the statement period, including fees and any amounts due in relation to *tied products*;
- (3) where it is possible for *arrears* to occur, a reminder that the *customer* should contact the *firm* if they are unable to make their regular payments under the *lifetime mortgage*; and

Chapter 11

Responsible lending, and responsible financing of home purchase plans



11.1 Application [Deleted]



11.2 Purpose [Deleted]



11.3

Responsible lending, and responsible financing of home purchase plans [Deleted]



11.4 Application

Who?

11.4.1

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This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 11.4.2 R in accordance with column (2) of that table.

11.4.2

FCA

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This table belongs to ■ MCOB 11.4.1 R

| (1) Category of firm | (2) Applicable section |
|-------------------------------|--|
| <i>mortgage lender</i> | Whole chapter |
| <i>home purchase provider</i> | Whole chapter except MCOB 11.6.1G (2), MCOB 11.6.5R (3) and (4), MCOB 11.6.18 R, MCOB 11.6.19 G, MCOB 11.6.20R (2) and MCOB 11.6.20R (9), MCOB 11.6.40 G to MCOB 11.6.59 G, MCOB 11.6.60R (2)(e), (3) and (4) and MCOB 11.7.3 R |

What?

11.4.3

FCA

R

This chapter applies:

- (1) if a *firm enters into a regulated mortgage contract or home purchase plan with a customer*; or
- (2) if a *firm varies an existing regulated mortgage contract or home purchase plan*; and

throughout the term of any *regulated mortgage contract or home purchase plan* which a *firm* has entered into.

11.5 Purpose

11.5.1

FCA

G

- (1) This chapter requires a *firm* to treat *customers* fairly by assessing, before deciding to:
 - (a) *enter into a regulated mortgage contract or home purchase plan*; or
 - (b) *vary a regulated mortgage contract or home purchase plan*;whether the *customer* will be able to repay the sums borrowed and interest (in the case of a *regulated mortgage contract*) or pay the sums due (in the case of a *home purchase plan*).
- (2) This chapter aims to ensure that *customers* are not exploited by *firms* that provide finance in circumstances where the *customers* are self-evidently unable to repay (or pay) through income and have no alternative means of repayment (or payment).
- (3) This chapter sets out some limited exceptions to the requirement to assess the *customer's* ability to repay (or pay), including transitional arrangements in relation to *customers* with existing *regulated mortgage contracts* or *home purchase plans* which satisfy certain conditions.
- (4) This chapter also applies in relation to extending the term of a *bridging loan*.

11.6 Responsible lending and financing

Contents of this section

11.6.1

FCA

G

- (1) This section sets out *rules* and *guidance* for lenders and providers under *regulated mortgage contracts* and *home purchase plans*, in relation to the assessment of affordability for the *customer* of these contracts. *Firms* have the option of applying certain of the *rules* and *guidance* on a modified basis in relation to *regulated mortgage contracts* and *home purchase plans* which are solely for a business purpose or are with *high net worth mortgage customers*. This section also contains (at ■ MCOB 11.6.41 R to ■ MCOB 11.6.52 G) additional *rules*, with accompanying *guidance*, in relation to *regulated mortgage contracts* which are *interest-only mortgages*. These *rules*:
 - (a) restrict the circumstances in which *interest-only mortgages* may be entered into, and impose additional requirements on *mortgage lenders* in those limited cases where they are permitted; and
 - (b) provide for an exception to the requirement to assess affordability in relation to those *interest-only mortgages* which are *interest roll-up mortgages*, and restrict the circumstances in which *interest roll-up mortgages* may be used (see ■ MCOB 11.6.57 R to ■ MCOB 11.6.59 G).
- (2) This section also contains (at ■ MCOB 11.6.53 E to ■ MCOB 11.6.54 G) special provisions for *mortgage lenders* in relation to *bridging loans*, including some which apply only where the *bridging loan* is an *interest-only mortgage*.

The assessment of affordability

11.6.2

FCA

R

- (1) Except as provided in ■ MCOB 11.6.3 R, ■ MCOB 11.6.57 R (Interest roll-up mortgages) and ■ MCOB 11.7 (Transitional arrangements):
 - (a) before *entering into*, or agreeing to vary, a *regulated mortgage contract* or *home purchase plan*, a *firm* must assess whether the *customer* (and any guarantor of the *customer's* obligations under the *regulated mortgage contract* or *home purchase plan*) will be able to pay the sums due; and
 - (b) the *firm* must not enter into the transaction in (a) unless it can demonstrate that the new or varied *regulated mortgage contract* or *home purchase plan* is affordable for the *customer* (and any guarantor).

11.6.3

FCA

R

- (2) In ■ MCOB 11.6, references to payment of sums due means:
- (a) in the case of a *regulated mortgage contract*, the making of the payments to repay the sums advanced and interest reasonably expected to be accrued under the *regulated mortgage contract*; and
 - (b) in the case of a *home purchase plan*, the payment of sums due under the *home purchase plan*;
- in each case as they fall due.
- (3) In ■ MCOB 11.6, references to the *customer* must be read as referring also to any guarantor of the *customer's* obligations under the *regulated mortgage contract*, where the context permits.
- (1) ■ MCOB 11.6.2 R does not apply to:
- (a) entering into a new *regulated mortgage contract* or *home purchase plan* as a replacement for an existing *regulated mortgage contract* or *home purchase plan* between the *customer* and the *firm* (either as the original *mortgage lender* or *home purchase provider* or as the transferee of the existing contract), whether or not the new contract relates to the same property; or
 - (b) a variation of an existing *regulated mortgage contract* or *home purchase plan*;
- provided the conditions in (2) are satisfied.
- (2) The conditions referred to in (1) are that:
- (a) the proposed new or varied *regulated mortgage contract* or *home purchase plan* would not involve the *customer* taking on additional borrowing or (for a *home purchase plan*, increasing the amount of finance provided under the plan) beyond the amount currently outstanding under the existing *regulated mortgage contract* or *home purchase plan*, other than to finance any product fee or arrangement fee for the proposed new or varied contract; and
 - (b) there is no change to the terms of the *regulated mortgage contract* or *home purchase plan* which is likely to be material to affordability.
- (3) ■ MCOB 11.6.2 R does not apply to a variation to the terms of a *regulated mortgage contract* or *home purchase plan* which is made solely for the purposes of forbearance where the *customer* has a *payment shortfall*, or in order to avoid a *payment shortfall*.

11.6.4

FCA

A

- (1) If a *firm* treats any of the following changes as not likely to be material to affordability, this may be relied upon as tending to show contravention of ■ MCOB 11.6.2 R:
 - (a) an extension of the term of the *regulated mortgage contract* or *home purchase plan* which it is reasonable to expect will extend into the *customer's* retirement; or
 - (b) changing from a *repayment mortgage* to an *interest-only mortgage*, or vice versa; or
 - (c) the addition or removal of a *customer*.
- (2) The list in (1) is not exhaustive.

11.6.5

FCA

R

When assessing for the purposes of ■ MCOB 11.6.2 R whether a *customer* will be able to pay the sums due, a *firm*:

- (1) must not base its assessment of affordability on the equity in the property which is used as security under the *regulated mortgage contract* or is subject to the *home purchase plan*, or take account of an expected increase in property prices;
- (2) must take full account of:
 - (a) the income of the *customer*, net of income tax and national insurance; and, as a minimum
 - (b) (i) the *customer's* committed expenditure; and
(ii) the basic essential expenditure and basic quality-of-living costs of the *customer's* household;
- (3) (if it is a *mortgage lender*) must assess affordability on the basis of both repayment of capital and payment of interest over the term, except where lending under an *interest-only mortgage* in accordance with ■ MCOB 11.6.41R (1); and
- (4) (if it is a *mortgage lender*) must take account of the impact of likely future interest rate increases on affordability, as set out in ■ MCOB 11.6.18 R.

11.6.6

FCA

R

For the purposes of ■ MCOB 11.6.2 R, a *firm* must not rely on a general declaration of affordability by the *customer* or his representative.

PAGE
9

11.6.7

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Income multiples

A *firm* may wish to impose a limit, expressed as a multiple of the *customer's* income, on the amount it is prepared to advance under a *regulated mortgage contract* or *home purchase plan*. Such an approach is not, of itself, inconsistent with ■ MCOB 11.6.2 R but, in accordance with the *rules* in this section, the *firm* must be able to demonstrate that the loan is

affordable, having taken full account of the *customer's* income and expenditure, and (for a *mortgage lender*) the impact of future likely interest rate increases on affordability.

Income

11.6.8

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In taking account of the *customer's* income (in accordance with ■ MCOB 11.6.5R (2)(a)) for the purposes of its assessment of whether the *customer* will be able to pay the sums due:

- (1) a *firm* must obtain evidence of the income declared by the *customer* for the purposes of the *customer's* application for the *regulated mortgage contract* or *home purchase plan* (or variation). The evidence, whether document-based or derived through the use of automated systems, must be of a type and for a period which is adequate to support each element of income that the *firm* is taking into account, and subject to appropriate anti-fraud controls; and
- (2) a *firm* must not accept self-certification of income by the *customer*, and the source of the evidence in (1) must be independent of the *customer*.

11.6.9

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In relation to taking account of the *customer's* income for the purposes of its assessment of whether the *customer* will be able to pay the sums due:

- (1) income may be derived from sources other than employment (such as pensions or investments), or from more than one job;
- (2) the evidence necessary to comply with ■ MCOB 11.6.8 R will vary according to factors such as the employment status and the nature of the employment of the *customer* (for example, whether he is employed, self-employed, a contractor or retired), his length of employment and, in particular, any elements of income that are not contractually guaranteed. For example: income from overtime working may be evidenced by payslips over a period of time or by checking the level of income regularly paid into a bank account;
- (3) for a self-employed *customer*, a *firm* may wish to consider using projections of future income, where these form part of a credible business plan;
- (4) a *firm* may use information it already holds about a *customer's* income, for example where the *customer* holds a current account with the *mortgage lender*;
- (5) the source of evidence may be independent of the *customer* even where it is supplied by the *customer*; for example, in the form of payslips, bank statements or tax returns;
- (6) a *firm* may use information provided to it by a *home finance intermediary* or other third party, including electronic sources of information, but the *firm* will retain responsibility for compliance with this chapter; and

- (7) *mortgage lenders* and *home purchase providers* are reminded of their obligations under ■ SYSC 8 in respect of outsourcing where they choose to use a third party to verify income information.

Expenditure

11.6.10

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For the purposes of a *mortgage lender's* or *home purchase provider's* assessment of whether the *customer* will be able to pay the sums due:

- (1) the committed expenditure of a *customer* in ■ MCOB 11.6.5R (2)(b)(i) is his credit and other contractual commitments which will continue after the *regulated mortgage contract* or *home purchase plan* (or variation) is entered into;
- (2) the basic essential expenditure of a *customer's* household in ■ MCOB 11.6.5R (2)(b)(ii) comprises expenditure for: housekeeping (food and washing); gas, electricity and other heating; water; telephone; council tax; buildings insurance; ground rent and service charge for leasehold properties; and essential travel (including to work or school); and
- (3) the basic quality-of-living costs of a *customer's* household in ■ MCOB 11.6.5R (2)(b)(ii) are its expenditure which is hard to reduce and gives a basic quality of life (beyond the absolute essential expenditure in (2)).

11.6.11

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- (1) Examples of committed expenditure are: credit commitments such as loans and credit cards; hire purchase agreements; child maintenance; alimony; and the cost of a *repayment strategy* where the *customer* has an *interest-only mortgage* (where affordability has not been assessed on a capital and interest basis: see ■ MCOB 11.6.48 R (Assessing affordability under an *interest-only mortgage*)).
- (2) Examples of basic quality-of-living costs (which can be reduced, but only with difficulty) are: clothing; household goods (such as furniture and appliances) and repairs; personal goods (such as toiletries); basic recreation (television, some allowance for basic recreational activities, some non-essential transport); and childcare.

11.6.12

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For the purposes of its assessment of whether the *customer* will be able to pay the sums due:

- (1) a *firm* may generally rely on any evidence of income or information on expenditure provided by the *customer* unless, taking a common sense view, it has reason to doubt the evidence or information;
- (2) in taking account of the *customer's* committed expenditure, a *firm* must take reasonable steps to obtain details of the *customer's* actual outstanding commitments; and

11.6.13

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(3) in taking account of the basic essential expenditure and basic quality-of-living costs of a *customer's* household, a *firm* may obtain details of the actual expenditure. Alternatively, it may use statistical data or other modelled data appropriate to the composition of the *customer's* household, including the *customer*, dependent children and other dependents living in the household. If it uses statistical or other modelled data a *firm* must apply realistic assumptions to determine the level of expenditure of the *customer's* household.

(1) Examples of evidence of income in ■ MCOB 11.6.12R (1) are payslips and bank statements.

(2) If a *firm* obtains details of the *customer's* credit commitments from the *customer*, it should corroborate the information, for example by making a credit reference agency search or checking credit card or bank statements.

(3) Where the *customer's* credit or contractual commitments are due to end shortly after the *regulated mortgage contract* or *home purchase plan* (or variation) has been entered into, a *firm* should take a common sense approach to deciding whether to include those commitments in its assessment of whether the *customer* will be able to pay the sums due, according to such factors as the remaining term of the commitment and the magnitude of payments required under it.

Future changes to income and expenditure

11.6.14

FCA

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If a *firm* is, or should reasonably be aware from information obtained during the application process, that there will, or are likely to, be future changes to the income and expenditure of the *customer* during the term of the *regulated mortgage contract* or *home purchase plan*, the *firm* must take them into account when assessing whether the *customer* will be able to pay the sums due for the purposes of ■ MCOB 11.6.2 R.

11.6.15

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(1) Examples of future changes to income and expenditure in ■ MCOB 11.6.14 R are: reductions in income that may come about following the *customer's* retirement; where it is known that the *customer* is being made redundant; or where the *firm* is aware of another loan commitment that will become due during the term of the *regulated mortgage contract* or *home purchase plan*, such as an equity loan to assist in property purchase.

(2) If the term of a *regulated mortgage contract* or *home purchase plan* would extend beyond the date on which the *customer* expects to retire (or, where that date is not known, the state pension age), a *firm* should take a prudent and proportionate approach to assessing the *customer's* income beyond that date. The degree of scrutiny to be adopted may vary according to the period of time remaining to retirement when the assessment is made. The closer the *customer* is to retiring, the more robust the evidence of the level of income in retirement should be. For example, where retirement is many years in the future, it may be sufficient merely to confirm the existence of some pension provision for the *customer* by requesting evidence such as a pension statement; where the *customer* is close to retirement, the more robust steps may involve considering expected pension income from a pension statement.

In accordance with ■ MCOB 11.6.12R (1), a *firm* should take a common sense view when assessing any information provided by the *customer* on his expected retirement date.

- (3) Where an additional loan commitment is expected to become due during the term of the *regulated mortgage contract* or *home purchase plan*, the *mortgage lender* should assess whether the *regulated mortgage contract* or *home purchase plan* will remain affordable when the loan commitment becomes due, unless there is an appropriate *repayment strategy* in place to repay that loan, such as through the sale of the property which is the subject of the *regulated mortgage contract* or *home purchase plan*.

Debt consolidation and credit-impaired consumers

11.6.16

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FCA

- (1) This *rule* applies where:
 - (a) a purpose of a *regulated mortgage contract* or *home purchase plan* (or variation) is debt consolidation; and
 - (b) the *customer* is a *credit-impaired customer*.
- (2) Subject to (3), where each of the conditions in (1) is satisfied and, if the debts which are to be repaid using the sums raised by the *regulated mortgage contract* or *home purchase plan* (or variation) were not repaid, the transaction would not be affordable for the *customer*, the *firm* must take reasonable steps to ensure that, on completion of the transaction, those debts are actually repaid.
- (3) The requirement in (2) does not apply if the *firm* has assumed that the *customer's* existing debts which are to be repaid using the sums raised by the *regulated mortgage contract* or *home purchase plan* (or variation) will not in fact be repaid and, accordingly, include them as committed expenditure in the affordability assessment for the *customer*.

11.6.17

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FCA

The requirement in ■ MCOB 11.6.16R (2) for reasonable steps may be satisfied by the *mortgage lender's*, or *home purchase provider's*, repaying the committed expenditure directly to the creditors concerned as a condition of granting the *regulated mortgage contract* or *home purchase plan*.

11

Considering the effect of future interest rate rises

11.6.18

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FCA

- (1) Under ■ MCOB 11.6.5R (4), in taking account of likely future interest rate increases for the purposes of its assessment of whether the *customer* will be able to pay the sums due, a *mortgage lender* must consider the likely future interest rates over a minimum period of five years from the expected start of the term of the *regulated mortgage contract* (or variation), unless the interest rate under the *regulated mortgage contract* is fixed for a period of five years or more from that time, or for the duration of the *regulated mortgage contract* (or variation), if less than five years.

(2) In coming to a view as to likely future interest rates, a *mortgage lender* must have regard to:

- (a) market expectations; and
- (b) any prevailing *Financial Policy Committee* recommendation on appropriate interest-rate stress tests;

and must be able to justify the basis it uses by reference to (a) and (b).

(3) For the purposes of this *rule*, even if the basis used by the *mortgage lender* in (2) indicates that interest rates are likely to fall, or to rise by less than 1%, during the first five years of the *regulated mortgage contract* (or variation), a *mortgage lender* must assume that interest rates will rise by a minimum of 1% over that period.

11.6.19

FCA

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In relation to ■ MCOB 11.6.18R (2):

- (1) an example of market expectations is the forward sterling rate published on the Bank of England website. A *mortgage lender* should not use its own forecast; and
- (2) a *mortgage lender* should not link its determination to market expectations without considering the likely effect of rate changes in accordance with the market expectations on the specific *regulated mortgage contract* in question.

Responsible lending or financing policy.....

11.6.20

FCA

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A *firm* must put in place, and operate in accordance with, a written policy (which may be contained in more than one document), approved by its *governing body*, setting out the factors it will take into account in assessing a *customer's* ability to pay the sums due. The policy must address the following matters:

- (1) how income and expenditure is to be assessed, including (except as provided in ■ MCOB 11.6.32R (1) and ■ MCOB 11.6.39R (1)):
 - (a) details of the types of income which are acceptable;
 - (b) the proportion of different income streams which is acceptable;
 - (c) how variations in income over time, of which the *firm* is aware, are to be considered;
 - (d) what is acceptable evidence of income (including the time period to be covered by the evidence); and
 - (e) how committed expenditure, basic essential expenditure and basic quality-of-living costs are taken into account when assessing affordability;

- (2) how future interest rates are taken into account when assessing affordability;
- (3) the calculations used to determine whether the *regulated mortgage contract* or *home purchase plan* is affordable;
- (4) how the *mortgage lender's* or *home purchase provider's* anti-fraud controls are incorporated into affordability assessments;
- (5) how the *mortgage lender's* or *home purchase provider's* method of calculating the size of the advance for each *customer*, based on a consideration of the *customer's* income and expenditure, is to be monitored, including the timing of reviews and key performance indicators to be used (see ■ MCOB 11.6.22 R (Monitoring));
- (6) the actions to be taken if the *mortgage lender's* or *home purchase provider's* calculation method, referred to in (5), does not perform as expected;
- (7) how regular audits of compliance with the *mortgage lender's* or *home purchase provider's* responsible lending or financing policy established in accordance with this *rule* are to be undertaken (as required by ■ MCOB 11.6.24 R);
- (8) how the record keeping requirements in ■ MCOB 11.6.60 R are to be met;
- (9) (if applicable) the matters required by ■ MCOB 11.6.50 R (Interest-only policy); and
- (10) (if applicable) how the *firm* will apply the *rules* in ■ MCOB 11.7 (Transitional arrangements) so as to permit exceptions to its procedures for affordability assessments, to include arrangements for use of management information to monitor its application of those exceptions.

11.6.21

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Examples of different income streams in ■ MCOB 11.6.20R (1)(b) are: income derived from sources other than employment; income from more than one job; and elements of income that are not contractually guaranteed.

Monitoring

11.6.22

FCA

R

A *firm* must put in place, and be able to demonstrate that it has, robust systems and controls (including the use of management information and key performance indicators) to monitor the effectiveness of its affordability assessments, including in preventing payment difficulties.

11.6.23

FCA

G

Except as provided in ■ MCOB 11.6.32R (2) and ■ MCOB 11.6.39R (2), the monitoring in ■ MCOB 11.6.22 R should:

- (1) include use of management information, key performance indicators and root cause analysis to review and (where appropriate) adjust and improve the *mortgage lender's* or *home purchase provider's* method of calculating the size of the advance for each *customer*, based on a consideration of the *customer's* income and expenditure; and
- (2) take place on a regular basis. However, a *firm* should put in place key performance indicators that trigger more frequent reviews; for example, if the incidence of *customers* being in *arrears*, or of early *arrears*, is higher than expected.

11.6.24

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A *firm* must ensure that its compliance with the responsible lending or financing policy required by ■ MCOB 11.6.20 R is reviewed at least once per calendar year:

- (1) in any case where the *firm* has an internal audit function or outsourced equivalent, by that function; and
- (2) in any other case, by the *firm's* internal compliance function or an outsourced equivalent.

Alternative provisions for loans which are solely for a business purpose

11.6.25

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Where a *regulated mortgage contract* is solely for a business purpose, a *firm* may opt to apply ■ MCOB 11.6.26 R to ■ MCOB 11.6.31 R in place of ■ MCOB 11.6.5 R to ■ MCOB 11.6.19 G.

11.6.26

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R

When assessing for the purposes of ■ MCOB 11.6.2 R whether a *customer* will be able to pay the sums due, a *firm*:

- (1) must not base its assessment of affordability on the equity in the property which is used as security under the *regulated mortgage contract*, or take account of an expected increase in property prices;
- (2) must:
 - (a) where the repayments will be made from the resources of the *customer*:
 - (i) take full account of the income, net of income tax and national insurance, or net assets (or both) of the *customer*; and the *customer's* committed expenditure; and
 - (ii) take account, in general terms as a minimum, of the basic essential expenditure and basic quality-of-living costs of the *customer's* household; and

- (b) where the repayments will be made from the financial resources of the business, take full account of the strength of those resources;
- (3) in a case falling within (2)(b), if the *customer* is relying on the business for his personal income, must as a minimum consider in general terms whether the business can support the *customer's* basic essential expenditure and basic quality-of-living costs;
- (4) must assess affordability on the basis of both repayment of capital and payment of interest over the term, except where lending under an *interest-only mortgage* in accordance with ■ MCOB 11.6.41R (1); and
- (5) must take account of the impact of likely future interest rate increases on affordability.

11.6.27 **R** For the purposes of ■ MCOB 11.6.2 R, a *firm* must not rely on a general declaration of affordability by the *customer* or his representative.

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11.6.28 **R** In taking account (in accordance with ■ MCOB 11.6.26R (2)) of the *customer's* income or net assets (or both) and the resources of the business for the purposes of its assessment of whether the *customer* will be able to pay the sums due:

FCA

- (1) a *firm* must obtain evidence of the income or net assets (or both) of the *customer* and the resources of the business, as declared by the *customer* for the purpose of the *customer's* application for the *regulated mortgage contract* (or variation); and
- (2) a *firm* must not accept self-certification of income by the *customer*, and the source of the evidence in (1) must be independent of the *customer*.

11.6.29 **R** In ■ MCOB 11.6.26 R, for the purposes of taking full account of committed expenditure and taking account in general terms of basic essential expenditure and basic quality-of-living costs, the meaning of those phrases is as set out in ■ MCOB 11.6.10 R.

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11.6.30 **G** The information which a *firm* should consider when taking account, for the purposes of ■ MCOB 11.6.26R (2)(b), of the strength of the financial resources of the business will vary according to the characteristics of the business, but may include factors such as the cash flow, assets and liabilities of the business.

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11.6.31 **R** If a *firm* is, or should reasonably be aware from information obtained during the application process, that there will, or are likely to, be future changes to the income and expenditure of the *customer*, or the resources of the business, during the term of the *regulated mortgage contract*, the

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firm must take them into account when assessing whether the *customer* will be able to pay the sums due for the purposes of ■ MCOB 11.6.2 R.

11.6.32

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Where a *firm* chooses, in accordance with ■ MCOB 11.6.25 R, to apply the provisions of ■ MCOB 11.6.26 R to ■ MCOB 11.6.31 R in place of ■ MCOB 11.6.5 R to ■ MCOB 11.6.19 G:

- (1) its policy in ■ MCOB 11.6.20R (1) need not address each of the matters prescribed in sub-paragraphs (a) to (e) of that *rule*;
- (2) ■ MCOB 11.6.23 G does not apply; and
- (3) in each case the record-keeping requirements in ■ MCOB 11.6.60R (2)(a) to ■ (d) apply only to the extent relevant, but the record in ■ MCOB 11.6.60R (1) must also include, to the extent relevant:
 - (a) the *customer's* assets and the evidence relied on to assess them; and
 - (b) the details considered in relation to the resources of the business.

Alternative provisions for loans with high net worth mortgage customers

11.6.33

FCA

R

Where a *regulated mortgage contract* is for a *high net worth mortgage customer*, a *firm* may opt to apply ■ MCOB 11.6.34 R to ■ MCOB 11.6.38 R in place of ■ MCOB 11.6.5 R to ■ MCOB 11.6.19 G.

11.6.34

FCA

R

When assessing for the purposes of ■ MCOB 11.6.2 R whether a *customer* will be able to pay the sums due, a *firm*:

- (1) must not base its assessment of affordability on the equity in the property which is used as security under the *regulated mortgage contract*, or take account of an expected increase in property prices;
- (2) must:
 - (a) take full account of the income, net of income tax and national insurance, or net assets (or both) of the *customer*; and the *customer's* committed expenditure; and
 - (b) take account, in general terms as a minimum, of the basic essential expenditure and basic quality-of-living costs of the *customer's* household;
- (3) must assess affordability on the basis of both repayment of capital and payment of interest over the term, except where

lending under an *interest-only mortgage* in accordance with
■ MCOB 11.6.41R (1); and

(4) must take account of the impact of likely future interest rate increases on affordability.

11.6.35

FCA

R

For the purposes of ■ MCOB 11.6.2 R, a *firm* must not rely on a general declaration of affordability by the *customer* or his representative.

11.6.36

FCA

R

In taking account of the *customer's* income or net assets (or both) (in accordance with ■ MCOB 11.6.34R (2)(a)) for the purposes of its assessment of whether the *customer* will be able to pay the sums due:

- (1) a *firm* must obtain evidence of the income or net assets (or both) declared by the *customer* for the purpose of the *customer's* application for the *regulated mortgage contract* (or variation); and
- (2) a *firm* must not accept self-certification of income by the *customer*, and the source of the evidence in (1) must be independent of the *customer*.

11.6.37

FCA

R

In ■ MCOB 11.6.34 R, for the purposes of taking full account of committed expenditure and taking account in general terms of basic essential expenditure and basic quality-of-living costs, the meaning of those phrases is as set out in ■ MCOB 11.6.10 R.

11.6.38

FCA

R

If a *firm* is, or should reasonably be, aware from information obtained during the application process, that there will, or are likely to, be future changes to the income and expenditure of the *customer* during the term of the *regulated mortgage contract*, the *firm* must take them into account when assessing whether the *customer* will be able to pay the sums due for the purposes of ■ MCOB 11.6.2 R.

11.6.39

FCA

R

Where a *firm* chooses, in accordance with ■ MCOB 11.6.33 R, to apply the provisions of ■ MCOB 11.6.34 R to ■ MCOB 11.6.38 R in place of ■ MCOB 11.6.5 R to ■ MCOB 11.6.19 G:

- (1) its policy in ■ MCOB 11.6.20R (1) need not address each of the matters prescribed in sub-paragraphs (a) to (e) of that *rule*;
- (2) ■ MCOB 11.6.23 G does not apply; and
- (3) in each case the record-keeping requirements in ■ MCOB 11.6.60R (2)(a) to ■ MCOB 11.6.60R (2)(d) apply only to the extent relevant, but the record in ■ MCOB 11.6.60R (1) must also include, to the extent relevant, the *customer's* assets and the evidence relied on to assess them.

Interest-only mortgages

11.6.40
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The rules in this part (■ MCOB 11.6.41 R to ■ MCOB 11.6.49 R) provide that *interest-only mortgages* may be *entered into* by *mortgage lenders* in limited circumstances.

Entering into interest-only mortgages

11.6.41
FCA

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- (1) A *mortgage lender* may only *enter into an interest-only mortgage*, or switch a *repayment mortgage* onto an interest-only basis for all or part of its term, if:
 - (a) it has evidence that the *customer* will have in place a clearly understood and credible *repayment strategy*; and
 - (b) as far as it is reasonably able to assess at that time, the *repayment strategy* has the potential to repay the capital borrowed and any interest reasonably expected to be accrued under the *interest-only mortgage*.
- (2) In ■ MCOB 11.6, a reference to an *interest-only mortgage* is to be read as including any *regulated mortgage contract* which includes an interest-only period or where part of the sum is advanced on an interest-only basis.
- (3) A *mortgage lender* must not accept speculative *repayment strategies* for the purposes of (1).

11.6.42
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Firms are reminded that:

- (1) *interest-only mortgages* include those where some, but not all, interest is payable at the end of the term. Accordingly, the requirement in ■ MCOB 11.6.41R (1)(b) applies equally to such *interest-only mortgages* as it does to those where all of the interest is accrued until the end of the term; and
- (2) a *lifetime mortgage* is a type of *interest-only mortgage*, as full repayment of capital and interest is not required over the term. Accordingly, the requirements in the *Handbook* (including in ■ MCOB 11.6 and ■ MCOB 11.7) which apply to *interest-only mortgages* apply to *lifetime mortgages*, unless specifically disappplied. Depending always on its terms, a *lifetime mortgage* may also be an *interest roll-up mortgage*, as noted in ■ MCOB 11.6.59 G.

11.6.43
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■ MCOB 11.6.41R (1) does not prevent a *mortgage lender*, when appropriate, from making a temporary concession, by which he accepts payment of interest only, with a *customer* who is in *arrears* or has a *payment shortfall*, or is at risk of *arrears* or a *payment shortfall*, on a *regulated mortgage contract*.

11.6.44
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Firms are reminded that whether it is appropriate to take the action contemplated by ■ MCOB 11.6.43 R will depend on all the circumstances of the particular case and must be considered having regard to, among other things, *Principle 6* and the *rules* in ■ MCOB 13.

11.6.45 FCA G The following are examples of *repayment strategies* that may, subject to the circumstances of the *customer*, be acceptable for the purposes of ■ MCOB 11.6.41R (1):

- (1) regular deposits into a savings or investment product;
- (2) the periodic repayment of capital from irregular sources of income (such as bonuses or some sources of income from self-employment); and
- (3) the sale of assets such as another property or other land owned by the *customer*.

11.6.46 FCA A Acceptance by a *mortgage lender* of any of the following *repayment strategies* for the purposes of ■ MCOB 11.6.41R (1) may be relied upon as tending to show contravention of that *rule*:

- (1) an expectation that the value of the property which is the subject of the *regulated mortgage contract* will increase over its term sufficiently to enable the *customer* to sell the property to repay the capital borrowed and, where applicable, pay the interest accrued under the *interest-only mortgage*;
- (2) an intention on the part of the *customer* to utilise an expected, but uncertain, inheritance to repay the capital borrowed and, where applicable, pay the interest accrued under the *interest-only mortgage*; and
- (3) the sale of the property which is the subject of the *regulated mortgage contract*, where that is the *customer's* main residence and the *mortgage lender* does not consider whether the property will have the potential to:
 - (a) provide sufficient funds for the *customer* to repay the capital borrowed and, where applicable, the interest accrued under the *interest-only mortgage*; and
 - (b) allow the *customer* to purchase a cheaper property to reside in or execute any other associated strategy.

The above list is not exhaustive.

11.6.47 FCA G In complying with ■ MCOB 11.6.41R (1), where a *customer's repayment strategy* is the sale of the property which is the subject of the *regulated mortgage contract*, a *mortgage lender* may wish to consider, as part of its assessment of that *repayment strategy*, factors such as the equity in the property when considered in relation to the level of property prices in the relevant area at the time of the consideration or, for a *lifetime mortgage*, the borrower's life expectancy.

Assessing affordability under an interest-only mortgage

11.6.48 FCA R For the purposes of ■ MCOB 11.6.2 R, where a *mortgage lender* is lending under an *interest-only mortgage* in accordance with ■ MCOB 11.6.41R (1), it may assess affordability on the basis of payment of interest only over the

term (plus repayment of such capital as may be due to be repaid over the term). If it does so, it must consider as part of the *customer's* committed expenditure under ■ MCOB 11.6.5R (2)(b)(i) (or the equivalent alternative provision for transactions with *high net worth mortgage customers* or solely for business purposes) the cost to the *customer* of the *repayment strategy*.

Review during the term of interest-only mortgages

11.6.49
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- (1) This *rule* applies in relation to all *interest-only mortgages* which a *mortgage lender enters into* on or after 26 April 2014 except:
 - (a) *lifetime mortgage*;
 - (b) *bridging loans*; and
 - (c) any other case where the repayment of capital borrowed and, if applicable, interest accrued, is certain.
- (2) Except as set out in (3), a *mortgage lender* must carry out a review (as a minimum, once) during the term of the mortgage, in which contact is made with the *customer*, to check that the *customer's repayment strategy* is still in place, and that it is still reasonable to expect that the *repayment strategy* has the potential to repay the capital borrowed and, where applicable, pay the interest reasonably expected to be accrued under the *interest-only mortgage*. The review must be carried out at a stage of the term when, if the *repayment strategy* is not in place, or not adequate, there is likely to be sufficient time prior to the end of the term for the *customer* to take appropriate steps to remedy the situation.
- (3) The review in (2) is not required in any case where, despite reasonable efforts to contact the *customer*, the *mortgage lender* has been unable to do so.
- (4) Following the review in (1), where appropriate the *mortgage lender* must take reasonable steps to discuss with the *customer* what may be done to address the situation.

Interest-only policy

11.6.50
FCA

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A *mortgage lender* which *enters into interest-only mortgages* (unless they are only *lifetime mortgages*) must include in the policy which is required by ■ MCOB 11.6.20 R (Responsible lending and financing policy) a policy on *interest-only mortgages*, setting out its processes and procedures for ensuring compliance with ■ MCOB 11.6.41R (1) and for safeguarding the interests of *customers* during the term of *interest-only mortgages*. This policy must include:

- (1) details of the *mortgage lender's* plans for lending by way of *interest-only mortgages*, including its planned volumes of

lending on that basis over a specified period, and provision for reviewing the actual volumes of lending on that basis, including the timing and method of review;

- (2) specification of the types of *repayment strategy* which will be considered acceptable, and the evidential requirements and other controls which will be applied to ensure that only such types will be accepted, including the controls to be applied where the *repayment strategy* is the sale of the property which is the subject of the *regulated mortgage contract*;
- (3) the procedures for checking the existence and adequacy of the *repayment strategy* in line with the policy, including questions to be asked of the *customer*;
- (4) the arrangements for monitoring and auditing compliance with the policy, processes and procedures (see ■ MCOB 11.6.22 R and ■ MCOB 11.6.24 R (Monitoring)); and
- (5) the process for the review required by ■ MCOB 11.6.49 R which, as a minimum:
 - (a) prescribes the timing of the review;
 - (b) prescribes the content of the review, including the questions to be asked of the *customer* and the actions to be taken if the *customer* proves difficult to contact or otherwise does not co-operate with the review;
 - (c) sets out how it is to be decided whether the *customer's repayment strategy* meets the criteria in ■ MCOB 11.6.49R (2); and
 - (d) sets out the actions which will be appropriate to be considered during the discussions in ■ MCOB 11.6.49R (2), depending on the circumstances of the *customer*.

11.6.51

G

FCA

- (1) The controls in ■ MCOB 11.6.50R (2) may include, where appropriate: maximum loan to value limits; minimum equity requirements; regional factors such as property prices; or other eligibility requirements.
- (2) The policy and procedures for safeguarding the interests of a *customer* under an *interest-only mortgage* should not permit the *mortgage lender* to change the *interest-only mortgage* to a *repayment mortgage*, extend the term or otherwise change the features of the *interest-only mortgage* unless to do so is compatible with the duties of the *mortgage lender* under *Principle 6* and any other applicable *rules* and *regulations*, including those relating to *arrears* or *payment shortfall*. A *mortgage lender* should also have regard to the *Unfair Terms Regulations* when drafting the provisions of *regulated mortgage contracts* in relation to changes to their features.

11.6.52

FCA

G

■ MCOB 11.6.50 R sets out requirements for *mortgage lenders* to have appropriate procedures for managing *interest-only mortgages* in order to safeguard the interests of *customers*. *Firms* are reminded of the *rules and guidance* in SYSC (notably ■ SYSC 7.1) relating to systems and controls for the management of risks to which *firms* themselves are exposed. *Firms* will need to consider whether their systems and controls are adequate in relation to the management of risks arising from *interest-only mortgages*.

Assessing the customer's repayment strategy for bridging loans

11.6.53

FCA

A

For a *bridging loan* which is an *interest-only mortgage*, acceptance by a *mortgage lender* as a *repayment strategy* for the purposes of ■ MCOB 11.6.41R (1) of an expectation that, by entering into the *bridging loan*, the *customer's* credit status will be sufficiently improved to enable him to refinance to a longer-term *regulated mortgage contract* (except where the *mortgage lender* has evidence of a guaranteed offer for such a longer-term contract) may be relied upon as tending to show contravention of that *rule*.

11.6.54

FCA

G

For a *bridging loan* which is an *interest-only mortgage*, in complying with ■ MCOB 11.6.41R (1):

- (1) where the *customer's repayment strategy* is the sale of his existing home, the *mortgage lender* may wish to consider asking for it to be supported by an independent valuation of that property, as a condition of accepting that *repayment strategy*; and
- (2) where the *customer's repayment strategy* is the replacement of the *bridging loan* with a mainstream *regulated mortgage contract*, the *mortgage lender* should not accept that *repayment strategy* unless it is reasonably satisfied that a mainstream *mortgage lender* will be willing to enter into a *regulated mortgage contract* with the *customer*. A *firm* may wish to consider requesting evidence of a guaranteed offer or agreement in principle that will be in place once the existing term of the *bridging loan* has expired, or obtain the necessary income and expenditure information, in order to be so satisfied.

Extending the term of a bridging loan

11.6.55

FCA

R

Except in relation to a secured overdraft which is solely for a business purpose or is with a *high net worth mortgage customer*:

- (1) when considering extending the term of a *bridging loan*, a *mortgage lender* must comply with ■ MCOB 11.6.2 R as if the *bridging loan* were a new loan;
- (2) where ■ MCOB 11.6.2 R does not apply in relation to extending the term of a *bridging loan* (because the *bridging loan* is an *interest roll-up mortgage*, and therefore ■ MCOB 11.6.57 R applies), the *mortgage lender* must consider with the *customer*, before he commits himself to extend the term, the impact of the extension on the *customer's* remaining equity in the property which is the subject of the *bridging loan*; and

- (3) a *firm* must not agree to extend the term of a *bridging loan* unless the *customer* has made a positive choice to do so.

11.6.56

FCA

G

Firms are reminded that, when extending the term of a *bridging loan* to which ■ MCOB 11.6.55 R does not apply, in accordance with ■ MCOB 2.5A.1 R, they must act honestly, fairly and professionally in accordance with the best interests of their *customer*.

Interest roll-up mortgages

11.6.57

FCA

R

The requirements in ■ MCOB 11.6.2 R (and any *Handbook* provisions applicable only to that *rule*) do not apply in relation to an *interest roll-up mortgage*.

11.6.58

FCA

R

A *mortgage lender* may not enter into an *interest roll-up mortgage*, or vary an existing *regulated mortgage contract* so that it becomes an *interest roll-up mortgage*, unless it is:

- (1) a *lifetime mortgage*; or
- (2) a *bridging loan*; or
- (3) a loan to a *high net worth mortgage customer*; or
- (4) a loan solely for business purposes.

11.6.59

FCA

G

Firms are reminded that an *interest roll-up mortgage* is a type of *interest-only mortgage*, where no payments of interest or capital are required or anticipated until the mortgage comes to an end. Depending always on their terms, it is possible to structure the types of product set out in ■ MCOB 11.6.58R (1) to ■ (4) as an *interest roll-up mortgage*. Where that is the case, ■ MCOB 11.6.2 R will not apply in relation to them, but ■ MCOB 11.6.40 G to ■ MCOB 11.6.52 G will apply to all *interest roll-up mortgages*, to the extent they are permitted by ■ MCOB 11.6.58 R.

Record-keeping

11.6.60

FCA

R

- (1) A *firm* must make, in paper or electronic form, an adequate record of the steps it takes to comply with the *rules* in this chapter in relation to each *customer*.
- (2) The record in (1) must include the information taken into account in each affordability assessment, so that it is possible to understand from the record the basis of the *mortgage lender's* or *home purchase provider's* lending or financing decision, including (except as provided in ■ MCOB 11.6.32R (3) and ■ MCOB 11.6.39R (3)):
 - (a) the *customer's* income, including, where relevant, a breakdown of the different income types;
 - (b) the *customer's* committed expenditure;

- (c) the basic essential expenditure and basic quality-of-living costs of the *customer's* household (whether actual expenditure for that household or assumed expenditure from statistical or other modelled data, including information to show why the assumed data is appropriate to that *customer's* household);
 - (d) the evidence relied on to assess income and expenditure;
 - (e) the rate or assumptions used to test affordability against likely future interest rate rises;
 - (f) the repayment type and term of the *regulated mortgage contract*, or the term of the *home purchase plan*; and
 - (g) the calculation used to determine whether the *regulated mortgage contract, home purchase plan* is (or, where applicable, following the variation, remains) affordable for the *customer*.
- (3) In relation to *interest-only mortgages*, the record in (1) must include:
- (a) the reasons for each decision to offer an *interest-only mortgage* to a *customer*;
 - (b) the evidence of the *customer's repayment strategy* and, where applicable, its cost;
 - (c) details of the *firm's* attempts to contact the *customer* where required by ■ MCOB 11.6.49 R; and
 - (d) the outcome of each review required by ■ MCOB 11.6.49 R (whether conducted once during the term of the *interest-only mortgage* or more frequently).
- (4) In relation to the extension of the term of a *bridging loan* which falls within ■ MCOB 11.6.55 R, the record in (1) must include:
- (a) the *customer's* positive choice to extend the term;
 - (b) the reasons for the decision to extend the term; and
 - (c) the evidence of the *customer's repayment strategy* and its cost.
- (5) A firm must retain the records required by (1) to (4) for the term of the *regulated mortgage contract* or *home purchase plan*.
- (6) Where a firm enters into or varies a *regulated mortgage contract* or *home purchase plan* under ■ MCOB 11.7 (Transitional arrangements), it must keep, for the term of the contract or plan, a record of:

- (a) the outstanding balance on the existing contract or plan;
- (b) the cost of the repairs or maintenance work to the property, where relevant;
- (c) any product fee or arrangement fee financed by any additional borrowing taken on under the contract or increase in the amount of finance provided under the plan; and
- (d) the rationale for each decision made to enter into or vary a *regulated mortgage contract* or *home purchase plan* under ■ MCOB 11.7 (Transitional arrangements), including why the firm considered it to be in the *customer's* best interests.

(7) A *firm* must make, and keep up to date, an adequate record of the policy required by ■ MCOB 11.6.20 R. When the policy is changed, a record of the previous policy must be retained for so long as any *regulated mortgage contract* or *home purchase plan* to which it was applicable remains outstanding.

11.6.61

FCA

G

For the purposes of ■ MCOB 11.6.60R (2)(c) and ■ (g), if it is not practicable for the *firm* to record on the *customer's* file full details of the calculation method applied, it should record clearly which version of that method was applied in order that the file can be reviewed in conjunction with the applicable version of the method, so that it is possible to reconstruct the lending decision.

11.7 Transitional arrangements

11.7.1

FCA

R

When considering *entering into* or varying a *regulated mortgage contract* or *home purchase plan*, a *firm* need not apply the *rules* in ■ MCOB 11.6.2 R to ■ MCOB 11.6.18 R inclusive (as modified by ■ MCOB 11.6.25 R to ■ MCOB 11.6.31 R and ■ MCOB 11.6.33 R to ■ MCOB 11.6.38 R, where applicable) if it has established, acting reasonably, that the following conditions are satisfied:

- (1) the *customer* has:
 - (a) an existing *regulated mortgage contract* (whether or not entered into on or after 31 October 2004) or *home purchase plan* (whether or not entered into on or after 6 April 2007) which was in existence prior to 26 April 2014; or
 - (b) an existing *regulated mortgage contract* or *home purchase plan* which was entered into in reliance on, and in compliance with, ■ MCOB 11.7;
- (2) subject to ■ MCOB 11.7.2 R, the proposed *regulated mortgage contract* or *home purchase plan*, or variation, would not involve the *customer* taking on additional borrowing (or, for a *home purchase plan*, increasing the amount of finance provided under the plan) beyond the amount currently outstanding under the existing *regulated mortgage contract* or *home purchase plan*, other than to finance any product fee or arrangement fee for the proposed new or varied contract;
- (3) the proposed transaction would be in the *customer's* best interests; and
- (4) the *customer* has not, after 26 April 2014 increased the size of the advance under the existing *regulated mortgage contract* or *home purchase plan* other than to finance any relevant product fee or arrangement fee in relation to, or the cost of essential repairs or maintenance to the property which is the subject of, that *regulated mortgage contract* or *home purchase plan*.

11.7.2

FCA

R

The condition in ■ MCOB 11.7.1R (2) does not apply if each of the following conditions is satisfied:

- (1) the *firm* is the *mortgage lender* or *home purchase provider* under the existing *regulated mortgage contract* or *home purchase plan* in ■ MCOB 11.7.1R (1);
- (2) the value of the property which is the subject of the *regulated mortgage contract* or *home purchase plan* is at risk if repairs or maintenance work to the property are not carried out;
- (3) the funds generated by the additional borrowing or increase in finance provided are to be used to carry out the repairs or maintenance work; and
- (4) the *firm* has obtained credible evidence which demonstrates that the additional borrowing or increase in finance are no more than the cost of the repairs or maintenance work.

11.7.3

FCA

R

- (1) When considering *entering into* or varying an *interest-only mortgage*, a *mortgage lender* need not apply the rules in ■ MCOB 11.6.41R (1), ■ MCOB 11.6.49 R, ■ MCOB 11.6.50 R and ■ MCOB 11.6.60R (3) if the conditions in ■ MCOB 11.7.1 R) are satisfied, and if it has established, acting reasonably, that the existing *regulated mortgage contract* in ■ MCOB 11.7.1R (1) is an *interest-only mortgage*.
- (2) Where only part of the sum advanced under the existing *regulated mortgage contract* is on an interest-only basis, (1) applies, but only to that part.

11.7.4

FCA

G

In accordance with its obligation under *Principle 6* to treat its *customers* fairly, a *firm* should not treat a *customer* with whom it *enters into* or varies a *regulated mortgage contract* or *home purchase plan* pursuant to this section 11.7 less favourably than it would treat other *customers* with similar characteristics, for example by offering less favourable interest rates or other terms.

11.7.5

FCA

G

Firms should note the record-keeping requirements at ■ MCOB 11.6.60R (6) which apply when *regulated mortgage contracts* and *home purchase plans* are *entered into* or varied under this section.



11.8 Customers unable to change regulated mortgage contract, home purchase plan or provider

11.8.1

FCA



Where a *customer* is unable to:

- (1) enter into a new *regulated mortgage contract* or home purchase plan or vary the terms of an existing *regulated mortgage contract* or *home purchase plan* with the existing *mortgage lender* or *home purchase provider*; or
- (2) enter into a new *regulated mortgage contract* or *home purchase plan* with a new *mortgage lender* or *home purchase provider*;

the existing *mortgage lender* or *home purchase provider* should not (for example, by offering less favourable interest rates or other terms) take advantage of the *customer's* situation or treat the *customer* any less favourably than it would treat other *customers* with similar characteristics. To do so may be relied on as tending to show contravention of *Principle 6* (Customers' interests).

Chapter 12

Charges



12.1 Application

Who?

12.1.1

FCA

R

This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 12.1.2 R in accordance with column (2) of that table.

12.1.2

FCA

R

Table This table belongs to ■ MCOB 12.1.1 R

| (1) Category of firm | (2) Applicable section |
|--|--|
| <i>mortgage lender</i> | whole chapter except MCOB 12.1.6 R and MCOB 12.7 |
| <i>mortgage adviser</i> | MCOB 12.1 (except MCOB 12.1.6 R) , |
| <i>mortgage arranger</i> | MCOB 12.2 and |
| | MCOB 12.5.2 R |
| <i>mortgage administrator</i> | MCOB 12.1 (except MCOB 12.1.6 R) , |
| <i>a firm that was a mortgage lender or mortgage administrator before the sale of a repossessed property</i> | MCOB 12.2, MCOB 12.4 and MCOB 12.5.2 R |
| <i>home purchase provider</i> | MCOB 12.1.1 R to MCOB 12.1.3 R and MCOB 12.7 |
| <i>home purchase adviser</i> | |
| <i>home purchase arranger</i> | |
| <i>home purchase administrator</i> | |
| <i>a firm that was a home purchase provider or home purchase administrator before the sale of a repossessed property</i> | |
| <i>regulated sale and rent back firm</i> | MCOB 12.1.1 R to MCOB 12.1.3 R, MCOB 12.2.1 G and MCOB 12.5 |

| (1) Category of firm | (2) Applicable section |
|--|---|
| <i>reversion provider</i> | MCOB 12.1, MCOB 12.2 and MCOB 12.5.1 R to MCOB 12.5.3 G |
| <i>reversion adviser</i> | MCOB 12.1, MCOB 12.2, MCOB 12.5.2 R and MCOB 12.5.3 G |
| <i>reversion arranger</i> | |
| <i>reversion administrator</i> | |
| a firm that was a reversion provider or reversion administrator before the termination of a home reversion plan | |

What?

12.1.3

FCA

R

This chapter applies where a *firm*:

- (1) *enters into*, or makes a further advance on, a *home finance transaction* ; or
- (2) *administers a home finance transaction*; or
- (3) *arranges or advises on a home finance transaction* or a variation to the terms of a *home finance transaction*.

12.1.4

FCA

R

The *payment shortfall* charges and excessive charges requirements in this chapter will continue to apply to a *firm* after a *regulated mortgage contract* has come to an end following the sale of a *repossessed* property. The excessive charges requirements will continue to apply to a *firm* after a *home reversion plan* has ended. References in this chapter to '*customer*' will include references to a former *customer* as appropriate.

12.1.5

FCA

G

The FCA will expect a *firm* to ensure that charges made to a *customer* arising from the sale of a *repossessed* property and charges arising in relation to a *sale shortfall* are not excessive and are subject to the same considerations as apply with respect to *payment shortfall* charges under this chapter.

12.1.6

FCA

R

This chapter does not apply to a *firm* carrying on *reversion activities* or *regulated sale and rent back activities* in respect of a *customer* acting in his capacity as an *unauthorised reversion provider* or as an *unauthorised SRB agreement provider*.

12.2 Purpose

12.2.1

FCA

G

- (1) *Principle 6* requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. A *firm* is also under an obligation, as a consequence of this sourcebook's disclosure requirements, to make charges transparent to *customers*. This chapter reinforces these requirements by preventing a *firm* from imposing unfair and excessive charges.
- (2) The level of charges under a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement* is not typically a matter for regulation. However, in certain limited circumstances, the *FCA* believes that *customers* should be protected from unfair and excessive charging practices. This chapter considers four specific circumstances, where:
 - (a) the charges imposed upon a *customer* seeking to terminate a *regulated mortgage contract* before the end of the term of the contract do not reflect the cost of termination to the *firm*;
 - (b) the charges imposed on a *customer* in payment difficulties are not based upon the costs incurred by the *firm*;
 - (c) the charges (including rates of interest) imposed on a *customer* under a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement* are excessive and contrary to the *customer's* interests; and
 - (d) the charges made to a *customer* in connection with a *firm* entering into, making a further advance on, *administering*, *arranging* or *advising on* a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement*, or *arranging* or *advising on* a variation to the terms of a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement* are excessive.



12.3 Early repayment charges : regulated mortgage contracts

Early repayment charges to be expressed as cash and to be reasonable.....

12.3.1

FCA

R

A *firm* must ensure that any *regulated mortgage contract* that it enters into does not impose, and cannot be used to impose, an *early repayment charge* other than one that is:

- (1) able to be expressed as a cash value; and
- (2) a reasonable pre-estimate of the costs as a result of the *customer* repaying the amount due under the *regulated mortgage contract* before the contract has terminated.

12.3.2

FCA

G

A *firm* can choose the method it employs for calculating *early repayment charges* in accordance with ■ MCOB 12.3.1 R. A *firm* should not use the 'Rule of 78' , which is not appropriate as it effectively overstates the cost to the *mortgage lender*.

12.3.3

FCA

G

A *firm* may calculate the same level of *early repayment charge* for all *regulated mortgage contracts* of a similar type (for example a tranche of *regulated mortgage contracts* offering a particular fixed rate of interest), rather than on the basis of the individual *regulated mortgage contract* with the particular *customer*.

Early repayment charges to be disclosed in illustrations.....

12.3.4

FCA

R

Before:

- (1) *entering into a regulated mortgage contract* with a *customer*; or
- (2) making a further advance on an existing *regulated mortgage contract*; or
- (3) changing all or part of a *regulated mortgage contract* from one interest rate to another; a *firm* must disclose to the *customer*:
 - (a) in the illustration provided in accordance with ■ MCOB 5, ■ MCOB 7.6.7 R, ■ MCOB 7.6.18 R, ■ MCOB 7.6.22 R, ■ MCOB 7.6.31 R, or ■ MCOB 9; and
 - (b) in the *illustration* provided as part of the offer document in accordance with ■ MCOB 6.4.1 R(1) and ■ MCOB 9.5;

the maximum amount payable as an *early repayment charge* in respect of that *regulated mortgage contract*, if an *early repayment charge* applies.



12.4 Payment shortfall charges: regulated mortgage contracts

12.4.1
FCA

R

(1) A *firm* must ensure that any *regulated mortgage contract* that it *enters into* does not impose, and cannot be used to impose, a charge or charges for a *payment shortfall* on a *customer* unless the *firm* is able objectively to justify that the charge is equal to or lower than a reasonable calculation of the cost of the additional administration required as a result of the *customer* having a *payment shortfall* .

(2) [deleted]

12.4.1A
FCA

A

The imposition of a charge for a *payment shortfall* on a *customer* who is adhering to an arrangement under which the *customer* and the *firm* agree that the *customer* will make payments of a set amount per month (or other agreed period) on agreed dates may be relied upon as tending to show contravention of ■ MCOB 12.4.1R (1)

12.4.1B
FCA

R

When a *customer* has a *payment shortfall* in respect of a *regulated mortgage contract*, a *firm* must ensure that any payments received from the *customer* are allocated first towards paying off the balance of the *payment shortfall* (excluding any interest or charges on that balance).

12.4.2
FCA

G

For each type of *payment shortfall* charge (for example, a monthly *arrears* management charge), a *firm* may calculate the same level of additional administration costs and *payment shortfall* charges for all *regulated mortgage contracts* where the *customer* is in *payment shortfall* , rather than performing a calculation on the basis of the individual *regulated mortgage contract* with the particular *customer*.

12.4.3
FCA

G

Firms are also subject to requirements on information provision and standards relating to *arrears* and *repossessions* (see ■ MCOB 13 (Arrears and repossessions)).

12.4.4
FCA

R

In calculating the cost of the additional administration required as a result of a *customer* having a *payment shortfall*, a *firm* must not take into account:

- (1) the following types of costs:
 - (a) funding or capital;

- (b) general bank charges that are not incurred as a result of a *customer* having a *payment shortfall*;
 - (c) unrecovered fees;
 - (d) advertising costs; and
 - (e) regulatory fines;
- (2) the costs of preparing financial reports for the *firm* unless there is an objectively justifiable reason to do so and the costs relate solely to the analysis and management of accounts in *payment shortfall*;
- (3) executive staff costs unless there is an objectively justifiable reason to do so and the costs relate to the day-to-day management of customers in *payment shortfall*.

12.4.5
FCA

R In ■ MCOB 12.4, 'executive staff' means the staff or business owners responsible for the management of the *firm's* business.

12.4.6
FCA

- G**
- (1) For some *firms*, their executive staff will be the executive board members.
 - (2) Executive staff costs relating to company strategy, including *payment shortfall* strategy, should not be included as costs relating to the day-to-day management of *customers* in *payment shortfall*.
 - (3) General financial reporting costs, including all legal and regulatory reporting costs, should not be included as costs relating solely to the analysis and management of accounts in *payment shortfall*.

12.4.7
FCA

G In calculating the cost of the additional administration required as a result of a *customer* having a *payment shortfall*, the *firm*:

- (1) may, where appropriate, take into account the following types of costs:
 - (a) providing information or documents;
 - (b) non-executive staff costs;
 - (c) premises costs;
 - (d) human resources costs; and
 - (e) information technology costs;
- (2) should consider the extent to which the cost of the additional administration is shared with the rest of its business; and
- (3) should, where a type of cost is absent from the lists in (1) and at ■ MCOB 12.4.4R (1), before taking it into account, consider whether it is appropriate to do so.

12.4.8

FCA

R

A *firm* must not impose a charge for a *payment shortfall* that is calculated as a proportion of the outstanding loan.

12.5 Excessive charges: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

12.5.1

FCA

R

A *firm* must ensure that any *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement* that it enters into does not impose, and cannot be used to impose, excessive charges upon a *customer*.

12.5.2

FCA

R

A *firm* must ensure that its charges to a *customer* in connection with the *firm entering into*, making a further advance or further release on, *administering, arranging or advising on a regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement*, or *arranging or advising on a variation to the terms of a regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement* are not excessive.

12.5.3

FCA

G

When determining whether a charge is excessive, a *firm* should consider:

- (1) the amount of its charges for the services or products in question compared with charges for similar products or services on the market;
- (2) the degree to which the charges are an abuse of the trust that the *customer* has placed in the *firm*; and
- (3) the nature and extent of the disclosure of the charges to the *customer*.

12.5.4

FCA

G

Mortgage lenders are also subject to requirements relating to responsible lending (see ■ MCOB 11).



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

12.6.1

FCA

G

Firms are reminded that, in relation to a *regulated mortgage contract* which is solely for a business purpose or is with a *high net worth mortgage customer* in circumstances where ■ MCOB 7.7.1 R applies, if there is a new *early repayment charge* or a change to the existing *early repayment charge*, ■ MCOB 7.7.1 R(2) requires a *firm* to notify the *customer* within five *business days* of the maximum amount payable as an *early repayment charge*.

12.6.2

FCA

G

Firms are also reminded that in accordance with ■ MCOB 1.2.3 R, they should comply in full with MCOB , but in doing so may opt to take account of all tailored provisions in MCOB that relate to loans solely for a business purpose or loans to *high net worth mortgage customers* .



12.7 Home purchase plans

12.7.1

FCA

G

Who?

The FCA believes that *Principle 7* requires charges imposed by a *firm* on *customers* to be transparent and that imposing unfair or excessive charges is inconsistent with *Principle 6*.

Note: A *firm* should also have regard to its obligations under the *Unfair Terms Regulations* and may find material on the FCA website concerning the FCA consumer protection powers useful.

Chapter 13

Arrears, payment shortfalls and repossessions: regulated mortgage contracts and home purchase plans



13.1 Application

Who?

13.1.1
FCA

R This chapter applies to a *firm* in a category listed in column (1) of the table in ■ MCOB 13.1.2 R in accordance with column (2) of that table.

13.1.2
FCA

R Table Table: This table belongs to ■ MCOB 13.1.1 R

| (1) Category of firm | (2) Applicable section |
|---|---|
| <i>mortgage lender, and a firm that was a mortgage lender before the sale of a repossessed property</i> | MCOB 13.1-MCOB 13.3, except for MCOB 13.3.9 R to MCOB 13.3.11 G |
| <i>mortgage administrator, and a firm that was a mortgage administrator before the sale of a repossessed property</i> | whole chapter except for MCOB 13.8 |
| <i>home purchase provider, and a firm that was a home purchase provider before the sale of a repossessed property</i> | As for a <i>mortgage lender</i> |
| <i>home purchase administrator, and a firm that was a home purchase administrator before the sale of a repossessed property</i> | As for a <i>mortgage lender</i> , plus: MCOB 13.6 and MCOB 13.8; and MCOB 13.4 and MCOB 13.5 in accordance with MCOB 13.8 |

What?

13.1.3
FCA

R This chapter applies with respect to *administering a regulated mortgage contract*, *administering a home purchase plan* and *administering a sale shortfall*.

13.1.4
FCA

R The requirements in this chapter will continue to apply to a *firm* after a *regulated mortgage contract* or *home purchase plan* has come to an end following the sale of a *repossessed property*. References in this chapter to "*customer*" will include references to a former *customer* as appropriate.

13.1.5

FCA

G

The FCA expects a *firm* to treat a *sale shortfall* in the same way that it treats a *payment shortfall*.

13.1.6

FCA

G

A *firm* may have entered into a mix of *regulated mortgage contracts* and *non-regulated mortgage contracts* with a *customer* secured on the same property. In such circumstances, if the *regulated mortgage contract* is in *arrears*, notwithstanding that the overall position in respect of the mortgages generally is not in *arrears*, the *firm* will need to comply with all the requirements of ■ MCOB 13 in respect to the *regulated mortgage contract*. Where this involves providing the *customer* with information, a *firm* should explain, if it is the case, that whilst the overall position on the mortgages is not in *arrears*, no action will be taken in respect of the *regulated mortgage contract*.

13.1.7

FCA

G

If a *firm* has entered into more than one *regulated mortgage contract* or *home purchase plan* with the same *customer* relating to the same property, the *firm* may treat them all as one for the purposes of this chapter .



13.2 Purpose

13.2.1

FCA

G

This chapter amplifies *Principle 6* in respect of the information and service provided to *customers* who have payment difficulties or face a *sale shortfall* .

13.2.2

FCA

G

There may be occasions where a *customer* enters into a *regulated mortgage contract* or *home purchase plan* with no intention of meeting his payment obligations. Where the intention is to defraud, this chapter does not prevent early action to recover sums due .



13.3 Dealing fairly with customers with a payment shortfall: policy and procedures

13.3.1

FCA

R

- (1) A *firm* must deal fairly with any *customer* who:
 - (a) has a *payment shortfall* on a *regulated mortgage contract* or *home purchase plan*;
 - (b) has a *sale shortfall*; or
 - (c) is otherwise in breach of a *home purchase plan*.
- (2) A *firm* must put in place, and operate in accordance with, a written policy (agreed by its respective *governing body*) and procedures for complying with (1). Such policy and procedures must reflect the requirements of ■ MCOB 13.3.2A R and ■ MCOB 13.3.4A R.

13.3.1A

FCA

R

- (1) Where a *customer* has a *payment shortfall* in relation to a *regulated mortgage contract* or *home purchase plan*, a *firm* must not attempt to process more than two direct debit requests in any one calendar month.
- (2) Where a *firm's* direct debit request, in respect of a *customer* who has a *payment shortfall* on a *regulated mortgage contract* or *home purchase plan*, has been refused, on at least one occasion in each of two consecutive months, due to insufficient funds, the *firm* must:
 - (a) consider whether the method of payment remains suitable for the *customer*;
 - (b) make reasonable efforts to contact the *customer* to discuss whether the method of payment remains suitable for the *customer*; and
 - (c) not pass on any costs to the *customer* which were incurred as a consequence of presenting direct debit requests during this period of consideration.

PAGE
5

13.3.1B

FCA

G

■ MCOB 13.3.1AR (2)(c) does not prevent a *firm* from attempting to process up to two direct debit requests in any one calendar month provided the *firm* has made reasonable efforts to contact the *customer* and the *customer* has failed to respond.

13.3.2



(1) [deleted]

(2) [deleted]

13.3.2A

FCA



A *firm* must, when dealing with any *customer* in payment difficulties:

(1) make reasonable efforts to reach an agreement with a *customer* over the method of repaying any *payment shortfall* or *sale shortfall*, in the case of the former having regard to the desirability of agreeing with the *customer* an alternative to taking possession of the property;

(2) liaise, if the *customer* makes arrangements for this, with a third party source of advice regarding the *payment shortfall* or *sale shortfall*;

(3) allow a reasonable time over which the *payment shortfall* or *sale shortfall* should be repaid, having particular regard to the need to establish, where feasible, a payment plan which is practical in terms of the circumstances of the *customer*;

(4) grant, unless it has good reason not to do so, a *customer's* request for a change to:

(a) the date on which the payment is due (providing it is within the same payment period); or

(b) the method by which payment is made;

and give the *customer* a written explanation of its reasons if it refuses the request;

(5) where no reasonable payment arrangement can be made, allow the *customer* to remain in possession for a reasonable period to effect a sale; and

(6) not repossess the property unless all other reasonable attempts to resolve the position have failed.

13.3.3

FCA



The requirement in ■ MCOB 13.3.1 R(2) for a written policy and procedures is intended to ensure that a *firm* has addressed the need for internal systems to deal fairly with any *customer* in financial difficulties. ■ MCOB 13.3.1 R (2) does not oblige a *firm* to provide *customers* with a copy of the written policy and procedures. Nor, however, does it prevent a *firm* from providing *customers* with either these documents or a more *customer*-orientated version.

13.3.3A

FCA



In complying with ■ MCOB 13.3.2A R, a *firm* must give a *customer* a reasonable period of time to consider any proposals for dealing with the payment difficulties.

- 13.3.4 **G** (1) [deleted]
(2) [deleted]

13.3.4A **R** In complying with **■** MCOB 13.3.2AR(6):

FCA

- (1) a *firm* must consider whether, given the individual circumstances of the *customer*, it is appropriate to do one or more of the following in relation to the *regulated mortgage contract* or *home purchase plan* with the agreement of the *customer*:
- (a) extend its term; or
 - (b) change its type; or
 - (c) defer payment of interest due on the *regulated mortgage contract* or of sums due under the *home purchase plan* (including, in either case, on any *sale shortfall*); or
 - (d) treat the *payment shortfall* as if it was part of the original amount provided (but a *firm* must not automatically capitalise a *payment shortfall* where the impact would be material); or
 - (e) make use of any Government forbearance initiatives in which the *firm* chooses to participate;
- (2) a *firm* must give *customers* adequate information to understand the implications of any proposed arrangement; one approach may be to provide information on the new terms in line with the *annual statement provisions*.

13.3.4AA **R**

FCA

In **■** MCOB 13.3.4A R , the impact of a capitalisation would be material if, either on its own or taken together with previous automatic capitalisations, it increased:

- (1) the interest payable over the term of the *regulated mortgage contract* by £50 or more; or
- (2) the contractual monthly repayment amount under the *regulated mortgage contract* by £1 or more.

13.3.4B **R**

FCA

A *firm* must make *customers* aware of the existence of any applicable Government schemes to assist borrowers in payment difficulties in relation to *regulated mortgage contracts*.

PAGE
7

13.3.4C **G**

FCA

Firms should note that the list of options to consider set out at **■** MCOB 13.3.4AR(1) is not exhaustive. The *FCA* would expect *firms* to be able to justify a decision to offer a particular option.

13.3.4D
FCA

G

In the *FCA's* view, in order to comply with *Principle 6*, *firms* should not agree to capitalise a *payment shortfall* save where no other option is realistically available to assist the *customer*.

13.3.5

G

[deleted]

13.3.6
FCA

G

In relation to adopting a reasonable approach to the time over which the *payment shortfall* or *sale shortfall* should be repaid, the *FCA* takes the view that the determination of a reasonable repayment period will depend upon the individual circumstances. In appropriate cases this will mean that repayments are arranged over the remaining term.

13.3.7
FCA

G

In relation to granting a *customer's* request for a change to the payment date, a term that purported to allow a *firm* to change the payment date unilaterally might in any event contravene the *Unfair Terms Regulations*.

13.3.8
FCA

G

Firms that propose to outsource aspects of *customer* relationships (including collection of debts or any other sums due) should note that and **■ SYSC 8**, a *firm* cannot contract out its regulatory obligations and the *FCA* will continue to hold them responsible for the way in which this work is carried on.

Record keeping: payment shortfalls and repossessions

13.3.9
FCA

R

(1) *A mortgage lender or administrator must make and retain an adequate record of its dealings with a customer whose account has a payment shortfall or a sale shortfall, which will enable the firm to show its compliance with this chapter. That record must include a recording of all telephone conversations between the firm and the customer which discuss any amount in arrears or any amount subject to payment shortfall charges.*

(2) *A mortgage lender or administrator must retain the record required by (1) for three years from the date of the dealing.*

13.3.10
FCA

G

The record referred to in **■ MCOB 13.3.9 R** should contain, or provide reference to, matters such as:

- (1) the date of first communication with the *customer* after the account was identified as having a *payment shortfall*;
- (2) in relation to correspondence issued to a *customer* with a *payment shortfall*, the name and contact number of the employee dealing with that correspondence, where known;
- (3) the basis for issuing tailored information in accordance with **■ MCOB 13.7.1 R** in relation to a loan solely for a business purpose;
- (4) information relating to any new payment arrangements proposed;
- (5) the date of issue of any legal documents;

- (6) the arrangements made for sale after the *repossession* (whether legal or voluntary);
- (7) the date of any communication summarising the *customer's* outstanding debt after sale of the *repossessed* property ; and
- (8) the date and time of each call for the purposes of ■ MCOB 13.3.9R(1).

13.3.11

FCA

G

For details of the standard expected of *firms* in relation to maintaining records, see ■ MCOB 2.8 (Record keeping)

13.4 Arrears: provision of information to the customer of a regulated mortgage contract

13.4.1

FCA

R

If a *customer* falls into *arrears* on a *regulated mortgage contract*, a *firm* must as soon as possible, and in any event within 15 *business days* of becoming aware of that fact, provide the *customer* with the following in a *durable medium*:

- (1) the current *Money Advice Service* information sheet "Problems paying your mortgage";
- (2) a list of the due payments either missed or only paid in part;
- (3) the total sum of the *payment shortfall* ;
- (4) the charges incurred as a result of the *payment shortfall* ;
- (5) the total outstanding debt, excluding charges that may be added on redemption; and
- (6) an indication of the nature (and where possible the level) of charges the *customer* is likely to incur unless the *payment shortfall* is cleared.

13.4.2

FCA

G

- (1) The *Money Advice Service* information sheet "Problems paying your mortgage" is available on the website www.moneyadvice.service.org.uk; copies can also be obtained by calling 0300 500 5000.
- (2) [deleted]

13.4.3

FCA

G

- (1) A *firm* may provide the information in ■ MCOB 13.4.1 R (2), (3), (4), (5) and (6) orally, for example by telephone, but must provide the information in a *durable medium* with a copy of the *Money Advice Service* information sheet "Problems paying your mortgage" within 15 *business days* of becoming aware of the *customer's* account falling into *arrears*.
- (2) Where a *firm* provides the information in ■ MCOB 13.4.1 R when a *payment shortfall* occurs but before the *customer's* account falls into *arrears*, it need not repeat the provision of the information in ■ MCOB 13.4.1 R when the *customer's* account falls into *arrears*.

Customers in arrears within the past 12 months

13.4.4

FCA

R

If a *customer's* account has previously fallen into *arrears* within the past 12 months (and at that time the *customer* received the disclosure required by ■ MCOB 13.4.1 R), the *arrears* have been cleared and the *customer's* account falls into *arrears* on a subsequent occasion a *firm* must either:

- (1) issue a further disclosure in compliance with ■ MCOB 13.4.1 R; or
- (2) provide , as soon as possible, and in any event within 15 *business days* of becoming aware of the further *arrears*, a statement, in a *durable medium*, of the payments due, the actual *payment shortfall* , any charges incurred and the total outstanding debt excluding any charges that may be added on redemption, together with information as to the consequences, including *repossession*, if the *payment shortfall* is not cleared.

Steps required before action for repossession

13.4.5

FCA

R

Before commencing action for *repossession*, a *firm* must:

- (1) provide a written update of the information required by ■ MCOB 13.4.1 R(2), (3), (4), (5) and (6);
- (2) ensure that the *customer* is informed of the need to contact the local authority to establish whether the *customer* is eligible for local authority housing after his property is *repossessed*; and
- (3) clearly state the action that will be taken with regard to *repossession*.



13.5 Dealing with a customer in arrears or with a sale shortfall on a regulated mortgage contract

Statements of charges

13.5.1
FCA

R

Where an account is in *arrears*, and the *payment shortfall* or *sale shortfall* is attracting charges, a *firm* must provide the *customer* with a regular written statement (at least once a quarter) of the payments due, the actual *payment shortfall*, the charges incurred and the debt.

13.5.2
FCA

G

- (1) For the purpose of ■ MCOB 13.5.1 R, charges that trigger the requirement for regular statements include all charges and fees levied directly as a result of the account falling into *arrears*. This includes charges such as monthly administrative charges, legal fees and interest. If interest is applied to the amount of the *arrears*, as it is applied to the rest of the mortgage, a *firm* need not send a written statement, unless other charges are also being made. If interest is applied to the amount of the *arrears* in a different manner to the rest of the mortgage then a written statement will be required.
- (2) In determining the frequency for providing statements in accordance with ■ MCOB 13.5.1 R, a *firm* should have regard to the application of new charges and the number of transactions on the *customer's* account.
- (3) [deleted]
- (4) Information provided should cover the period since the last statement. *Firms* may use the annual statement to comply with ■ MCOB 13.5.1 R, in which case the annual statement will need to be supplemented to include the actual *payment shortfall*.

Pressure on customers

13.5.3
FCA

R

A *firm* must not put pressure on a *customer* through excessive telephone calls or correspondence, or by contact at an unreasonable hour.

13.5.4
FCA

G

In ■ MCOB 13.5.3 R, a reasonable hour will usually fall between 8 am and 9 pm. *Firms* should also have regard to the circumstances of the *customer* and any knowledge they have of the *customer's* work pattern or religious faith which might make it unreasonable to contact the *customer* during these hours.

13.5.5

FCA

G

In ■ MCOB 13.5.3 R, putting pressure on a *customer* includes:

- (1) the use of documents which resemble a court summons or other official document, or are intended to lead the *customer* to believe that they come from or have the authority of a court (which might in any event constitute a criminal offence under the County Courts Act 1984 or section 40 of The Administration of Justice Act 1970); and
- (2) the use of documents containing unfair, unclear or misleading information intended to coerce the *customer* into paying. A *firm* should also have regard to Section 1 of the Malicious Communications Act 1988 which establishes a criminal offence in respect of letters sent which convey a threat or false information with intent to cause distress or anxiety.

13.5.6

FCA

G

In relation to ■ MCOB 13.5.3 R, a *firm* should also have regard to the general law, including the Data Protection Act 1998, on the disclosure of information to third parties.



13.6 Repossessions

13.6.1

FCA

R

A *firm* must ensure that, whenever a property is *repossessed* (whether voluntarily or through legal action) and it administers the *regulated mortgage contract* or *home purchase plan* in respect of that property, steps are taken to:

- (1) market the property for sale as soon as possible; and
- (2) obtain the best price that might reasonably be paid, taking account of factors such as market conditions as well as the continuing increase in the amount owed by the *customer*.

13.6.2

FCA

G

In ■ MCOB 13.6.1 R it is recognised that a balance has to be struck between the need to sell the property as soon as possible, to reduce or remove the outstanding debt, and other factors which may prompt the delay of the sale. These might include market conditions (explicitly referred to in ■ MCOB 13.6.1 R(2)) but there may be other legitimate reasons for deferring action. This could include the expiry of a period when a grant is repayable on re-sale, or the discovery of a title defect that needs to be remedied if the optimal selling price is to be achieved.

If the proceeds of sale are less than the amount due

13.6.3

FCA

R

A *firm* must ensure that, as soon as possible after the sale of a *repossessed* property, if the proceeds of sale are less than the amount due under the *regulated mortgage contract* or *home purchase plan*, the *customer* is informed in a *durable medium* of:

- (1) the *sale shortfall*; and
- (2) where relevant, the fact that the *sale shortfall* may be pursued by another company (for example, a mortgage indemnity insurer).

13.6.4

FCA

R

- (1) If the decision is made to recover the *sale shortfall*, the *firm* must ensure that the *customer* is notified of this intention.
- (2) The notification referred to in (1) must take place within five years of the date of the sale (if the *regulated mortgage contract*

or *home purchase plan* is subject to Scottish law) or within six years (in all other cases).

13.6.5

FCA

G

A *firm* is not required to recover a *sale shortfall*. A *firm* may not wish to recover the *sale shortfall* in some situations, for example where the sums involved make action for recovery unviable.

If the proceeds of sale are more than the amount due

13.6.6

FCA

R

A *firm* must ensure that, on the sale of a *repossessed* property, if the proceeds of sale are more than the amount due under the *regulated mortgage contract* or *home purchase plan*, reasonable steps are taken, as soon as possible after the sale, to inform the *customer* in a *durable medium* of the surplus and, subject to the rights of any subsequent mortgage or charge holders, to pay it to him.



13.7

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

13.7.1

FCA

R

Where the *regulated mortgage contract* is for a business purpose or is with a *high net worth mortgage customer*, a *firm* may as an alternative to ■ MCOB 13.4.1 R(1) provide the following information in a *durable medium* instead of the *Money Advice Service* information sheet "Problems paying your mortgage":

- (1) details of the consequences if the *payment shortfall* is not cleared;
- (2) a description of the options available to the *customer* for clearing the *payment shortfall*; and
- (3) (in the case only of loans for a business purpose) details of sources of fee-free advice for business *customers*.

13.7.2

FCA

G

Firms are reminded that in accordance with MCOB 1.2.3R, they should comply in full with MCOB, but in doing so may opt to take account of all tailored provisions in MCOB that relate to loans solely for a business purpose or loans to *high net worth mortgage customers*. Therefore, a *firm* may only follow the relevant tailored provisions in ■ MCOB 13.7, if it also follows all other relevant tailored provisions in MCOB. In either case, the rest of MCOB applies in full.



13.8 Home purchase plans

13.9

Dealing fairly with customers in arrears: policy and procedures

Note: The rules on establishing and applying a policy and procedures for dealing fairly with *customers in arrears* apply (see ■ MCOB 13.3).

Arrears: provision of information to the customer

13.8.1

FCA

R

If a *customer* falls into *arrears*, a *firm* must provide the *customer* with adequate information about the *arrears* in a *durable medium*:

- (1) as soon as practicable after becoming aware of that fact;
- (2) at quarterly intervals; and
- (3) before commencing action for *repossession*.

13.8.2

FCA

G

A *firm* may want to refer to the provisions on the information to be provided to a mortgage customer in relation to *arrears* for guidance (see ■ MCOB 13.4 and ■ MCOB 13.5).

Repossessions

Note: The rules regarding repossessions apply (see ■ MCOB 13.6).

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MCOB TP 1 Transitional Provisions

1 Transitional Provisions

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Hand-book provision: coming into force |
|-------------|--|-----|----------------------------|--|--|
| 1 | [deleted] | | [deleted] | Expired | [deleted] |
| 2 | [deleted] | | [deleted] | Expired | [deleted] |
| 3 | [deleted] | | [deleted] | Expired | [deleted] |
| 4 | [deleted] | | [deleted] | Expired | [deleted] |
| 5 | [deleted] | | [deleted] | Expired | [deleted] |
| 6 | [deleted] | | [deleted] | Expired | [deleted] |
| 7 | [deleted] | | [deleted] | Expired | [deleted] |
| 8 | [deleted] | | [deleted] | Expired | [deleted] |
| 9 [FCA] | MCOB 5.6.9 R and MCOB 9.4.13 R | R | Expired | | |
| 10 [FCA] | MCOB4Annex1R, MCOB4Annex2R, MCOB5Annex1R, MCOB8Annex1R and MCOB9Annex1R | R | Expired | | |
| 11 [FCA] | MCOB 4.4.1 R, MCOB 4.4.7 R and MCOB 4.10.2 R | R | Expired | | |

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-------------|--|-----|--|--|---|
| 12 [FCA] | MCOB 5.6.2 R, MCOB 5.6.5 R, MCOB 5.6.65 R, MCOB 5.6.121 R, MCOB 5.6.145 R and MCOB 5 Annex 1 R | R | Expired | | |
| 13 [FCA] | MCOB 13.3.9 R | R | Expired | | |
| 14 [FCA] | MCOB 5.6.2 R, MCOB 5.6.65 R, MCOB 5.6.145 R and MCOB 5 Annex 1 R | R | Expired | | |
| 15 [FCA] | MCOB 9.4.2 R, MCOB 9 Annex 1 R and MCOB 9 Annex 2 R | R | Expired | | |
| 16 [FCA] | MCOB 13.4.1 R(1) | R | Expired | | |
| 17 | MCOB 4.4.1 R, MCOB 4.10.2 R | R | A <i>firm</i> may use an <i>initial disclosure document</i> prepared in accordance with the <i>rules</i> in MCOB 4.4.1 R, MCOB 4.10.2 R, MCOB 4 Annex 1 R and COBS 6 Annex 2 as they were in force as at 31 March 2013 | From 1 April 2013 to 26 April 2014 | 1 April 2013 |
| 18 | MCOB 4.4.1 R, MCOB 4.10.2 R | R | A <i>firm</i> may use a <i>combined initial disclosure document</i> prepared in accordance with the <i>rules</i> in MCOB 4.4.1 R, MCOB 4.10.2 R and COBS 6 Annex 2 as they were in force as at 31 March 2013 | From 1 April 2013 to 26 April 2014 | 1 April 2013 |
| 19 | MCOB 4.8A | R | In relation to an application for a <i>regulated mortgage contract</i> | From 26 April 2014 to 26 July 2014 | 26 April 2014 |

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|--|-----|--|--|---|
| | | | <p>which was received by a lender or provider on or before 25 April 2014 and to which the 'non-advised sales' rules in MCOB 4.8 applied, the rules in MCOB 4.8 as they were in force on 25 April 2014 continue to apply in place of MCOB 4.8A.</p> | | |

Mortgages and Home Finance: Conduct of Business sourcebook

Schedule 1 Record keeping requirements

Sch 1.1 G

FCA

The aim of the guidance in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

Sch 1.2 G

FCA

It is not a complete statement of those requirements and should not be relied on as if it were.

Sch 1.3 G

FCA

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|--------------------|---|---|-----------------------------|---|
| MCOB 1.2.9C R (1) | <i>A high net worth mortgage customer</i> | Evidence of satisfaction of definition of <i>high net worth mortgage customer</i> | When it is used or obtained | Three years from when obtained or, if later, used |
| MCOB 1.2.9C R (2) | <i>A high net worth mortgage customer</i> | Written statement confirming the <i>customer</i> is a <i>high net worth mortgage customer</i> | When it is used or obtained | Three years from when obtained or, if later, used |
| MCOB 1.2.9D R | A loan solely for a business purpose | Business plan | When it is used or obtained | Three years from when obtained or, if later, used |
| MCOB 1.2.9E R | <i>A professional customer</i> | Evidence of satisfaction of definition of <i>professional customer</i> | When it is used or obtained | Three years from when ob- |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|--------------------------|--|---|--|--|
| MCOB 3.10.1 R | Each <i>non-real time financial promotion</i> | Name of individual who confirmed compliance or approved the <i>financial promotion</i> , and the date of confirmation | Date of confirmation or approval | tained or, if later, used One year from the date on which the <i>financial promotion</i> was last <i>communicated</i> |
| MCOB 3.10.2 G (2) to (5) | Each <i>non-real time financial promotion</i> | Details of: the medium for which the <i>financial promotion</i> was authorised; evidence supporting a material factual statement; evidence to show that any typical <i>APR</i> was representative of business | Date of confirmation or approval | One year from the date on which the <i>financial promotion</i> was last <i>communicated</i> |
| MCOB 3.10.3 G (1) | Each <i>non-real time financial promotion</i> | A copy of the <i>financial promotion</i> as finally published | Date of confirmation or approval | One year from the date on which the <i>financial promotion</i> was last <i>communicated</i> |
| MCOB 4.4A.23 G | Disclosures | Appropriate records of disclosures required by section MCOB 4.4A | When disclosure made | As required by SYSC 9 |
| MCOB 4.6.11 R | Notice of cancellation | A record of the fact that notice has been given (including the original notice instructions and a copy of any receipt of notice issued) | When the <i>firm</i> first becomes aware that notice has been served | Three years |
| MCOB 4.7A.25 R (1)(a) | Suitability of <i>regulated mortgage contracts</i> | <i>Customer</i> information obtained for the purposes of assessing suitability of a <i>regulated mortgage contract</i> | When advice given | Three years |
| MCOB 4.7A.25 R (1)(b) | Suitability of <i>regulated mortgage contracts</i> | An explanation of why the <i>firm</i> has concluded its <i>advice</i> is suitable | When advice given | Three years |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|-----------------------|---|--|--|--|
| MCOB 4.7A.25 R (1)(c) | Rolling-up of fees or charges into loan | The <i>customer's</i> positive choice to add fees or charges to the sum advanced | When choice made | Three years |
| MCOB 4.8A.18 R (1)(a) | <i>Execution-only sales of regulated mortgage contracts</i> | Information provided by the <i>customer</i> about the <i>regulated mortgage contract</i> he wishes to purchase. | The date a <i>regulated mortgage contract</i> was <i>entered into</i> or <i>arranged</i> | Three years |
| MCOB 4.8A.18 R (1)(b) | <i>Execution-only sales of regulated mortgage contracts</i> | The warning to the <i>customer</i> in a <i>durable medium</i> regarding his lack of protection of the rules on assessing suitability | The date a <i>regulated mortgage contract</i> was <i>entered into</i> or <i>arranged</i> | Three years |
| MCOB 4.8A.18 R (1)(c) | <i>Execution-only sales of regulated mortgage contracts</i> | The <i>customer's</i> confirmation of his positive election to proceed with an <i>execution-only sale</i> | The date a <i>regulated mortgage contract</i> was <i>entered into</i> or <i>arranged</i> | Three years |
| MCOB 4.8A.18 R (1)(d) | <i>Execution-only sales of regulated mortgage contracts</i> | Details of <i>advice rejected</i> . | The date a <i>regulated mortgage contract</i> was <i>entered into</i> or <i>arranged</i> | Three years |
| MCOB 4.8A.18 R (3) | <i>Execution-only sales of regulated mortgage contracts</i> | The <i>firm's</i> policy for managing <i>execution-only sales</i> | When the policy is made | One year from when the policy is changed |
| MCOB 4.10.9B R | <i>Execution-only sales of home purchase plans</i> | Information provided by the <i>customer</i> about the <i>home purchase plan</i> he wishes to purchase; the warning to the <i>customer</i> in a <i>durable medium</i> regarding his lack of protection of the rules on assessing suitability; the | The date a <i>home purchase plan</i> was <i>entered into</i> or <i>arranged</i> | Three years |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|-----------------------|---|--|--|--|
| | | <i>customer's</i> confirmation of his positive election to proceed with an <i>execution-only sale</i> . | | |
| | | The <i>firm's</i> policy for managing <i>execution-only sales</i> | When the policy is made | One year from when the policy is changed |
| MCOB 4.10.13 R (1)(a) | Suitability of <i>home purchase plans</i> | <i>Customer</i> information obtained for the purposes of assessing suitability of a <i>home purchase plan</i> | When advice given | Three years |
| MCOB 4.10.13 R (1)(b) | Suitability of <i>home purchase plans</i> | An explanation of why the <i>firm</i> has concluded its <i>advice</i> is suitable | When advice given | Three years |
| MCOB 4.10.13 R (1)(c) | Advice on <i>home purchase plans</i> | Any <i>advice</i> rejected, including the reasons rejected and details of any <i>home purchase plan</i> the <i>customer</i> has proceeded with as an <i>execution-only sale</i> | When advice given | Three years |
| MCOB 4.11.8 R | <i>Customer</i> information on which an assessment of the affordability and appropriateness for a <i>regulated sale and rent back agreement</i> was based | <i>Customer</i> information on his income, expenditure, resources, needs, objectives and individual circumstances | The date on which the <i>firm</i> assessed suitability | Five years, or one year after the end of the fixed term of the tenancy agreement, if later |
| MCOB 5.4.19R | Each <i>illustration</i> a <i>firm</i> issues to a <i>customer</i> where the <i>customer</i> applies for that particular <i>regulated mortgage contract</i> | The Key facts illustrations (KFI) issued | The date the <i>customer</i> applies for the particular <i>regulated mortgage contract</i> | One year |
| MCOB 5.4.21R | Each KFI retained | Detail of: the date the KFI was issued; the date on which the <i>customer</i> applied for the <i>regulated mortgage contract</i> ; and the medium through which the KFI was issued | The date the <i>customer</i> applies for the particular <i>regulated mortgage contract</i> | One year |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|-----------------------|---|---|--|---|
| <i>MCOB 5.9.2R</i> | Each pre-sale disclosure | A record of the main terms of the <i>regulated sale and rent back agreement</i> | The date on which the disclosure is made | The longer of a period of one year from the end of the fixed term of the tenancy or five years from the date of the disclosure |
| <i>MCOB 5.9.8R</i> | Provider information | A record of the contact details of the provider, making it clear whether it is a <i>SRB agreement provider</i> or an <i>unauthorised SRB agreement provider</i> | The date on which the <i>regulated sale and rent back mediation activity</i> is carried on | The longer of one year, or one year from the end of the fixed term of the tenancy under the <i>regulated sale and rent back agreement</i> |
| <i>MCOB 6.4.3R(1)</i> | Offer document | Each <i>offer document</i> issued to the <i>customer</i> | The date on which the <i>firm</i> issues the <i>offer document</i> to the <i>customer</i> | One year |
| <i>MCOB 6.4.3R(2)</i> | Tariff of charges | A copy of the tariff of charges issued with, or as part of the <i>offer document</i> | The date on which the <i>firm</i> issues the tariff of charges to the <i>customer</i> | One year |
| <i>MCOB 6.4.3R(3)</i> | Supplemental information relating to <i>mortgage credit cards</i> | Information explaining that rights associated with a traditional credit card do not apply, | The date on which the <i>firm</i> issues the information to the <i>customer</i> | One year |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|---------------------|--|--|--|--|
| <i>MCOB 6.9.11R</i> | Each written pre-offer document (Stage One) required under <i>MCOB 6.9.3R</i> | A record of the main terms of the proposed <i>regulated sale and rent back agreement</i> | The date on which the document is produced | The longer of a period of one year from the end of the fixed term of the tenancy under the <i>regulated sale and rent back agreement</i> or five years from the date of the written pre-offer document |
| <i>MCOB 6.9.11R</i> | Each written offer document for signing (Stage Two) required under <i>MCOB 6.9.10R</i> (1) | A record of the contents of the documents and the cooling-off period | The date on which the document is produced | The longer of a period of one year from the end of the fixed term of the tenancy under the <i>regulated sale and rent back agreement</i> or five years from the date of the written offer document |
| <i>MCOB 7.4.2R</i> | Start of contract disclosure | The amount of the first and subsequent payments; the date and method of collection of the first and subsequent payments; details of insurance products and any repayment vehicle purchased through the <i>firm</i> , of the first premium payable and whether this is to be collected with the mortgage payment; detail of the | The date on which the firm issues the information to the <i>customer</i> | One year |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|-----------------------|--|--|---|------------------|
| | | repayment method, and if interest only a reminder to the <i>customer</i> to maintain a suitable repayment vehicle; what to do if the account falls into <i>arrears</i> ; information about linked borrowing or savings available and whether or not overpayments or underpayments are permitted. | | |
| MCOB 8.3.1R(1) | Notice of cancellation | A record of the fact that notice has been given (including the original notice instructions and a copy of any receipt of notice issued) | When the <i>firm</i> first becomes aware that notice has been served | Three years |
| MCOB 8.5A.19 R (1)(a) | Suitability of <i>equity release transactions</i> | <i>Customer</i> information obtained for the purposes of assessing suitability of an <i>equity release transaction</i> | When advice given | Three years |
| MCOB 8.5A.19 R (1)(b) | Suitability of <i>equity release transactions</i> | An explanation of why the <i>firm</i> has concluded its advice is suitable | When advice given | Three years |
| MCOB 8.5A.19 R (1)(c) | Advice on <i>equity release transactions</i> | Any advice rejected, including the reasons rejected and details of any <i>regulated mortgage contract</i> the customer has proceeded with as an <i>execution-only sale</i> | When advice given | Three years |
| MCOB 8.5A.19 R (1)(d) | Rolling-up of fees or charges into loan | The <i>customer's</i> positive choice to add fees or charges to the sum advanced | When choice made | Three years |
| MCOB 8.6A.9 R | <i>Execution-only sales of equity release transactions</i> | Information provided by the <i>customer</i> about the <i>equity release transaction</i> he wishes to purchase; the warning to the <i>customer</i> in a <i>durable medium</i> regarding his lack of protection of the rules on assessing suitability; the <i>customer's</i> confirmation of his positive election to proceed with an <i>execution-only sale</i> ; any advice from the <i>firm</i> which the | The date a <i>home purchase plan</i> was <i>entered into</i> or <i>arranged</i> | Three years |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|--------------------|--|---|---|------------------|
| MCOB 9.3.1R | Each <i>illustration</i> a <i>firm</i> issues to a <i>customer</i> where the <i>customer</i> applies for that particular <i>equity release transaction</i> | The key facts illustrations (KFI) issued <i>customer</i> rejected, including the reasons why it was rejected. | The date the <i>customer</i> applies for the particular <i>equity release transaction</i> | One year |
| MCOB 9.3.1R | Each KFI retained | Detail of: the date the KFI was issued; the date on which the <i>customer</i> applied for the <i>equity release transaction</i> ; and the medium through which the KFI was issued | The date the <i>customer</i> applies for the particular <i>equity release transaction</i> | One year |
| MCOB 9.5.2R | <i>Offer document</i> | Each <i>offer document</i> issued to the <i>customer</i> | The date on which the <i>firm</i> issues the <i>offer document</i> to the <i>customer</i> | One year |
| MCOB 9.5.2R | Tariff of charges | A copy of the tariff of charges issued with, or as part of the offer document | The date on which the <i>firm</i> issues the tariff of charges to the <i>customer</i> | One year |
| MCOB 9.5.2R | Supplemental information relating to <i>mortgage credit card</i> | Information explaining that rights associated with a traditional credit card do not apply | The date on which the <i>firm</i> issues the information to the <i>customer</i> | One year |
| MCOB 9.7.10R | Start of contract disclosure where interest payments are required | The amount of the first and subsequent payments; the date, frequency and method of collection of the first | The date on which the <i>firm</i> issues the | One year |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|--------------------|--|--|---|------------------|
| | | and subsequent payments; the net amount the <i>customer</i> will receive where interest is deducted from income and the method by which this will be paid; details of insurance products purchased through the <i>firm</i> , of the first premium payable and whether this is to be collected with the mortgage payment; confirmation that the <i>lifetime mortgage</i> is on an interest-only basis and details of how the firm expects the capital to be repaid; what to do if the account falls into <i>arrears</i> ; information about linked borrowing or savings available and whether or not overpayments or underpayments are permitted. | information to the <i>customer</i> | |
| MCOB 9.6.1R | Illustrations required on event-driven changes to the contract | A copy of the illustrations issued for further advances requiring authorisation; rate switches and the removal or addition of a party to the contract | When the illustrations is issued | One year |
| MCOB 9.7.10R | Start of contract disclosure for a drawdown mortgage with fixed payments to the <i>customer</i> | The amount of the first and subsequent payments; the date of issue and method of the payment of the first and subsequent payments; details of insurance products purchased through the <i>firm</i> , and of the first and subsequent premiums and the method and date of collection; details of how the firm expects the capital and interest to be paid; information about linked borrowing or savings available and whether or not repayments are permitted | The date on which the firm issues the information to the customer | One year |
| MCOB 9.7.10R | Start of contract disclosure for a drawdown mortgage without fixed payments to the <i>customer</i> | Where the <i>customer</i> can choose the frequency of the payment, details of the limitations on frequency and | The date on which the <i>firm</i> issues the in- | One year |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|---|---|--|--|---|
| | | <p>amount of payments; where payments can vary for any other reasons, details of the amount of the first payment and how subsequent payments can vary; the method by which payments will be made; details of insurance products purchased through the <i>firm</i>, and of the first and subsequent premiums and the method and date of collection; details of how the firm expects the capital and interest to be paid; information about linked borrowing or savings available and whether or not repayments are permitted</p> | <p>formation to the <i>customer</i></p> | |
| <p>MCOB 9.7.10R</p> | <p>Start of contract disclosure where a lump sum payment to the <i>customer</i> is made and interest is rolled up</p> | <p>Confirmation if appropriate that no payments are required and details of how the <i>firm</i> expect capital and interest to be paid; if payments are to be made, the amount, frequency and method of collection of the first and subsequent payments; what to do in the case of <i>arrears</i>; details of insurance products purchased through the <i>firm</i>, and of the first and subsequent premiums and the method and date of collection; details of how the firm expects the capital and interest to be paid; information about linked borrowing or savings available and whether or not repayments are permitted</p> | <p>The date on which the firm issues the information to the customer</p> | <p>One year</p> |
| <p>MCOB 11.6.60 R (1) to MCOB 11.6.60 R (4)</p> | <p>Responsible lending and financing</p> | <p>Steps taken to comply with rules including: information taken into account in each affordability assessment; in relation to <i>interest-only mortgages</i>, the</p> | <p>When <i>regulated mortgage contract</i> or <i>home purchase</i></p> | <p>The term of the contract or plan</p> |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|-----------------------|--|--|---|--|
| MCOB 11.6.60 R (6)(a) | Transitional arrangements | <p>reasons for the offer decision, evidence relating to the <i>customer's</i> repayment strategy, details of the <i>firm's</i> attempts to contact the <i>customer</i> and the outcome of each mid-term review; information relating to the extension of the term of <i>bridging loans</i> which are neither with a <i>high net worth mortgage customer</i> nor or a secured overdraft solely for a business purpose</p> <p>The outstanding balance on the existing contract</p> | <p><i>plan</i> (or variation) is entered into, or the mid-term review takes place</p> <p>When new contract or variation is entered into</p> | <p>For the term of the <i>regulated mortgage contract</i> or <i>home purchase plan</i></p> |
| MCOB 11.6.60 R (6)(b) | Transitional arrangements | <p>The cost of repairs or maintenance work to the property</p> | <p>When new contract or variation is entered into</p> | <p>For the term of the <i>regulated mortgage contract</i> or <i>home purchase plan</i></p> |
| MCOB 11.6.60 R (6)(c) | Transitional arrangements | <p>Any product fee or arrangement fee financed by any additional borrowing or increase in finance</p> | <p>When new contract or variation is entered into</p> | <p>For the term of the <i>regulated mortgage contract</i> or <i>home purchase plan</i></p> |
| MCOB 11.6.60 R (6)(d) | Transitional arrangements | <p>The rationale for each decision to enter into or vary a contract under MCOB 11.7</p> | <p>When new contract or variation is entered into</p> | <p>For the term of the <i>regulated mortgage contract</i> or <i>home purchase plan</i></p> |
| MCOB 11.6.60 R (7) | Responsible lending and financing policy | <p>The <i>firm's</i> policy, setting out the factors it will take into account in assessing a <i>customer's</i> ability to pay the sums due</p> | <p>When the policy is made</p> | <p>For so long as any <i>regulated mortgage contract</i> or <i>home purchase plan</i></p> |

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|----------------------|--|---|--------------------------------|--|
| <p>MCOB 13.3.9 R</p> | <p>Dealings with <i>customers</i> with a <i>payment shortfall</i>, or with a <i>sale shortfall</i></p> | <p>Details of all dealings with the <i>customer</i> (including a recording of all telephone conversations which discuss any <i>arrears</i> or any amount subject to <i>payment shortfall</i> charges); information relating to any repayment plan; date of issue of any legal proceedings; arrangements made for sale of a <i>repossessed</i> property; and the basis of any tailored information where the loan is for a business purpose.</p> | <p>The date of the dealing</p> | <p>to which it was applicable remains outstanding Three years from the date on which the record is made</p> |

Supervision

Variation of permission application form

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

Supervision forms http://fshandbook.info/FS/form_links.jsp



13.5 Notices of intention

Specified contents: notice of intention to establish a branch

13.5.1

R

FCA PRA

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

(1) [deleted]

(2) [deleted]

13.5.1A

R

PRA

A UK pure reinsurer establishing a branch in a particular EEA state for the first time under the Reinsurance Directive must submit a notice in the form set out in ■ SUP 13 Annex 1 R. Whenever possible, this notification must be made as soon as the information specified in that form is known by the firm.

13.5.1AA

R

FCA

A UK firm establishing a branch in a particular EEA state for the first time under the auction regulation must submit a notice of intention in the form set out in ■ SUP 13 Annex 7R prior to its establishment of that branch or whenever possible thereafter.

13.5.1B

G

PRA

■ SUP 13.5.1 R does not apply to UK pure reinsurers or a UK firm exercising an EEA right under the auction regulation as they have automatic passport rights on the basis of their Home State authorisation under the Reinsurance Directive or the auction regulation. However, the information required by ■ SUP 13.5.1A R and ■ SUP 13.5.1AA R assists the FSA's supervision of a branch in another EEA state.

Specified contents: notice of intention to provide cross border services

13.5.2

R

FCA PRA

A UK firm wishing to provide cross border services into a particular EEA State for the first time under an EEA right other than under the auction regulation must submit a notice in the form set out in:

(1) ■ SUP 13 Annex 2 R if the UK firm is passporting under MiFID; or

(1A) ■ SUP 13 Annex 3 R if the UK firm is passporting under the Insurance Directives; or

13.5.2-A
FCA

R

- (2) ■ SUP 13 Annex 4 R if the *UK firm* is passporting under the *CRD*; or
 - (3) ■ SUP 13 Annex 5 R if the *UK firm* is passporting under the *Insurance Mediation Directive*
 - (4) ■ SUP 13 Annex 6 R, if the *UK firm* is a *management company* passporting under the *UCITS Directive*.
 - (5) ■ SUP 13 Annex 8AR, if the *UK firm* is providing *cross-border services* under *AIFMD* to manage an *AIF* in another *EEA State*.
 - (6) ■ SUP 13 Annex 8BR, if the *UK firm* is providing *cross-border services* under *AIFMD* to market an *AIF* in another *EEA State*.
- (1) A *UK firm* wishing to provide a service into a particular *EEA State* for the first time under the *auction regulation* must inform the *appropriate UK regulator* of the information in (2) by email to emissionstrading@fca.org.uk prior to its provision of that service or whenever possible thereafter.
- (2) The information required by (1) is:
- (a) name of the *firm* and the *firm* reference number;
 - (b) *EEA state* in which the service is or will be provided; and
 - (c) the proposed commencement date of the service or the date on which the service commenced.

13.5.2A
FCA

G

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

Method of submission of notices

13.5.3
FCA PRA

R

- (1) A *UK firm*, other than a *credit union*, must submit any notice under ■ SUP 13.5.1 R (1), ■ SUP 13.5.1A R or ■ SUP 13.5.2 R online at www.fca.org.uk using the *ONASystem*.
 - (a) [deleted]
 - (b) [deleted]
- (2) [deleted]
 - (a) [deleted]
 - (b) [deleted]

- (c) [deleted]
- (d) [deleted]
- (e) [deleted]
- (f) [deleted]

(3) Where a *firm* is obliged to submit a notice in accordance with (1), if the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit that notice in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

(4) [deleted]

13.5.3A

PRA

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A *credit union* must submit any notice under ■ SUP 13.5.1 R (1), ■ SUP 13.5.1A R or ■ SUP 13.5.2 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

13.5.4

FCA PRA

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- (1) If the information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate UK regulator* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.
- (2) Where ■ SUP 13.5.3 R (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

13.5.4A

G

[deleted]

Unregulated activities

13.5.5

FCA PRA

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A *notice of intention* (other than one to establish a branch or provide services in another EEA state under the *auction regulation*) may include activities within the scope of the relevant *Single Market Directive* which are not *regulated activities* (paragraphs 19(3) and 20(2) of Part III of Schedule 3 to the *Act*), although in the case of a *MiFID investment firm* a notice of intention may only include *ancillary services* which are to be carried on with one or more *investment services and activities* (paragraphs 19(5B) and 20(2A) of Part III of Schedule 3 to the *Act*). Regulation 19 of the *EEA Passport Rights Regulations* states that where a *UK firm* is able to carry on such an *unregulated activity* in the *EEA State* in question without contravening any law of the *United Kingdom* (or any part of the *United Kingdom*) the *UK firm* is treated, for the purposes of the exercise of its *EEA right*, as being *authorised* to carry on that activity.

Translations

13.5.6

PRA

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- (1) A *UK firm* passporting under the *CRD*, the *Insurance Directives* or the *Reinsurance Directive* may have to submit the *requisite details* or relevant details in the language of the *Host State* as well as in English. For a *UK firm* passporting

under the *Insurance Directives* this translated document will not include the relevant UK details. Further information is available from the PRA authorisations team .

- (2) A UK firm may wish to discuss with the PRA authorisations team the appropriate time for providing the translations in (1), given that further information or clarification of the details provided may be required by the PRA.
- (3) A UK firm passporting under the *Insurance Directives* should keep the EEA and UK relevant details separate as, if the application is approved, only the former will be sent to the *Host State regulator*.

Notifications to more than one EEA State

13.5.7

FCA PRA

G

If a UK firm wishes to establish *branches* in, or provide *cross border services* into, more than one EEA State, a single notification may be provided but the relevant information for each EEA State should be clearly identifiable.



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

13.8.1

R

FCA PRA

(1) Where a *firm* is required to submit a notice of a change to a *branch* referred to in ■ SUP 13.6.5 G (1), ■ SUP 13.6.5B G (1), ■ SUP 13.6.7 G (1), ■ SUP 13.6.8 G , ■ SUP 13.6.9B R ■ SUP 13.6.10 G (1) and ■ SUP 13.6.9C G or a notice of a change to *cross border services* referred to in ■ SUP 13.7.3 G (1) , ■ SUP 13.7.3A G (1), ■ SUP 13.7.5 G (1) ■ SUP 13.7.6 G, ■ SUP 13.7.13B G and ■ SUP 13.7.14 G it must complete and submit that notice in accordance with the procedures set out in ■ SUP 13.5 for notifying the establishing of a *branch* or the provision of *cross border services*.

(a) [deleted]

(b) [deleted]

(2) [deleted]

(a) [deleted]

(b) [deleted]

(c) [deleted]

(d) [deleted]

(e) [deleted]

(f) [deleted]

(3) [deleted]

(4) [deleted]

13.8.1A

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FCA PRA

The effect of ■ SUP 13.8.1 R (1) is that a *firm* should submit any form, notice or application under ■ SUP 13.8.1 R (1) in the following ways:

(1) A UK *firm*, other than a *credit union*, should submit it online at www.fca.org.uk using the ONA system.

(2) If the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are

restored, a *firm* should submit it in the way set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification). ■ GEN 1.3.2 R (Emergency) does not apply in these circumstances.

(3) If the information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate UK regulator* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission should be used.

(4) [deleted]

13.8.1B

PRA

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A *credit union* should submit any form, notice or application under ■ SUP 13.8.1 R (1) in the way set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

13.8.2

FCA PRA

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UK firms passporting under the *CRD* or the *Insurance Directives* may be required to submit the change to details notice in the language of the *Host State* as well as in English.

Passporting: Notification of intention to establish a branch in another EEA state

FCA **PRA**

This annex consists of only one or more forms. Forms can be completed online now by visiting: <http://www.bankofengland.co.uk/pr/Pages/authorisations/passporting/notifying.aspx> for a *PRA-authorised person* or <http://www.fca.org.uk/firms/being-regulated/passporting/notification-forms> for an *FCA-authorised person*.

The forms are also to be found through the following address:

Passporting: Notification of intention to establish a branch in another EEA state - SUP 13 Annex 1

13A.1.3

FCA PRA

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- (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
- (3) a *Treaty firm* that wishes to provide *electronic commerce activities* into the *United Kingdom* ; or
- (4) a *market operator* that operates a *regulated market* or an *MTF* in an *EEA State* other than the *UK* and wishes to make appropriate arrangements so as to facilitate access to and use of its system by remote users or participants in the *UK*. See ■ SUP App 3.6.25 G for *guidance*.
- (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 *Insurance Directives*; or
 - (aA) authorised in Gibraltar under the *Reinsurance Directive*; or
 - (b) authorised in Gibraltar under the *CRD* ; or
 - (c) authorised in Gibraltar under the *Insurance Mediation Directive*; or
 - (d) authorised in Gibraltar under the *MiFID* ;
 - (e) authorised in Gibraltar under the *UCITS Directive*.
- (1A) Similarly, an *EEA firm* which:
 - (a) has satisfied the Gibraltar establishment conditions and has established a *branch* in the *UK*; or
 - (b) has satisfied the Gibraltar service conditions and is providing *cross border services* into the *UK*;

is treated as having satisfied the *establishment conditions* or *service conditions* (as appropriate) under Schedule 3 to the *Act*. Regulations 4 to 7 of the *EEA Passport Rights Regulations* will apply to the establishment of the *branch* or the provision of *cross border services*.
- (2) Gibraltar insurance companies, *credit institutions*, *insurance intermediaries* , *investment firms* and *management companies* are allowed to passport their services into the *United Kingdom* if they comply with the relevant notification procedures. So, any references in this chapter to *EEA State* or *EEA right* include references to Gibraltar and the entitlement under the *Gibraltar Order* where appropriate.
- (3) [deleted]

Purpose

- (1) This chapter explains how an *EEA firm* and a *Treaty firm* can qualify for *authorisation* under Schedules 3 and 4 to the *Act* and how a *UCITS qualifier* is *authorised* under Schedule 5 to the *Act*.
- (2) This chapter also provides *guidance* on Schedule 3 to the *Act* for an *incoming EEA firm* that wishes to establish a *branch* in the *United Kingdom* instead of,

13A.1.4

FCA PRA

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13A.1.5
FCA PRA

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or in addition to, providing *cross border services* into the *United Kingdom* or vice versa.

- (1) *EEA firms* should note that this chapter only addresses the procedures which the *appropriate UK regulator* will follow under the *Act*. So, an *EEA firm* should consider this *guidance* in conjunction with the requirements with which it will have to comply in its *Home State*.
- (2) The *guidance* in this chapter represents the *appropriate UK regulator's* interpretation of the *Single Market Directives*, the *auction regulation*, the *Act* and the secondary legislation made under the *Act*. The *guidance* is not exhaustive and should not be seen as a substitute for a *person* consulting the legislation or taking legal advice.



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

13A.6.1
FCA PRA

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- (1) ■ SUP 13A Annex 1 G summarises how the *Handbook* applies to *incoming EEA firms*.
- (2) ■ SUP 13A Annex 2 G summarises the matters that are reserved to a *firm's Home State regulator*.

13A.6.2
FCA PRA

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An *incoming EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that has received authorisation under article 18 of the *auction regulation* and only provides services in the *United Kingdom*) or *incoming Treaty firm* carrying on business in the *United Kingdom* must comply with the *applicable provisions* (see ■ SUP 13A.4.4 G, ■ SUP 13A.4.6 G, and ■ SUP 13A.5.4 G) and other relevant *UK legislation*. For example where the business includes:

- (1) business covered by the Consumer Credit Act 1974, then an *incoming EEA firm* or *incoming Treaty firm* must comply with the provisions of that Act ; or
- (2) effecting or carrying out contracts covering motor vehicle third party liability risks as part of direct *insurance business*, then an *incoming EEA firm* or *incoming Treaty firm* is required to become a member of the Motor Insurers' Bureau.

13A.6.3
FCA PRA

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In particular, an *EEA firm* (other than an *EEA pure reinsurer*) or *Treaty firm* must comply with the *applicable provisions* in ■ SUP 10 (Approved persons). An *EEA firm* or *Treaty firm* should also refer to ■ SUP 10.1 (Application) which sets out the territorial provisions of the *approved persons* regime.

13A.6.4
FCA PRA

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Under the *EEA Passport Rights Regulations*, references in section 60 of the *Act* (applications for approval for persons to perform controlled functions) to "the authorised person concerned" include :

- (1) an *EEA MiFID investment firm* whose *Home State regulator* has given a consent notice under paragraph 13 of Schedule 3 to the *Act* (see ■ SUP 13A.4.1G (1) and ■ SUP 13A.4.2 G) or a regulator's notice under paragraph 14 of that Schedule (see ■ SUP 13A.5.3G (1)), and which will be the *authorised person* concerned if the *EEA firm* qualifies for *authorisation* under that Schedule; and
- (2) any other *EEA firm* with respect to which the *appropriate UK regulator* has received a consent notice or regulator's notice under paragraph 13 of Schedule 3 to the *Act* (see ■ SUP 13A.4.1G (1) and ■ SUP 13A.4.2 G) or a regulator's notice under paragraph 14 of that Schedule (see ■ SUP 13A.5.3G (1)), and which will be

the *authorised person* concerned if the *EEA firm* qualifies for *authorisation* under that Schedule.

13A.6.5
FCA PRA

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■ SUP 13A Annex 1 G does not apply to *incoming ECA providers* acting as such.

Chapter 14

Incoming EEA firms changing details, and cancelling qualification for authorisation

14.1 Application and purpose

Application

14.1.1

FCA PRA

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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*.

14.1.1A

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The *guidance* in ■ SUP 14.2 and ■ SUP 14.3 covers the *EEA Passport Rights Regulations*. It is not, however, relevant to an *EEA firm* exercising an *EEA right* under the *auction regulation*, except for ■ SUP 14.2.14 R which applies a separate notification requirement. Additionally, where an *EEA firm* is carrying on *MiFID business bidding*, that *firm* is exercising an *EEA right* under *MiFID* and so this chapter applies to that activity because it is *MiFID business*.

14.1.2

FCA PRA

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■ SUP 14.6 (Cancelling qualification for authorisation), which sets out how to cancel qualification for *authorisation* under the *Act*, also applies to:

- (1) an *incoming Treaty firm* that qualifies for *authorisation* under Schedule 4 to the *Act*; and
- (2) a *UCITS qualifier* that is an *authorised person* under Schedule 5 to the *Act*; a *UCITS qualifier* should, however, refer to ■ COLLG 3.1.11 G for full details of applicable *rules* and *guidance*.

14.1.3

FCA PRA

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- (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 *Insurance Directives*; or
 - (aa) authorised in *Gibraltar* under the *Reinsurance Directive*; or
 - (b) authorised in *Gibraltar* under the *CRD*; or ;
 - (c) authorised in *Gibraltar* under the *Insurance Mediation Directive*; or
 - (d) authorised in *Gibraltar* under *MiFID*; or
 - (e) authorised in *Gibraltar* under the *UCITS Directive*.

(1A) Similarly, an *EEA firm* which:

- (a) has satisfied the Gibraltar establishment conditions and has established a *branch* in the *UK*; or
- (b) has satisfied the Gibraltar service conditions and is providing *cross border services* into the *UK*;

is treated as having satisfied the *establishment conditions* or *service conditions* (as appropriate) under Schedule 3 to the *Act*.

- (2) Gibraltar insurance companies, *credit institutions*, *insurance intermediaries*, *investment firms* and *management companies* are allowed to passport their services into the *United Kingdom* if they comply with the relevant notification procedures. So, any references in ■ SUP 14 to *EEA State* or *EEA right* include references to Gibraltar and the entitlement under the *Gibraltar Order* where appropriate.

Purpose

14.1.4

FCA PRA

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This chapter gives *guidance* on the *Act* and the *EEA Passport Rights Regulations* made under the *Act*, for an *incoming EEA firm* which has established a *branch* in, or is providing *cross border services* into, the *United Kingdom* and wishes to change the details of the *branch* or *cross border services*.

[**Note:** An *EEA bank* is required to comply with the requirements set out in the directly applicable regulations adopted under Articles 35, 36 and 39 *CRD*.]

14.1.5

FCA PRA

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This chapter also explains how an *incoming EEA firm*, an *incoming Treaty firm* or a *UCITS qualifier* may cancel its qualification for *authorisation* under the *Act*.

14.1.6

FCA PRA

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This chapter does not, however, give *guidance* on the procedures for the establishment of a *branch* in, or the providing of *cross border services* into, the *United Kingdom* for the first time. So, an *incoming EEA firm* that wishes to change or supplement the nature of its operations in the *United Kingdom* from the providing of *cross border services* to the establishment of a *branch* (or vice versa) should refer to ■ SUP 13A (Qualifying for authorisation under the *Act*).

14.1.7

FCA PRA

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In addition, the chapter does not give *guidance* on the procedures for making an application for *top-up permission*, to carry on *regulated activities* in the *United Kingdom* which are outside the scope of the *Single Market Directives* and for which the firm cannot exercise *Treaty rights*. *Incoming EEA firms* seeking a *top-up permission* should refer to ■ SUP 13A.

14.1.8

FCA PRA

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The *FCA* and *PRA* will share with each other relevant information received, as necessary, in order to perform their respective functions.

14.2 Changes to branch details

14.2.1 G FCA PRA

Where an *incoming EEA firm* is exercising an *EEA right*, other than under the *Insurance Mediation Directive*, and has established a *branch* in the United Kingdom, the *EEA Passport Rights Regulations* govern any changes to the details of that *branch*. Where an *incoming EEA firm* has complied with the relevant requirements in the *EEA Passport Rights Regulations*, then the *firm's permission* given under Schedule 3 to the *Act* is to be treated as varied accordingly. All references to regulations in ■ SUP 14 are to the *EEA Passport Rights Regulations*.

14.2.2 G FCA PRA

Firms passporting under the CRD and the UCITS Directive

- (1) Where an *incoming EEA firm* passporting under the *CRD* or the *UCITS Directive* has established a *branch* in the *United Kingdom*, regulation 4 states that it must not make a change in the *requisite details* of the *branch* unless it has complied with the relevant requirements.
- (2) The relevant requirements are set out in regulation 4(4) or, where the change arises from circumstances beyond the *incoming EEA firm's* control, in regulation 4(5) (see ■ SUP 14.2.8 G).

14.2.3 G FCA PRA

Where the change arises from circumstances within the control of the *incoming EEA firm*, the requirements in regulation 4(4) are that:

- (1) the *incoming EEA firm* has given notice to the *appropriate UK regulator* (see ■ SUP 14.4.1 G) and to its *Home State regulator* stating the details of the proposed change;
- (2) the *appropriate UK regulator* has received a notice stating those details; and
- (3) either:
 - (a) the *appropriate UK regulator* has informed the firm that it may make the change; or
 - (b) the period of one month beginning with the date on which the *incoming EEA firm* gave the *appropriate UK regulator* the notice mentioned in (1) has elapsed.

14.2.4 G FCA PRA

Changes to the *requisite details* may lead to changes to the *applicable provisions* to which the *incoming EEA firm* is subject. The *appropriate UK regulator* will, as soon as practicable after receiving a notice in ■ SUP 14.2.3 G or ■ SUP 14.2.8 G, inform the

with *operating a dormant account fund* on a continuous and satisfactory basis;

- (2) any significant failure in the *firm's* systems or controls, including those reported to the *firm* by the *firm's* auditor;
- (3) any action which a *firm* proposes to take which would result in a material change in its capital adequacy or solvency, including, but not limited to:
 - (a) any action which would result in a material change in the *firm's* financial resources or financial resources requirement; or
 - (b) a material change resulting from the payment of a special or unusual dividend or the repayment of *share* capital or a subordinated loan; or
 - (c) for *firms* which are subject to the *rules* on consolidated financial supervision, any proposal under which another *group company* may be considering such an action; or
 - (d) significant trading or non-trading losses (whether recognised or unrecognised).

15.3.9

FCA PRA

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The period of notice given to the *appropriate regulator* will depend on the event, although the *appropriate regulator* expects a *firm* to discuss relevant matters with it at an early stage, before making any internal or external commitments.

15.3.10

FCA PRA

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A notification under *Principle 11* may be given orally or in writing (as set out in ■ SUP 15.7.1 R and ■ SUP 15.7.2 G), although the *appropriate regulator* may request written confirmation of a matter. However, it is the responsibility of a *firm* to ensure that matters are properly and clearly communicated to the *appropriate regulator*. A *firm* should provide a written notification if a matter either is complex or may be such as to make it necessary for the *appropriate regulator* to take action. A *firm* should also have regard to *Principle 11* and the *guidance* in ■ SUP 15.7.2 G in respect of providing important information promptly.

Breaches of rules and other requirements in or under the Act or the CCA

15.3.11

FCA PRA

R

- (1) A *firm* must notify the *appropriate regulator* of:
 - (a) a significant breach of a *rule* (which includes a *Principle*) or *Statement of Principle*; or
 - (aa) a significant breach of any requirement imposed by the CCA or by regulations or an order made under the CCA (except if the breach is an *offence*, in which case (c) applies), but any notification under (aa) is required to be made only to the FCA; or
 - (b) a breach of any requirement imposed by the *Act* or by regulations or an order made under the *Act* by the Treasury (except if the breach is an *offence*, in which case (c) applies);
 - (c) the bringing of a prosecution for, or a conviction of, any *offence* under the *Act* or the CCA;

- (d) a breach of a directly applicable provision in the *MiFID Regulation*; or
- (dA) a breach of a directly applicable provision in *the EU CRR* or any directly applicable regulations made under *CRD* or *the EU CRR*; or
- (e) a breach of any requirement in regulation 4C(3) (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007; or
- (ea) a breach of a directly applicable provision in the *auction regulation*; or
- (f) it exceeding (or becoming aware that it will exceed) the limit in ■ BIPRU 10.5.6 R; or
- (g) a breach of the *AIFMD UK regulation*; or
- (h) a breach of any directly applicable EU regulation made under *AIFMD*;

by (or as regards (c) against) the *firm* or any of its *directors, officers, employees, approved persons, or appointed representatives* or, where applicable, *tied agents*.

- (2) A *firm* must make the notification in (1) immediately it becomes aware, or has information which reasonably suggests, that any of the matters in (1) has occurred, may have occurred or may occur in the foreseeable future.

15.3.11A
FCA PRA

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■ SUP 15.3.11 R (1)(e) relates to the standard requirement in the *permission* of those *firms* which fall outside *MiFID* because of the Treasury's implementation of Article 3 of *MiFID*. *Guidance* on how the Treasury has exercised the Article 3 exemption for the *United Kingdom* is given in Q48 and the following questions and answers in ■ PERG 13.5 (Exemptions from MiFID).

15.3.12
FCA PRA

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In ■ SUP 15.3.11 R(1)(a) or (1)(aa), significance should be determined having regard to potential financial losses to *customers* or to the *firm*, frequency of the breach, implications for the *firm's* systems and controls and if there were delays in identifying or rectifying the breach.

15.3.13
FCA PRA

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In assessing whether an event that may occur in the foreseeable future should be notified to the *appropriate regulator*, a *firm* should consider the *guidance* in ■ SUP 15.3.3 G.

15.3.14
FCA PRA

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A notification under ■ SUP 15.3.11 R should include:

- (1) information about any circumstances relevant to the breach or *offence*;
- (2) identification of the *rule* or requirement or *offence*; and

(2) in the case of an *overseas firm*, the number of its head office.

15.5.6

FCA PRA

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■ SUP 15.5.4 R and ■ SUP 15.5.5 R mean that a *firm* should notify the *appropriate regulator* of a change in telephone number even if the address of the office is not changing.

Other regulators

15.5.7

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately if it becomes subject to or ceases to be subject to the supervision of any *overseas regulator* (including a *Home State regulator*).

15.5.8

FCA PRA

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The *appropriate regulator's* approach to the supervision of a *firm* is influenced by the regulatory regime and any legislative or foreign provisions to which that *firm*, including its branches, is subject.

Submitting notifications to the appropriate regulator

15.5.9

FCA PRA

R

(1) A *firm* other than:

- (a) a *credit union*; or
- (b) an *FCA-authorized person* with *permission* to carry on only *credit-related regulated activity*;

must submit any notice under ■ SUP 15.5.1R, ■ SUP 15.5.4R and ■ SUP 15.5.5 R by submitting the form in ■ SUP 15 Ann 3R online at the *appropriate regulator's* website.

(2) A *credit union* or an *FCA-authorized person* with *permission* to carry on only *credit-related regulated activity* (other than a *firm* with only an *interim permission* to which the modifications to ■ SUP 15 in ■ CONC 12 apply) must submit any notice under ■ SUP 15.5.1R, ■ SUP 15.5.4R, ■ SUP 15.5.5 R and ■ SUP 15.5.7R by submitting the form in ■ SUP 15 Ann 3R in the way set out in ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification).

(3) Where a *firm* is obliged to submit a notice online under (1), if the *appropriate regulator's* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit any notice under ■ SUP 15.5.1R, ■ SUP 15.5.4R and ■ SUP 15.5.5 R in the form in ■ SUP 15 Ann 3R and in the way set out in ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification).

(4) A *firm* must submit any notice required under ■ SUP 15.5.7 R by submitting the form in ■ SUP 15 Ann 4 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

15.5.10

FCA PRA

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(1) If the *appropriate regulator's* information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate regulator* will endeavour to publish a notice on its website confirming that online submission

is unavailable and that the alternative methods of submission set out in ■ SUP 15.5.9R(3) and ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification) should be used.

- (2) Where ■ SUP 15.5.9 R (2) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

Chapter 16

Reporting requirements



16.1 Application

16.1.1
FCA PRA

R

This chapter applies to every *firm* within a category listed in column (2) of the table in ■ SUP 16.1.3 R and in accordance with column (3) of that table.

16.1.1A
FCA

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The directions and *guidance* in ■ SUP 16.13 apply to an *authorised payment institution* and a *small payment institution*.

16.1.1B
FCA

D

The directions and *guidance* in ■ SUP 16.15 apply to *electronic money issuers* that are not *credit institutions*.

16.1.1C
FCA

G

The directions and *guidance* in ■ SUP 16.18 apply for the following types of *AIFM*:

- (1) a *small registered UK AIFM*;
- (2) an *above-threshold non-EEA AIFM marketing* in the UK; and
- (3) a *small non-EEA AIFM marketing* in the UK.

16.1.2
FCA PRA

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The only categories of *firm* to which no section of this chapter applies are:

- (1) an *ICVC*;
- (2) an *incoming EEA firm* or *incoming Treaty firm*, unless it is:
 - (a) a *firm* of a type listed in ■ SUP 16.1.3 R as a type of *firm* to which ■ SUP 16.6, ■ SUP 16.9 , ■ SUP 16.12, or ■ SUP 16.14 applies; or
 - (b) an *insurer* with *permission to effect or carry out life policies*;
 - (c) a *firm* with *permission to establish, operate or wind up a personal pension scheme* or a *stakeholder pension scheme*;
- (3) a *UCITS qualifier*.

16.1.3
FCA PRA

R

Table Application of different sections of SUP 16(excluding SUP 16.13, SUP 16.15, SUP 16.16 and SUP 16.17)

| (1) Sec- tion(s) | (2) Categories of firm to which section applies | | (3) Applicable rules and guidance |
|---------------------------------|---|--|-----------------------------------|
| SUP 16.1, SUP 16.2 and SUP 16.3 | All categories of <i>firm</i> except: | | Entire sections |
| | (a) | an <i>ICVC</i> ; | |
| | (b) | an <i>incoming EEA firm</i> or <i>incoming Treaty firm</i> , which is not: | |
| | | (i) a <i>firm</i> of a type to which SUP 16.6 or SUP 16.12 applies; or | |
| | | (ii) an <i>insurer</i> with <i>permission to effect</i> or <i>carry outlife policies</i> ; or | |
| | | (iii) a <i>firm</i> with <i>permission to establish, operate or wind up a personal pension scheme</i> or a <i>stakeholder pension scheme</i> ; | |
| | (c) | a <i>UCITS qualifier</i> . | |
| SUP 16.4 and SUP 16.5 | All categories of <i>firm</i> except: | | Entire sections |
| | (-a) | a <i>credit union</i> ; | |
| | (a) | an <i>ICVC</i> ; | |
| | (b) | an <i>incoming EEA firm</i> ; | |
| | (c) | an <i>incoming Treaty firm</i> ; | |
| | (d) | a <i>non-directive friendly society</i> ; | |
| | (e) | [deleted] | |
| | (f) | a <i>sole trader</i> ; | |
| | (g) | a <i>service company</i> ; | |
| | (h) | a <i>UCITS qualifier</i> ; | |

| (1) Sec- tion(s) | (2) Categories of firm to which section applies | (3) Applicable rules and guidance |
|------------------------|--|-----------------------------------|
| | (i) a firm with permission to carry on only retail investment activities; | |
| | (j) a firm with permission to carry on only insurance mediation activity, home finance mediation activity, or both; | |
| | (ja) an FCA-authorised person with permission to carry on only credit-related regulated activity; | |
| | (k) a firm falling within a combination of (i),(j) and (ja). | |
| SUP 16.6 | Bank | SUP 16.6.4 R to SUP 16.6.5 R |
| | Depository of an ICVC | SUP 16.6.6 R to SUP 16.6.9 G |
| | OPS firm | SUP 16.6.6 R to SUP 16.6.8 R |
| | Trustee of an AUT | SUP 16.6.6 R to SUP 16.6.9 G |
| | Depository of an ACS | SUP 16.6.6 R to SUP 16.6.9 G |
| SUP 16.8 | Insurer with permission to effect or carry out life policies, unless it is a non-directive friendly society | Entire section |
| | Firm with permission to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme | Entire section |
| SUP 16.9 | Firm with permission to advise on investments; arrange (bring about) deals in investments; make arrangements with a view to transactions in investments; or arrange safeguarding and administration of assets | Entire section |
| SUP 16.10 | All categories of firm except: | Entire section |
| | (a) an ICVC; | |
| | (b) a UCITS qualifier; | |

| (1) Section(s) | (2) Categories of firm to which section applies | (3) Applicable rules and guidance |
|--|--|--|
| | (c) a <i>credit union</i> ; and | |
| | (d) a <i>dormant account fund operator</i> . | |
| SUP 16.11 | A <i>firm</i> , other than a <i>managing agent</i> , which is: | Entire section |
| | (1) a <i>home finance provider</i> ; or | |
| | (2) an <i>insurer</i> ; or | |
| | (3) the operator of a <i>regulated collective investment scheme</i> or an <i>investment trust savings scheme</i> ; or | |
| | (4) a <i>person</i> who issues or manages the relevant assets of the issuer of a <i>structured capital-at-risk product</i> ; or | |
| | (5) a <i>firm</i> with permission to enter into a <i>regulated credit agreement as lender</i> in respect of <i>high-cost short-term credit</i> or <i>home credit loan agreements</i> . | |
| SUP 16.12 | A <i>firm</i> undertaking the <i>regulated activities</i> as listed in SUP 16.12.4 R, unless exempted in SUP 16.12.1 G | Sections as relevant to <i>regulated activities</i> as listed in SUP 16.12.4 R |
| SUP 16.14 | A <i>CASS large firm</i> and a <i>CASS medium firm</i> | Entire section |
| SUP 16.18 | A <i>full-scope UK AIFM</i> and a <i>small authorised UK AIFM</i> | SUP 16.8.3 R |
| Note 1 [deleted] | | |
| Note 2 = The application of SUP 16.13 is set out under SUP 16.13.1 G ; the application of SUP 16.15 is set out under SUP 16.15.1 G; the application of SUP 16.16 is set out SUP 16.16.1 R and SUP 16.16.2 R and the application of SUP 16.17 is set out in SUP 16.17.3 R and SUP 16.17.4 R . | | |
| Note 3 = The application of SUP 16.18 for the types of <i>AIFMs</i> specified in SUP 16.1.1C G is set out in SUP 16.18.2 G. | | |

(1) This chapter contains requirements to report to the *appropriate regulator* on a regular basis. These requirements include reports relating to a *firm's* financial condition, and to its compliance with other *rules* and requirements which apply to the *firm*. Where the relevant requirements are set out in another section of the *Handbook*, this chapter contains cross references. An example of this is financial reporting for *insurers* and *friendly societies*.

- (2) Where such requirements already apply to a *firm* under legislation other than the *Act*, they are not referred to in this chapter. An example of this is reporting to the *appropriate regulator* by *building societies* under those parts of the Building Societies Act 1986 which have not been repealed.
- (3) Requirements for individual *firms* reflect:
 - (a) the category of *firm*;
 - (b) the nature of business carried on;
 - (c) whether a *firm* has its registered office (or if it does not have a registered office, its head office) in the *United Kingdom*;
 - (d) whether a *firm* is an *incoming EEA firm* or *incoming Treaty firm* ; and
 - (e) the regulated activities the *firm* undertakes.

16.1.5 G [deleted]

16.1.6 G [deleted]

16.1.7 G Where a *PRA-authorized person* is required to notify or provide any information to (a) the *appropriate regulator* by a *PRA Handbook* provision and (b) the *FCA* by the equivalent provision in the *FCA Handbook*, the *PRA-authorized person* is expected to comply with both provisions.

FCA PRA

16.9.5 G [deleted]

16.9.6 G If a group includes more than one *firm*, a single annual *appointed representatives* report may be submitted on behalf of all *firms* in the *group*. Such a report should contain the information required from all the *firms*, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their *Financial Services Register* firm reference numbers. The requirement to provide a report, and the responsibility for the report remains with each *firm* in the *group*.

FCA



16.10 Verification of standing data

Application

16.10.1
FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* except:

- (1) an *ICVC*; or
- (2) a *UCITS qualifier*; or
- (2A) an *AIFM qualifier*; or
- (3) a *credit union*; or
- (4) a *dormant account fund operator*.

Purpose

16.10.2
FCA PRA

G

Standing data is used by the *appropriate regulator* :

- (1) to ensure that a *firm* is presented with the correct regulatory return when it seeks to report electronically;
- (2) in order to communicate with a *firm*;
- (3) as the basis for some sections of the *Financial Services Register*; and
- (4) in order to carry out thematic analysis across sectors and groups of *firms*.

16.10.3
FCA PRA

G

In view of the importance attached to *standing data*, and the consequences which may result if it is wrong, this section provides the framework for a *firm* to check and correct it.

Requirement to check the accuracy of standing data and to report changes to the appropriate regulator

16.10.4
FCA PRA

R

- (1) Within 30 *business days* of its *accounting reference date*, a *firm* must check the accuracy of its *standing data* through the relevant section of the *appropriate regulator's* website.
- (2) [paragraph suspended by FSA 2004/79]

16.10.4A
FCA PRA

R

(3) If any *standing data* is incorrect, the *firm* must submit the corrected *standing data* to the *appropriate regulator*, using the appropriate form set out in ■ SUP 15 Ann 3 R and in accordance with ■ SUP 16.10.4A R.

(1) A *firm* other than:

- (a) a *credit union*; or
- (b) an *FCA-authorized person* with *permission* to carry on only *credit-related regulated activity*;

must submit any corrected standing data under ■ SUP 16.10.4R (3) online at the *appropriate regulator's* website using the ONA system.

(2) A *credit union* or a *firm* with *permission* to carry on only *credit-related regulated activity* must submit any corrected *standing data* under ■ SUP 16.10.4R (3) to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team' .

(3) Where a *firm* is obliged to submit corrected *standing data* online under (1), if the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit its corrected *standing data* to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team' .

16.10.4B
FCA PRA

G

If the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 16.3.9 R should be used.

16.10.4C
FCA PRA

G

Where ■ SUP 16.10.4AR (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

16.10.5
FCA PRA

G

The *standing data* is made available to the *firm* when the *firm* logs into the appropriate section of the *appropriate regulator's* website. The *firm* should check the *standing data* and send any corrections to the *appropriate regulator* . The *appropriate regulator's* preferred method of receiving corrections to *standing data* is by the online forms available at the *appropriate regulator's* website.

16.10.6
FCA PRA

G

A *firm* may check, and submit corrections to, its *standing data* more frequently than annually.

16.10.7

G

[deleted]

16.11 Product Sales Data Reporting

Application

16.11.1

FCA

R

This section applies to a *firm* which is a *home finance provider* or a *firm with permission to enter into a regulated credit agreement as lender* in respect of *high-cost short-term credit* or *home credit loan agreements*, or which is, in respect of sales to a *retail client* or a *consumer*:

- (1) an *insurer*; or
- (1A) the *manager* of an *authorised AIF* or a *UCITS scheme*; or
- (2) the *operator* of an *investment trust savings scheme* , or a *personal pension scheme* ; or
- (3) a *person* who issues or manages the relevant assets of the issuer of a *structured capital-at-risk product*,

unless the *firm* is a *managing agent*.

Purpose

16.11.2

FCA

G

- (1) The purpose of this section is to set out the requirements for *firms* in the retail mortgage, investment, *consumer credit lending* and *pure protection contract* markets specified in ■ SUP 16.11.1 R to report individual product sales data to the *FCA*. In the case of *firms* in the sale and rent back market, there is a requirement to record, but not to submit, the data. These requirements apply whether the *regulated activity* has been carried out by the *firm*, or through an intermediary which has dealt directly with the *firm*.
- (2) The purpose of collecting this data is to assist the *FCA* in the ongoing supervision of *firms* engaged in retail activities and to enable the *FCA* to gain a wider understanding of market trends in the interests of protecting *consumers*.

Reporting requirement

16.11.3

FCA

R

- (1) A *firm* must submit a report (the 'data report') containing the information required by ■ SUP 16.11.5 R quarterly, within 20 *business days* of the end of the quarter, unless (3) or (4) applies.

Notes for Completion of the Retail Mediation Activities Return ('RMAR')

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Notes for Completion of the Retail Mediation Activities Return ('RMAR') - SUP Chapter 16 Annex 18b G

Notes for completion of the Mortgage Lenders & Administrators Return ('MLAR')

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

*Notes for Completion of the Mortgage Lenders and Administrators Return ('MLAR')*Forms/sup/sup_chapter16_annex19bg_20140401.pdf

Appendix 3

Guidance on passporting issues

3.1 Application

App 3.1.1 G
FCA PRA

This appendix applies to all *firms* when carrying on a *passporting activity*, except for a *firm* which is only carrying on a *passporting activity* under the *auction regulation*.

3.2 Purpose

App 3.2.1 G
FCA PRA

The purpose of this appendix is to give *guidance*:

- (1) to *UK firms* on some of the issues that arise when carrying on *passporting activities* (see ■ SUP App 3.5 and ■ SUP App 3.6);
- (2) to all *firms* on the relationship between *regulated activities* and activities passported under the *Single Market Directives* (see ■ SUP App 3.9 and ■ SUP App 3.10).

3.3 Background

The Treaty on the Functioning of the European Union

App 3.3.1 G
FCA PRA

- (1) The *Treaty* establishes in *EU law* the rights of freedom of establishment and freedom to provide services in the *EU*.
- (2) The *Treaty* lays down central principles governing the legal framework for freedom of establishment and the free movement of services in the *EU*. There are, however, a number of areas where the legal position is not clear. This includes, for example, identifying whether a service is provided through an establishment, where the issues involved are complex. Therefore, this Appendix is intended to provide *guidance* but

cannot be regarded as comprehensive. Ultimately, the construction of the *Treaty* and relevant Directive provisions is a matter for the European Court of Justice.

App 3.3.2 **G**
FCA PRA

The *Treaty* provides the framework for the provision of banking, insurance business, investment business, UCITS management services and insurance mediation, while the *Single Market Directives* clarify the rights and freedoms within that framework.

EU and EEA

App 3.3.3 **G**
FCA PRA

The agreement on the *European Economic Area*, signed at Oporto on 2 May 1992, extends certain *EU* legislation to those *EEA States* that are not Member States of the *EU*.

Interpretative communications

App 3.3.4 **G**
FCA PRA

In 1997, the European Commission published an interpretative communication (Freedom to provide services and the interests of the general good in the Second Banking Directive (97/C 209/04)) (the text of this directive and the First Banking Directive is now consolidated in the *Banking Consolidation Directive*). The European Commission's objective in publishing this communication was to explain and clarify the *EU* rules. The European Commission deemed it desirable "to restate in a Communication the principles laid down by the Court of Justice and to set out its position regarding the application of these Principles to the specific problems raised by the Second Banking Directive".

App 3.3.5 **G**
FCA PRA

In 2000, the European Commission published a further interpretative communication (Freedom to provide services and the general good in the insurance sector (2000/C43/03)). This allowed the European Commission to publicise its own interpretation of the rules on the freedom to provide services.

App 3.3.6 **G**
FCA PRA

- (1) The European Commission has not produced an interpretative communication on *MiFID*. It is arguable, however, that the principles in the communication on the Second Banking Directive can be applied to *investment services and activities*. This is because Chapter II of Title II of *MiFID* (containing provisions relating to operating conditions for investment firms) also applies to the *investment services and activities* of firms operating under the *Banking Consolidation Directive*, which is repealed and replaced by the *CRD*.
- (2) The European Commission has not produced an interpretative communication on the *Insurance Mediation Directive*, *AIFMD* or the *UCITS Directive*.

App 3.3.7 **G**
FCA PRA

In giving its views, communications made by the European Commission have the status of guidance and are not binding on the national courts of *EEA States*. This is because it is the European Court of Justice that has ultimate responsibility for interpreting the *Treaty* and secondary legislation. Accordingly, the communications "do not prejudge the interpretation that the Court of Justice ..., which is responsible in the final instance for interpreting the *Treaty* and secondary legislation, might place on the matter at issue." (European Commission interpretative communication: Freedom to provide services and the general good in the insurance sector (C(99) 5046). However, the Courts may take account of European Commission communications when interpreting the *Treaty* and secondary legislation.

App 3.3.8 **G**
FCA PRA

Firms should also note that European Commission communications do not necessarily represent the views taken by all *EEA States*.

E-Commerce

App 3.3.9 **G**
FCA PRA

The *E-Commerce Directive* covers services provided at a distance by means of electronic equipment for the processing (including digital compression) and storage of data. The services would normally be provided in return for remuneration and must be provided at the individual request of a recipient (see recital 17 of the *E-Commerce Directive*). The Directive implements the *country of origin* approach to regulation. This approach makes *firms* subject to the conduct of business requirements of the *EEA State* from which the service is provided. This is subject to certain derogations (see ■ SUP App 3.3.11 G).

App 3.3.10 **G**
FCA PRA

The *E-Commerce Directive* does not affect the responsibilities of *Home State* under the *Single Market Directives*. This includes the obligation of a *Home State regulator* to notify the *Host State regulator* of a *firm's* intention to establish a *branch* in, or provide *cross border services* into, the other *EEA State*.

App 3.3.11 **G**
FCA PRA

There are, however, general derogations from the internal market provisions under article 3(3) of the *E-Commerce Directive*. The derogations include consumer contracts, the permissibility of unsolicited e-mail and certain insurance services (both life and non-life). Where these derogations apply, the *EEA States* in which the recipients of the service are based may continue to be able to impose their own requirements.

App 3.3.12 **G**

[deleted]

Notification of establishing a branch or of providing cross border services

App 3.3.13 **G**
FCA PRA

The *Single Market Directives* require *credit institutions*, *insurance undertakings* (other than *reinsurance undertakings*), *MiFID investment firms*, *AIFMs*, *UCITS management companies* and *insurance intermediaries* to make a notification to the *Home State* before establishing a *branch* or providing *cross border services*.

■ SUP 13.5 (Notices of intention) sets out the notification requirements for a *firm* seeking to establish a *branch* or provide *cross border services*. As *firms* will note, the decision whether a passport notification needs to be made will be a matter of interpretation. The onus is on *firms* to comply with the requirements of the *Act* and, where relevant, the laws of other *EEA States*. So, in cases of doubt, *firms* should obtain their own legal advice on the specific issues involved.

App 3.3.14 **G**
FCA PRA

Blanket notification is the practice of the *Home State regulator* notifying all *Host State regulators* in respect of all activities regardless of any genuine intention to carry on the activity. This practice is discouraged by the *FCA* and *PRA*. However, a *firm* may be carrying on activities in the *United Kingdom* or elsewhere in a way that necessarily gives rise to a real possibility of the provision of services in other *EEA States*. In such cases, the *firm* should consider with its advisers whether it should notify the relevant authorities and include that possibility in its business plan.

3.4 [Deleted]

3.5 [Deleted]

3.6 Freedom to provide services

App 3.6.1 **G**
FCA PRA

Article 56 (Services) of the *Treaty* grants to *EEA* nationals established in one *EEA State* the freedom to provide *cross border services* to other *EEA States*.

How services may be provided

App 3.6.2 **G**
FCA PRA

Under the *Treaty*, the freedom to provide services within the EC may be exercised in three broad ways:

- (1) where the provider of a service moves temporarily to another *EEA State* in order to provide the service;
- (2) where the service is provided without either the provider or the recipient moving (in this situation the provision, and receipt, of the service may take place by post, telephone or fax, through computer terminals or by other means of remote control);
- (3) where the recipient of a service moves temporarily to another *EEA State* in order to receive (or, perhaps, commission the receipt of) the service within that State.

App 3.6.3 **G**
FCA PRA

Under the *Single Market Directives*, however, *EEA rights* for the provision of services are concerned only with services provided in one of the ways referred to in ■ SUP App 3.6.2 G (1) and ■ (2) (How services may be provided).

App 3.6.4 **G**

[deleted]

Place of supply

App 3.6.5 **G**
FCA PRA

In the opinion of the European Commission (and in the wording of the *Single Market Directives*) "only activities carried on within the territory of another Member State should be the subject of prior notification" (Commission interpretative communication: Freedom to provide services and the interests of the general good in the Second Banking Directive (97/C 209/04)). In determining, for the purposes of notification, whether a service is to be provided 'within' another *EEA State*, it is necessary to determine the place of supply of the service.

App 3.6.6 G
FCA PRA

An *insurance undertaking* that effects *contracts of insurance* covering risks or commitments situated in another *EEA State* should comply with the notification procedures for the provision of services within that *EEA State*. The location of risks and commitments is found by reference to the rules set out in paragraph 6 of schedule 12 to the *Act*, which derive from article 1 of the *Consolidated Life Directive* and article 2 of the *Second Non-Life Directive*. It may be appropriate for *insurers* to take legal advice as to how these rules are interpreted and applied in other *EEA States*. The need to passport may arise because of only one of the risks covered by an insurance policy. This includes, for example, where a policy covers a number of property risks and one of those properties is in another *EEA State*.

App 3.6.7 G
FCA PRA

In respect of banking services, the European Commission believes that "...to determine where the activity was carried on, the place of provision of what may be termed the 'characteristic performance' of the service i.e. the essential supply for which payment is due, must be determined" (Commission interpretative communication: Freedom to provide services and the interests of the general good in the Second Banking Directive (97/C 209/04)). In the view of the *FCA* and *PRA*, this requires consideration of where the service is carried out in practice.

App 3.6.8 G
FCA PRA

The *FCA* and *PRA* are of the opinion that *UK firms* that are *credit institutions* and *MiFID investment firms* should apply the 'characteristic performance' test (as referred to in ■ SUP App 3.6.7 G) when considering whether prior notification is required for services business. *Firms* should note that other *EEA States* may take a different view. Some *EEA States* may apply a solicitation test. This is a test as to whether it is the consumer or the provider that initiates the business relationship.

App 3.6.9 G
FCA PRA

In the case of a *UK firm* conducting portfolio management, for example, this would mean looking at where the investment decisions and management are actually carried on in order to determine where the service is undertaken. Similarly, a *UK stockbroker* that receives orders by telephone from a *customer* in France for execution on a *UK exchange* may be deemed to be dealing or receiving and transmitting orders within the territory of the *United Kingdom*. In such a case, whether the *firm* solicited the overseas investor would be irrelevant.

App 3.6.10 G
FCA PRA

Where, however, a *credit institution* or *MiFID investment firm*:

- (1) intends to send a member of staff or a temporarily authorised intermediary to the territory of another *EEA State* on a temporary basis to provide financial services; or
- (2) provides advice, of the type that requires notification under either *MiFID* or the *Banking Consolidation Directive*, to *customers* in another *EEA State*;

the *firm* should make a prior notification under the freedom to provide services.

Temporary activities

App 3.6.11 G
FCA PRA

The key distinction in relation to temporary activities is whether a *firm* should make its notification under the freedom of establishment in a *Host State*, or whether it should notify under the freedom to provide services into a *Host State*. It would be inappropriate to discuss such a complex issue in *guidance* of this nature. It is recommended that, where a *firm* is unclear on the distinction, it should seek appropriate advice. In either case, where a *firm* is carrying on activities in another *EEA State* under a *Single Market Directive*, it should make a notification.

App 3.6.12 G

[deleted]

App 3.6.13 **G** [deleted]

App 3.6.14 **G** [deleted]

Monitoring procedures

App 3.6.15 **G**

FCA **PRA**

The *FCA* and *PRA* consider that, in order to comply with *Principle 3: Management and control* (see ■ PRIN 2.1.1 R), a *firm* should have appropriate procedures to monitor the nature of the services provided to its *customers*. Where a *UK firm* has non-resident *customers* but has not notified the *EEA State* in which the *customers* are resident that it wishes to exercise its freedom to provide services, the *FCA* and *PRA* would expect the *firm's* systems to include appropriate controls. Such controls would include procedures to prevent the supply of services covered by the *Single Market Directives* in the *EEA State* in which the *customers* are resident if a notification has not been made and it is proposed to provide services otherwise than by remote communication. In respect of *insurance business*, the *insurer's* records should identify the location of the risk at the time the policy is taken out or last renewed. That will, in most cases, remain the location of the risk thereafter, even if, for example, the *policyholder* changes his habitual residence after that time.

App 3.6.16 **G** [deleted]

App 3.6.17 **G** [deleted]

App 3.6.18 **G** [deleted]

App 3.6.19 **G** [deleted]

App 3.6.20 **G** [deleted]

App 3.6.21 **G** [deleted]

App 3.6.22 **G** [deleted]

App 3.6.23 **G** [deleted]

App 3.6.24 **G** [deleted]

Membership of regulated markets

App 3.6.25 **G**

FCA **PRA**

- (1) The *FCA* and *PRA* are of the opinion that where a *UK firm* becomes a member of:
 - (a) a *regulated market* that has its registered office or, if it has no registered office, its head office, in another *EEA State*; or
 - (b) an *MTF* operated by a *MiFID investment firm* or a *market operator* in another *EEA State*,

the same principles as in the 'characteristic performance' test should apply. Under this test, the fact that a *UK firm* has a screen displaying the *regulated market's* or the *MTF's* prices in its UK office does not mean that it is *dealing* within the territory of the *Home State* of the *regulated market* or of the *MTF*.

- (2) In such a case, the *FCA* and *PRA* would consider that:
- (a) the *market operator* operating the *regulated market* or the *MTF* is providing a *cross-border service* into the *UK* and so, provided it has given notice to its *Home State regulator* in accordance with articles 42(6) or 31(5) *MiFID*, it will be exempt from the *general prohibition* in respect of any *regulated activity* carried on as part of the business of the *regulated market* or of *operating an MTF* (see section 312A of the *Act*);
 - (b) the *MiFID investment firm* operating the *MTF* is providing a *cross-border service* into the *UK* and so needs to comply with ■ SUP 13A.

App 3.6.26 G *Firms* are reminded of their rights, under article 33 of *MiFID*, to become members of, or have access to, the *regulated markets* in other Member States.

FCA PRA

App 3.6.27 G *Firms* should note that, in circumstances where the *FCA* or *PRA* take the view that a notification would not be required, other *EEA States* may take a different view.

FCA PRA

App 3.6.28 G [deleted]

App 3.6.29 G [deleted]

App 3.6.30 G [deleted]

App 3.6.31 G [deleted]

3.7 [Deleted]

3.8 [Deleted]

3.9 Mapping of MiFID, CRD, AIFMD, UCITS Directive and Insurance Mediation Directive to the Regulated Activities Order

App 3.9.1 G
FCA PRA

The following Tables 1 , 2, 2ZA 2A and 2B provide an outline of the *regulated activities* and *specified investments* that may be of relevance to *firms* considering undertaking *passporting activities* under the *CRD* , *MiFID*, *AIFMD* , the *UCITS Directive* and the *Insurance Mediation Directive*. The tables may be of assistance to *UK firms* that are thinking of offering financial services in another *EEA State* and to *EEA firms* that may offer those services in the *United Kingdom*.

App 3.9.2 G
FCA PRA

The tables provide a general indication of the *investments* and activities specified in the *Regulated Activities Order* that may correspond to categories provided for in the *CRD* , *MiFID*, *AIFMD* , the *UCITS Directive* or the *Insurance Mediation Directive*. The tables do not provide definitive *guidance* as to whether a *firm* is carrying on an activity that is capable of being passported, nor do the tables take account of exceptions that remove the effect of articles. Whether a *firm* is carrying on a *passporting activity* will depend on the particular circumstances of the *firm*. If a *firm's* activities give rise to potential passporting issues, it should obtain specialist advice on the relevant issues.

App 3.9.3 G
FCA PRA

In considering the issues raised in the tables, *firms* should note that:

- (1) article 64 of the *Regulated Activities Order* (Agreeing to carry on specific kinds of activity) applies in respect of agreeing to undertake the specified activity; and
- (2) article 89 of the *Regulated Activities Order* (Rights to or interests in investments) applies in respect of rights to and interests in the types of *investments* to which the category applies.

App 3.9.4 G
FCA PRA

Table Activities set out in Annex 1 of the CRD

| Table 1: CRD activities | | Part II RAO Activities | Part III RAO Investments |
|-------------------------|---|------------------------|--------------------------|
| 1. | Taking deposits and other repayable funds from the public | Article 5 | Article 74 |
| 2. | Lending | Article 61, 64 | Article 88 |

Compensation



4.2 Who is eligible to benefit from the protection provided by the FSCS?

4.2.1
FCA PRA

R Unless **■** COMP 4.2.3 R applies, an *eligible claimant* is any *person* who at any material time:

- (1) did not come within **■** COMP 4.2.2 R; or
- (2) did come within **■** COMP 4.2.2 R, but satisfied the relevant exception in **■** COMP 4.3 or **■** COMP 4.4.

4.2.2
FCA PRA

R Table Table COMP 4.2.2R Persons not eligible to claim unless COMP 4.3 applies (see COMP 4.2.1R)

This table belongs to COMP 4.2.1R

- (1) *Firms (other than a sole trader firm ; a credit union; a trustee of a stakeholder pension scheme (which is not an occupational pension scheme) or personal pension scheme; a firm carrying on the regulated activity of operating, or winding up, a stakeholder pension scheme (which is not an occupational pension scheme) or personal pension scheme; or a small business ; in each case, whose claim arises out of a regulated activity for which they do not have a permission)*
- (2) *Overseas financial services institutions*
- (3) *Collective investment schemes, and anyone who is the operator or depositary of such a scheme.*
- (4) **Pension and retirement funds, and anyone who is a trustee of such a fund. However, this exclusion does not apply to:**
 - (a) *a trustee of a personal pension scheme or a stakeholder pension scheme (which is not an occupational pension scheme); or*
 - (b) *a trustee of a small self-administered scheme or an occupational pension scheme of an employer which is not a large company, large partnership or large mutual association.*
- (5) **Supranational institutions, governments, and central administrative authorities**
- (6) **Provincial, regional, local and municipal authorities**

- (7) **Directors of the relevant person in default.** However, this exclusion does not apply if:
- (a) both of the following apply:
 - (i) the *relevant person in default* is a mutual association which is not a *large mutual association*; and
 - (ii) the *directors* do not receive a salary or other remuneration for services performed by them for the *relevant person in default*, or
 - (b) the *relevant person in default* is a *credit union*.
- (8) [deleted]
- (9) **Bodies corporate in the same group as the relevant person in default unless that body corporate is:**
- (a) a trustee of:
 - (i) a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or a *personal pension scheme* (but in each case if the trustee is a *firm* it will only be an *eligible claimant* if its *claim* arises out of a *regulated activity* for which it does not have a permission);
 - (ii) (if the *claim* is with respect to a *long-term insurance contract*) a *small self-administered scheme* or an *occupational pension scheme*; or
 - (iii) (if the *claim* is not with respect to a *long-term insurance contract*) a *small self-administered scheme* or an *occupational pension scheme* of an employer which is not a *large company*, *large partnership* or *large mutual association*; or
 - (b) carrying on the *regulated activity* of *operating or winding up a stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*.
- (10) [deleted]
- (11) [deleted]
- (12) **Persons who, in the opinion of the FSCS, are responsible for, or have contributed to, the relevant person's default**
- (13) **Large companies**
- (14) **Large partnerships**
- (15) **Persons whose claim arises from transactions in connection with which they have been convicted of an offence of money laundering.**
- (16) **Persons whose claim arises under the Third Parties (Rights against Insurers) Act 1930**

- (17) **Where the *claim* is in relation to a *protected contract of insurance* or *protected non-investment insurance mediation, body corporate, partnerships, mutual associations* and unincorporated associations which are not *small businesses*.**
- (18) ***Alternative investment funds, and anyone who is the AIFM or depositary of an alternative investment fund.***
- (19) ***Large mutual associations***

4.2.3

FCA PRA

R

A *person* who is a *small business* is an *eligible claimant* in respect of a *relevant general insurance contract* entered into before *commencement* only if the *person* is a *partnership*.

4

4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

Deposits (and balances in dormant accounts)

4.3.1

PRA

R

A person is eligible to claim compensation in respect of a *protected deposit* or a *protected dormant account* if, at the date on which the *relevant person* is determined to be *in default*:

- (1) he came within category (14) of COMP 4.2.2R; or
- (2) he came within any of categories (1)-(3), (7) or (12) of COMP 4.2.2R, and was not a *large company* or a *credit institution* ; or
- (3) he was a *credit union*.
- (4) he came within category (19) of ■ COMP 4.2.2 R

Long term insurance

4.3.2

FCA PRA

R

A person other than one which comes within any of categories (7), (9), (12) or (15) of COMP 4.2.2R is eligible to claim compensation in respect of a *long term insurance contract*.

Relevant general insurance contracts

4.3.3

FCA PRA

R

- (1) A person falling within categories (1)-(4) of ■ COMP 4.2.2 R is eligible to claim compensation in respect of a *relevant general insurance contract* if, at the date the contract commenced he was a *small business*.
- (2) Where the contract has been renewed, the last renewal date shall be taken as the commencement date.

4.3.4

FCA PRA

R

A *partnership* which falls within category 14, or category 17, or both of COMP 4.2.2R is eligible to claim compensation in respect of a *relevant general insurance contract* entered into before *commencement*.

Credit Unions New sourcebook

requirements of ■ SYSC 4.1.1 R (see ■ CREDS 2.2.1 G and ■ CREDS 2.2.2 G). So, the committee of management has overall responsibility for:

- (a) establishing objectives and formulating a business plan;
- (b) monitoring the financial position of the *credit union*;
- (c) determining and documenting policies and procedures;
- (d) directing and coordinating the work of all *employees* and volunteers, and ensuring that they are capable and properly trained;
- (e) maintaining adequate reserves;
- (f) making provision for bad and doubtful debts;
- (g) recommending a dividend on shares to members subject to the *credit union's* financial position;
- (h) ensuring that the *credit union* complies with all statutory and regulatory requirements; and
- (i) ensuring that the *credit union* complies with the requirements of its registered rules.

(2) [deleted]

2.2.17

FCA PRA

G

The committee of management should meet at least monthly.

Organisation

2.2.18

FCA PRA

G

■ CREDS 2.2.12 G states that all *credit unions* should ensure appropriate segregation of duties. Duties should be segregated to prevent one individual from initiating, controlling, and processing a transaction (for example, both the approval and the payment of an invoice).

2.2.19

FCA PRA

G

Responsibilities of connected *persons* (for example, relatives and other close relationships) should be kept entirely separate. They should not hold key posts at the same time as each other. Where this is unavoidable, a *credit union* should have a written policy for ensuring complete segregation of duties and responsibilities.

Documentation of systems of control

2.2.20

FCA PRA

G

■ CREDS 2.2.8 R requires a *credit union's* system of control to be fully documented. The documentation helps the committee of management to assess if systems are maintained and controls are operating effectively. It also helps those reviewing the systems to verify that the controls in place are those that have been authorised, and that they are adequate for their purpose.

PAGE
5

2.2.21

FCA PRA

G

- (1) The committee of management should decide what form this documentation should take, but the committee should have in mind the following points.
 - (a) Documents should be comprehensive: they should cover all material aspects of the operations of the *credit union*.
 - (b) Documents should be integrated: separate elements of the system should be cross-referred so that the system can be viewed as a whole.

- (c) Documents should identify risks and the controls established to manage those risks. The controls should be identified and their purpose defined so that their effectiveness can be evaluated.
- (d) There should be named *persons* or posts for each control function and alternatives in case of absence.
- (e) Documents should state how the operation of the control is evidenced. Evidence might include signatures, records and registers. Documents should also state for how long that evidence is to be retained, taking account of ■ SYSC 9.1.
- (f) Documents should be unambiguous. Instructions should be clear and precise, avoiding expressions such as "normally" and "if possible".
- (g) Documents should be practical and easy to consult and use when operating and reviewing systems.
- (h) Documents should be up to date. There should be an accurate description of the function that the control is to address. When changes are made to the function, the appropriate systems of control need to be updated and documented at the same time.

- (2) The committee of management should, from time to time, seek confirmation that the systems of control are being complied with.

2.2.22
FCA PRA

G

Documentation should not be restricted to "lower level" controls applied in processing transactions, but should also cover "high level" controls including:

- (1) identifying those powers to be exercised only by the committee of management, and the powers delegated to others;
- (2) the purpose, composition and reporting lines of sub-committees, and *senior managers* to whom responsibilities are delegated;
- (3) the specific roles and responsibilities of individual *officers*;
- (4) the timing, form and purpose of meetings of the committee of management and sub-committees, and the way in which policies and decisions are recorded and their implementation monitored.

2.2.23
FCA PRA

G

The documentation of IT controls should be integrated within the overall documentation of a *credit union's* system of control.

Accounting records and systems

2.2.24
FCA PRA

G

■ SYSC 9.1.1 R requires that a *credit union* takes reasonable care to make and retain adequate records of all matters governed by the *Act* or the *CCA*, secondary legislation under the *Act* or the *CCA*, or *rules* (including accounting records). These records should be capable of being reproduced in the English language and on paper.

2.2.25
FCA PRA

G

A *credit union* should have appropriate systems in place to fulfil its obligations with respect to adequacy, access, periods of retention, and security of records.

Investment Funds sourcebook



3.3 Annual report of an AIF

Application

3.3.1
FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF marketed* in the *UK*.

Provision of an annual report

3.3.2
FCA

R

An *AIFM* must, for each *UK AIF* and *EEA AIF* it manages and for each *AIF* it *markets* in the *UK*:

- (1) make an annual report available to investors for each financial year;
- (2) provide the annual report to investors on request; and
- (3) make the annual report available to the *FCA* and, in the case of an *EEA AIF*, to the *competent authority* of that *AIF*.

[Note: article 22(1) first paragraph and article 24(3)(a) of *AIFMD*]

3.3.3
FCA

R

Subject to ■ FUND 3.3.4R (2), an *AIFM* must make the annual report available, in line with ■ FUND 3.3.2R (1), no later than six months after the end of the financial year.

[Note: article 22(1) first paragraph of *AIFMD*]

3.3.4
FCA

R

- (1) Where the *AIF* is required to make an annual financial report public under ■ DTR 4.1.3 R (Publication of annual financial reports) or an equivalent provision implementing article 4.1 of the *Transparency Directive* in the *Home State* of the *AIF*, only information referred to in ■ FUND 3.3.5 R that is additional to the annual financial report needs to be provided to investors on request, either separately or as an additional part of the annual financial report.

- (2) Where additional information in (1) is provided as an addition to the annual financial report, that report must be made public no later than four months following the end of the financial year, under ■ DTR 4.1.3 R (Publication of annual financial reports) or an equivalent provision implementing article 4.1 of the *Transparency Directive* in the *Home State* of the AIF.

[Note: second paragraph, article 22(1) of AIFMD]

Contents of the annual report

3.3.5

FCA

R

The annual report must contain:

- (1) a balance sheet or a statement of assets and liabilities;
- (2) an income and expenditure account for the financial year;
- (3) a report on the activities of the financial year;
- (4) any material changes in the information required to be made available to investors under ■ FUND 3.2.2 R (Prior disclosure of information to investors) during the financial year covered by the report;
- (5) (a) the total amount of *remuneration* paid by the AIFM to its staff for the financial year, split into fixed and variable remuneration, including, where relevant, any *carried interest* paid by the AIF; and
(b) the number of beneficiaries; and
- (6) the aggregate amount of *remuneration* of the AIFM *Remuneration Code staff*, broken down by senior management and members of staff.

[Note: article 22(2) of AIFMD]

3.3.5A

FCA

G

The FCA has provided additional *guidance* on the disclosure requirements relating to *remuneration* paid by an AIFM to its staff. The *guidance* can be found at: [<http://www.fca.org.uk/your-fca/documents/finalised-guidance/fg14-02>]

Accounting information in the annual report

3.3.6

FCA

R

The accounting information given in the annual report must be:

- (1) prepared in accordance with the accounting standards of the *Home State* of the AIF (or, for a *non-EEA AIF*, the accounting standards of the third country where it is *established*) and with the accounting rules set out in the AIF's *instrument constituting the fund*; and

Professional Firms

Training and Competence sourcebook

5.3.3 **FCA** **G** ■ TC Appendix 3 provides that TC, which imposes the substantive training and competence requirements for *retail clients* or *customers*, does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*.

Senior Management Arrangements, Systems and Controls

5.3.4 **FCA** **G** ■ SYSC 3.2.6A R to ■ SYSC 3.2.6J G and ■ SYSC 6.3 (Financial crime), in relation to *money laundering*, do not apply to *authorised professional firms* when carrying on *non-mainstream regulated activities*.

Supervision manual

5.3.5 **FCA** **G** ■ SUP 10A.1.17 R provides that ■ SUP 10A (Approved persons) does not apply (except in respect of the *required functions*) to an *authorised professional firm* in respect of its *non-mainstream regulated activities*. So a person such as a *partner*, whose only *regulated activities* are incidental to his professional services, in an *authorised professional firm* whose principal purpose is to carry on activities other than *regulated activities*, need not be an *approved person*.

Dispute resolution: Complaints sourcebook

5.3.6 **FCA** **G** ■ DISP 1.1.5 R (3) provides that ■ DISP 1 (Treating complainants fairly) only applies to an *authorised professional firm* in so far as its mainstream regulated activities are concerned. ■ DISP 2.3.4 R further provides that a *complaint* about an *authorised professional firm* cannot be handled under the *Compulsory Jurisdiction* of the *Financial Ombudsman Service* if it relates solely to *non-mainstream regulated activity* and can be handled by a *designated professional body*. This is because such a *complaint* will be handled by the relevant professional body.

Market Conduct sourcebook

5.3.7 **FCA** **G** ■ MAR 4.4.1 R (3) provides that ■ MAR 4, which deals with the endorsement of the City Code on Takeovers and Mergers and the Rules Governing Substantial Acquisitions of Shares, does not have effect in relation to an *authorised professional firm* in respect of *non-mainstream regulated activity*.

Mortgages: Conduct of business sourcebook

5.3.8 **FCA** **G** ■ MCOB 1.2.10 R provides that MCOB does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities* except for ■ MCOB 2.2 (Clear, fair and not misleading communication) and ■ MCOB 3 (Financial promotion).

5.3.9 **FCA** **G** ■ CASS 1.2.4 R provides that with the exception of ■ CASS 1 and the *insurance client money chapter*, CASS does not apply to *authorised professional firms* when carrying on *non-mainstream regulated activities*. ■ CASS 1.2.5 R further provides that if the *non-mainstream regulated activities* are *insurance mediation activity*, ■ CASS 5 (the insurance client money chapter) does not apply to an *authorised professional firm*, if the *firm's designated professional body* has rules applicable to the *firm* which implement the *Insurance Mediation Directive* and which are in the form approved by the FCA under section 332(5) of the Act.

5.3.10

FCA

G

Insurance: Conduct of Business sourcebook

- (1) *ICOBS* does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities* (see ■ *ICOBS* 1 Ann 1, Part 1, 3.1R , except for:
- (a) the provisions on communications to *clients* and *financial promotions* (■ *ICOBS* 2.2);
 - (b) the e-commerce provisions (■ *ICOBS* 3.2);
 - (c) status disclosure requirements in relation to complaints procedures (■ *ICOBS* 4.1); and
 - (d) provisions in *ICOBS* which implement articles 12 and 13 of the *Insurance Mediation Directive* (■ *ICOBS* 4.1 and ■ *ICOBS* 5.2.3 R) , except to the extent that the *firm* is subject to equivalent *rules* of its *designated professional body* which have been approved by the *FCA* .
- (2) [deleted]

Recognised Investment Exchanges

| Recognition Requirements Regulations | Subject | Section in REC 2 |
|--------------------------------------|--|------------------|
| Paragraph 3 | Systems and controls | 2.5 |
| Paragraphs 4(1) and 4(2)(aa) | General safeguards for investors | 2.6 |
| Paragraph 4(2)(a) | Access to facilities | 2.7 |
| Paragraph 4(2)(b) | Proper markets | 2.12 |
| Paragraph 4(2)(c) | Availability of relevant information | 2.12 |
| Paragraph 4(2)(d) | Settlement | 2.8 |
| Paragraph 4(2)(e) | Transaction recording | 2.9 |
| Paragraph 4(2)(ea) | Conflicts | 2.5 |
| Paragraph 4(2)(f) | Financial crime and market abuse | 2.10 |
| Paragraph 4(2)(g) | Custody | 2.11 |
| Paragraph 4(3) | Definition of relevant information | 2.12 |
| Paragraph 4A | Provision of pre-trade information about share trading | 2.6 |
| Paragraph 4B | Provision of post-trade information about share trading | 2.6 |
| Paragraph 6 | Promotion and maintenance of standards | 2.13 |
| Paragraph 7 | Rules and consultation | 2.14 |
| Paragraph 7A | Admission of financial instruments to trading | 2.12 |
| Paragraph 7B and 7C | Access to facilities | 2.7 |
| Paragraph 7D | Settlement | 2.8 |
| Paragraph 7E | Suspension and removal of financial instruments from trading | 2.6 |
| Paragraph 8 | Discipline | 2.15 |
| Paragraph 9 | Complaints | 2.16 |
| Paragraph 9A | Operation of a multilateral trading facility | 2.16A |
| Part II of the Schedule | UK RIE default rules in respect of market contracts | 2.17 |

2.1.5

FCA

G

Recitals and articles from the *MiFID Regulation* (and the associated guidance) relevant to market transparency are set out in ■ REC 2.6. Articles from the *MiFID Regulation* relevant to admission to trading are set out in ■ REC 2.12.

2.2 Method of satisfying the recognition requirements

2.2.1

FCA



Recognition Requirements Regulations, Regulation 6

(1) In considering whether a [*UK recognised body*] or applicant satisfies *recognition requirements* applying to it under these [*Recognition Requirements Regulations*], the [*FCA*] may take into account all relevant circumstances including the constitution of the *person* concerned and its *regulatory provisions* within the meaning of section 300E of the *Act*.

(2) Without prejudice to the generality of paragraph (1), a [*UK recognised body*] or applicant may satisfy *recognition requirements* applying to it under these [*Recognition Requirements Regulations*] by making arrangements for functions to be performed on its behalf by any other *person*.

(3) Where a [*UK recognised body*] or applicant makes arrangements of the kind mentioned in paragraph (2), the arrangements do not affect the responsibility imposed by the *Act* on the [*UK recognised body*] or applicant to satisfy *recognition requirements* applying to it under these [*Recognition Requirements Regulations*], but it is in addition a *recognition requirement* applying to the [*UK recognised body*] or applicant that the *person* who performs (or is to perform) the functions is a fit and proper *person* who is able and willing to perform them.

2.2.2

FCA



Relevant circumstances

The *FCA* will usually expect :

- (1) the constitution, *regulatory provisions* and practices of the *UK recognised body* or applicant;
- (2) the nature (including complexity, diversity and risk) and scale of the *UK recognised body's* or applicant's business;
- (3) the size and nature of the market which is supported by the *UK recognised body's* or applicant's *facilities*;
- (4) the nature and status of the types of investor who use the *UK recognised body's* or applicant's *facilities* or have an interest in the market supported by the *UK recognised body's* or applicant's *facilities*;
- (4A) competition in the markets for services provided, or proposed to be provided, by the *UK recognised body* or applicant in its capacity as such; and

- (5) the nature and scale of the risks to the *statutory objectives* associated with the matters described in (1) to (4A);

to be among the relevant circumstances which it will take into account in considering whether a *UK recognised body* or applicant satisfies the *recognition requirements*.

Outsourcing

2.2.3
FCA

G

It is the *UK recognised body's* responsibility to demonstrate to the *FCA* that a *person* who performs a function on behalf of the *UK recognised body* is fit and proper and able and willing to perform that function. The *recognition requirement* referred to in Regulation 6(3) applies to the *UK recognised body* and not to any *person* who performs any function on its behalf. In this context, for a *person* to be "fit and proper" does not necessarily imply that he is an *authorised person*, or qualified to be so, or that the required standard is the same as that required either for *authorised persons* or *recognised bodies*.

2.2.4
FCA

G

If a *UK recognised body* makes arrangements for functions to be performed on its behalf by *persons* who are *authorised persons* or *recognised bodies*, this does not alter its obligations under Regulation 6.

2.2.5
FCA

G

If a *person* who performs a function on behalf of a *UK recognised body* is himself carrying on a *regulated activity* in the *United Kingdom*, he will, unless he is a *person* to whom the *general prohibition* does not apply, need to be either an *authorised person* or an *exempt person*. The *person* to whom a function is delegated is not covered by the *UK recognised body's* exemption.

2.2.6
FCA

G

In determining whether the *UK recognised body* meets the *recognition requirement* in Regulation 6(3), the *FCA* may have regard to whether that body has ensured that the *person* who performs that function on its behalf:

- (1) has sufficient resources to be able to perform the function (after allowing for any other activities);
- (2) has adequate systems and controls to manage that function and to report on its performance to the *UK recognised body*;
- (3) is managed by *persons* of sufficient skill, competence and integrity;
- (4) understands the nature of the function it performs on behalf of the *UK recognised body* and its significance for the *UK recognised body's* ability to satisfy the *recognition requirements* and other obligations in or under the *Act*; and
- (5) undertakes to perform that function in such a way as to enable the *UK recognised body* to continue to satisfy the *recognition requirements* and other obligations in or under the *Act*.

PAGE 5
2.2.7
FCA

G

In determining whether a *UK recognised body* continues to satisfy the *recognition requirements* where it has made arrangements for any function to be performed on its behalf by any *person*, the *FCA* may have regard, in addition to any of the matters described in the appropriate section of this chapter, to the arrangements made to exercise control over the performance of the function, including:

- (1) the contracts (and other relevant *documents*) between the *UK recognised body* and the *person* who performs the delegated function;
- (2) the arrangements made to monitor the performance of that function; and
- (3) the arrangements made to manage conflicts of interest and protect confidential regulatory information.

- (4) any other event or series of events in relation to the body which:
 - (a) affects or may significantly affect cooperation between the *ROIE*, or its supervisor in its *home territory*, and the *FCA*; or
 - (b) has or may have a substantial effect on the structure of the markets in which the body operates; or
 - (c) brings about or may bring about a substantial change in the nature and composition of its *membership* in the *United Kingdom*; or
 - (d) brings about or may bring about a substantial change in the *regulated activities* undertaken by it in the *United Kingdom*.

6.6.3

FCA

G

The period covered by a report submitted under section 295(1) of the *Act* starts on the day after the period covered by its last report or, if there is no such report, after the making of the *recognition order* recognising the *ROIE* as such, and ends on the date specified in the report or, if no date is specified, on the date of the report.

6.6.4

FCA

G

If an *ROIE* changes the period covered by its report, it should ensure that the first day of the period covered by a report is the day immediately following the last day of the period covered by the previous report.

6.6.5

FCA

G

The period covered by a report submitted under section 295(1) of the *Act* would most conveniently be one year.

6.6.6

FCA

G

Copies of the report should be sent to the *FCA* within two months after the end of the period to which it relates.

6.7 Notification rules for overseas recognised bodies

Application

6.7.1
FCA

R The *notification rules* in this chapter, which are made under sections 293 (Notification requirements) and 295 of the *Act* (Notification: overseas investment exchanges and overseas clearing houses), apply to all *ROIEs*.

Purpose

6.7.2
FCA

G The *notification rules* in this chapter are made by the *FCA* in order to ensure that it is provided with notice of events and information which it reasonably requires for the exercise of its functions under the *Act*.

Reports under section 295

6.7.3
FCA

R Where an *ROIE* includes in its report made under section 295(1) of the *Act* (Notification: overseas investment exchanges and overseas clearing houses) a statement in compliance with section 295(2)(a) of the *Act* that an event has occurred in the period covered by that report which is likely to affect the *FCA's* assessment of whether it is satisfied as to the requirements set out in section 292(3) (Overseas investment exchanges and overseas clearing houses), it must include particulars of that event.

6.7.4
FCA

R An *ROIE* must include in its report submitted in compliance with section 295(1) of the *Act*:

- (1) particulars of any changes to:
 - (a) its memorandum and articles of association or any similar or analogous *documents*;
 - (b) its *regulatory provisions*;
 - (c) its chairman or president, or *chief executive* (or equivalent);
- (2) particulars of any disciplinary action (or any similar or analogous action) taken against it by any supervisory authority in its *home territory*, whether or not that action has been made public in that territory;

- (3) a copy of its *annual report and accounts*; and
- (4) a statement as to whether any events have occurred which are likely to have any material effect on competition;

where those events occurred, or the period covered by that *annual report and accounts* ended, in the period covered by that report.

First report

6.7.5
FCA

R An ROIE must include in the first report submitted under section 295(1) of the *Act* after the *recognition order* in relation to that ROIE is made:

- (1) particulars of any events of the kind described in section 295(2) of the *Act* which occurred;
- (2) particulars of any change specified in ■ REC 6.7.4 R (1) or disciplinary action specified in ■ REC 6.7.4 R (2) which occurred; and
- (3) any *annual report and accounts* which covered a period ending;

after the application for recognition was submitted to the *FCA* but which were not included in the application or in any supplementary information submitted to the *FCA* before the *recognition order* was made.

6.7.6
FCA

G *Guidance* on the period covered by an ROIE's report submitted in compliance with section 295(1) of the *Act* is given in ■ REC 6.6.3 G .

Changes of address

6.7.7
FCA

R Where an ROIE proposes to change:

- (1) its address in the *United Kingdom* for the service of notices or other *documents* required or authorised to be served on it under the *Act*; or
- (2) the address of its head office;

it must give notice to the *FCA* and inform it of the new address at least 14 days before the change is effected.

Revocation or modification of home territory licence, permission or authorisation

6.7.8
FCA

R Where an ROIE has notice that any licence, permission or authorisation which it requires to conduct any *regulated activity* in its *home territory* has been or is about to be:

- (1) revoked; or

- (2) modified in any way which would materially restrict the *ROIE* in performing any *regulated activity* in its *home territory* or in the *United Kingdom*;

it must immediately notify the *FCA* of that fact and must give the *FCA* the information specified for the purposes of this *rule* in ■ REC 6.7.9 R, as soon as that information is known to it.

6.7.9
FCA

R The following information is specified for the purposes of ■ REC 6.7.8 R:

- (1) particulars of the licence, permission or authorisation which has been or is to be revoked or modified, including particulars of the *ROIEs regulated activities* to which it relates;
- (2) an explanation of how the revocation or modification restricts or will restrict the *ROIE* in carrying on any *regulated activity* in its *home territory* or in the *United Kingdom*;
- (3) the date on which the revocation or modification took, or will take, effect and, if it is a temporary measure, any date on which, or any conditions that must be met before which, it will cease to have effect; and
- (4) any reasons given for the revocation or modification.

Language of notice

6.7.10
FCA

R Any notice to be given or information to be supplied under these *notification rules* must be supplied in English, and any *document* to be provided must be accompanied, if not in English, by an accurate English translation.

6.7.11
FCA

G An English glossary of technical or statistical terms may be sufficient to accompany tables of statistical or financial information.

Form and method of notification

6.7.12
FCA

R The *rules* relating to the form and method of notification in ■ REC 3.2 also apply to *ROIEs*.

Waivers

6.7.13
FCA

G *ROIEs* may apply to the *FCA* for a *waiver* of any of the *notification rules*. The procedure is the same as that for applications from *UK recognised bodies*. *Guidance* on the procedure is given in ■ REC 3.3.



Part

GLOSSARY

Links

| Title | URL |
|---|---|
| Legislation.gov.uk | http://www.legislation.gov.uk/ |
| Eur-Lex | http://eur-lex.europa.eu/en/index.htm |
| CP5/13 Strengthening Capital Standards: Implementing CRD IV and PS | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |
| PS7/13 Strengthening Capital Standards: Implementing CRD IV, feedback and final rules | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |

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Glossary

accepting deposits

means the *regulated activity* specified in article 5 of the *Regulated Activities Order* (Accepting deposits).

affiliated company

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

body corporate

means any body corporate including a body corporate constituted under the law of a country or territory outside the *UK*.

building society

has the meaning given in section 119 of the Building Societies Act 1986.

credit institution

has the meaning given in point (1) of Article 4(1) of the *CRR*.

CRD

means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

credit union

has the meaning given in section 31 of the Credit Unions Act 1979.

CRR

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

CRR firm

means a *UK bank*, a *building society* or a *UK designated investment firm*.

director

means (in relation to any of the following (whether constituted in the *UK* or under the law of a country or territory outside it)):

- (a) an unincorporated association;
- (b) a *body corporate*;

any *person* appointed to direct its affairs, including a *person* who is a member of its *governing body* and (in accordance with section 417(1) of *FSMA*):

- (i) a *person* occupying in relation to it the position of a director (by whatever name called); and
- (ii) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that body are accustomed to act.

EBA

means the European Banking Authority.

firm

means a *PRA-authorised person* within the meaning of section 2B(5) of *FSMA*.

FSMA

means the Financial Services and Markets Act 2000.

governing body

means the board of *directors*, committee of management or other governing body of an unincorporated association or *body corporate*.

incoming firm

means an incoming firm within the meaning of section 193 of *FSMA*.

management body

means a *firm's* body or bodies, which are appointed in accordance with national law, which are empowered to set the *firm's* strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the *persons* who effectively direct the business of the *firm*.

market risk

means the risk that arises from fluctuations in values of, or income from assets, or in interest or exchange rates.

overseas firm

means a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *UK*.

Part 4A permission

means a permission given by the *FCA* or *PRA* under Part 4A of *FSMA* (Permission to carry on regulated activities), or having effect as if so given.

PRA

means the Prudential Regulation Authority.

Regulated Activities Order

means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).

senior management

means those natural *persons* who exercise executive functions within a *firm* and who are responsible, and accountable to the *management body*, for the day-to-day management of the *firm*.

third country

means a territory or country that is not an *EEA State*.

undertaking

means an undertaking within the meaning of section 1161(1) of the Companies Act 2006 (meaning of “undertaking” and related expressions).

UK bank

means a *UK undertaking* that has permission under Part 4A of *FSMA* to carry on the *regulated activity* of accepting deposits and is a *credit institution*, but is not a *credit union*, *friendly society* or a *building society*.

UK designated investment firm

means a *UK undertaking* that is an investment firm that has been designated by the *PRA* under Article 3 of Financial Services and Markets Act 2000 (PRA-regulated Activities) Order (S.I. 2013/556).

UK undertaking

means an undertaking within the meaning of section 1161(1) of the Companies Act 2006 (meaning of “undertaking” and related expressions) whose registered office or, if the undertaking does not have a registered office, whose head office is in any part of the *UK*.

UK

means *United Kingdom*.

unregulated activity

means an activity that is not a *regulated activity*.



Part

GLOSSARY

Externally defined glossary terms

| Term | Definition source |
|---------------------------|---|
| <i>EEA State</i> | <i>FSMA s425</i> |
| <i>The EU</i> | <i>s1(2) Interpretation Act 1978</i> |
| <i>FCA</i> | <i>FSMA s417</i> |
| <i>group</i> | <i>FSMA s421</i> |
| <i>person</i> | <i>Interpretation Act 1978 Schedule 1</i> |
| <i>regulated activity</i> | <i>FSMA s22</i> |
| <i>United Kingdom</i> | <i>Interpretation Act 1978 Schedule 1</i> |



Part

BENCHMARKING OF INTERNAL APPROACHES

Chapter content

- 1 APPLICATION AND DEFINITIONS
- 2 SUPERVISORY BENCHMARKING OF INTERNAL APPROACHES FOR CALCULATING OWN FUNDS REQUIREMENTS

Links

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| Legislation.gov.uk | http://www.legislation.gov.uk/ |
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| CP5/13 Strengthening Capital Standards: Implementing CRD IV and PS | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |
| PS7/13 Strengthening Capital Standards: Implementing CRD IV, feedback and final rules | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |
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Rule 2.2 comes into force on the date specified by a subsequent PRA Board Instrument

1 APPLICATION AND DEFINITIONS

- 1.1 This Part applies to every *firm* that is a *CRR firm*.
- 1.2 Unless otherwise defined, any italicised expression used in this Part and in the *CRD* has the same meaning as in the *CRD*.

2 SUPERVISORY BENCHMARKING OF INTERNAL APPROACHES FOR CALCULATING OWN FUNDS REQUIREMENTS

- 2.1 Except for *operational risk*, a *firm* that is permitted to use *internal approaches* for the calculation of risk weighted exposure amounts or *own funds* requirements must report annually to the *PRA*:
- (1) the results of the calculations of their *internal approaches* for their exposures or positions that are included in the benchmark portfolios; and
 - (2) an explanation of the methodologies used to produce those calculations.
- 2.2 [Not yet in force]



Part

BENCHMARKING OF INTERNAL APPROACHES

Externally defined glossary terms

| Term | Definition source |
|---------------------|--------------------------|
| internal approaches | Article 3(1)(59) CRD |
| operational risk | Article 4(1)(52) CRR |
| own funds | Article 4(1)(118) CRR |



Part

WAIVERS TRANSITIONAL PROVISIONS

Chapter content

- 1 APPLICATION AND DEFINITIONS
- 2 WAIVERS TRANSITIONAL PROVISIONS
- 3 SCHEDULES

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| Legislation.gov.uk | http://www.legislation.gov.uk/ |
| Eur-Lex | http://eur-lex.europa.eu/en/index.htm |
| CP5/13 Strengthening Capital Standards: Implementing CRD IV and PS | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |
| PS7/13 Strengthening Capital Standards: Implementing CRD IV, feedback and final rules | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |

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1 APPLICATION AND DEFINITIONS

1.1 This Part applies to every *firm* that is a *CRR firm*.

1.2 In this Part the following definitions shall apply:

CRR permission

means a permission given to a *firm* by the *PRA* under any *CRR Article* listed in column B of the Tables in Schedules 1 and 2 in the exercise of the discretion afforded to it as a *competent authority*.

Waiver

means a direction waiving or modifying a rule given by the *PRA* under section 138A (waiver or modification of rules) *FSMA*.

1.3 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

2 WAIVERS TRANSITIONAL PROVISIONS

2.1 (1) This rule applies where, immediately before 1 January 2014, a *waiver* given in relation to a rule listed in column A of the Tables in Schedules 1 and 2 and any condition relevant to the application of that waiver has effect.

(2) Subject to paragraph (5), each *waiver* given in relation to a *PRA* rule listed in column A of the Tables in Schedules 1 and 2 is treated as a *CRR permission* given by the *PRA* to the *firm* under the *CRR Article* listed in the same row in column B of the Table.

(3) Each *CRR permission* given in accordance with paragraph (2) shall continue to have effect until the expiry date specified in the *waiver*.

(4) Where a *waiver* listed in Schedules 1 and 2 specifies that it applies to a *firm* on a consolidated basis in accordance with a relevant provision in *BIPRU* 8, the *CRR permission* shall apply to the *firm* on the basis of its *consolidated situation* in accordance with Article 11 of the *CRR*.

(5) Paragraphs (1) to (4) only have effect in relation to a *waiver* listed in Schedule 1 where the *firm* has confirmed to the *PRA* that it materially complies with the requirements relevant to the *rules* listed in Column A of the Table, as waived or modified by the *waiver*, and any conditions relevant to the application of the *waiver* or the *firm* has a *remediation plan*.

(6) Any condition relevant to the application of the waiver shall have effect on 1 January 2014 until the expiry date specified in the waiver.

(7) A *waiver* listed in row 1 of the Table in Schedule 2 (individual consolidation method) only includes a deemed *waiver* under the *PRA's* prudential sourcebook for Banks, Building Societies and Investment Firms transitional provision 22.3R where a *firm* has confirmed to the *PRA* that the solo consolidation minimum standards are met with respect to the relevant *subsidiary undertaking*.

- 2.2 (1) This rule applies where, immediately before 1 January 2014, a *waiver* given in relation to a *rule* in the PRA's supervision manual listed in column A of the Table in Schedule 3 has effect.
- (2) Each *waiver* given in relation to a *rule in the PRA's supervision manual* listed in column A of the Table in Schedule 3 is to be treated as a *waiver* given by the PRA to the *firm* under the *SUP rule* listed in the same row in column B of the Table.

SCHEDULES

Schedule 1

Internal model waivers

| | CRR Permission | Column A PRA/FCA Rule (rule waiver or modification) | Column B CRR Reference |
|---|---|--|---|
| 1 | Internal Ratings Based (IRB) permission for credit risk | <ul style="list-style-type: none"> - <i>BIPRU 4</i> applies to a <i>firm</i> with an <i>IRB permission</i> - Rules waived or modified: <ul style="list-style-type: none"> (a) <i>GENPRU 2.1.51R</i> (b) <i>BIPRU 3.1.1R</i> | <ul style="list-style-type: none"> - Part Three, Title II, Chapter 3 - Art. 143 - Art. 178.1(b) (where a <i>firm</i> is authorised by its <i>IRB waiver</i> to use a 180 days definition of default for exposures secured by residential real estate in the retail exposure class, as well as for exposures to public sector entities) |
| 2 | Eligibility of physical collateral under the IRB Approach | <ul style="list-style-type: none"> - <i>BIPRU 4.10.16R</i> (Where authorised by the <i>firm's IRB permission</i>) | Art. 199.6 |
| 3 | Master netting agreement internal models approach | <ul style="list-style-type: none"> - <i>BIPRU 5.6.1R</i> in accordance with <i>BIPRU 5.6.12R</i> | Art. 221 |
| 4 | Supervisory formula method for securitisation transactions | <ul style="list-style-type: none"> - <i>BIPRU 9.12.3R</i> - <i>BIPRU 9.12.5R</i> - <i>BIPRU 9.12.21R</i> (Where authorised by the <i>firm's IRB permission</i>) | Art. 259.1(b) Art. 262 |
| 5 | ABCP internal assessment approach | <ul style="list-style-type: none"> - <i>BIPRU 9.12.20R</i> (Where authorised by the <i>firm's IRB permission</i>) | Art. 259.3 |
| 6 | Exceptional treatment for liquidity facilities where pre-securitisation RWEA cannot be calculated | <ul style="list-style-type: none"> - <i>BIPRU 9.11.10R</i> as modified in accordance with <i>BIPRU 9.12.28G</i> (Where authorised by the <i>firm's IRB permission</i>) | Art. 263.2 |
| 7 | Advanced Measurement Approach (AMA) permission | <ul style="list-style-type: none"> - <i>BIPRU 6.5</i> applies to a <i>firm</i> with an <i>AMA permission</i> | <ul style="list-style-type: none"> - Art. 312.2 - Part Three, Title III, |

| | | | |
|----|---|---|--|
| | | - <i>Rule waived or modified: BIPRU 6.2.1R</i> | Chapter 4 |
| 8 | Combined use of different approaches for operational risk – AMA and standardised approach or basic indicator approach | - <i>BIPRU 6.2.9R (in accordance with BIPRU 6.2.10G and the firm's AMA permission)</i> | Art. 314, par. 2 and 3 |
| 9 | Permission to use internal models to calculate own funds requirements for market risk (Value at Risk) | - <i>BIPRU 7.10 applies to a firm with a VaR model permission</i> - <i>Standard market risk PRR rules as specified and waived or modified by the firm's VaR model permission waiver</i> - <i>GENPRU 2.1.52R</i> | - Art. 363 - Part Three; Title IV; Chapter 5; Sections 2, 3 and 4 |
| 10 | Permission to use internal models to calculate own fund requirements for the correlation trading portfolio | - <i>BIPRU 7.10.55T R to BIPRU 7.10.55ZA R</i> (Where the <i>firm</i> is authorised to use the <i>all price risk measure</i> in its <i>VaR model permission waiver</i>) | Art. 377 |

Schedule 2

Other Waivers and Requirements

| | CRR Permission | Column A PRA/FCA Rule (rule waiver or modification) | Column B CRR Reference |
|---|---|---|---------------------------------|
| 1 | Individual consolidation method | - <i>BIPRU 2.1.7R</i> (<i>Solo consolidation waivers</i>) | Art. 9 |
| 2 | Application of requirements of Part Five (exposures to transferred credit risk) on a consolidated basis | - <i>BIPRU 9.15.16A R</i> | Art. 14.3 |
| 3 | Entities excluded from the scope of prudential consolidation | - <i>BIPRU 8.5.9R</i> - <i>BIPRU 8.5.10R</i> | Art. 19.2 |
| 4 | Permission to revert to the use of a less sophisticated approach for credit risk | - <i>BIPRU 4.2.23R</i> (as modified in accordance with <i>BIPRU 4.2.25G</i>) - <i>BIPRU 4.2.24R</i> (as modified in accordance with <i>BIPRU 4.2.25G</i>) | Art. 149 |
| 5 | Traditional securitisation – recognition of significant risk transfer | - <i>BIPRU 9.4.11R</i> - <i>BIPRU 9.4.12R</i> (subject to conditions in <i>BIPRU 9.4.15D</i>) | Art. 243 par. 2, 3, 4 and 5 |
| 6 | Synthetic securitisation – recognition of significant risk transfer | - <i>BIPRU 9.5.1R</i> (6) and(7) (subject to conditions in <i>BIPRU 9.5.1B D</i>) | Art. 244, par. 2, 3, 4 and 5 |
| 7 | Securitisations of revolving exposures with early amortisation provisions – similar transactions | - <i>BIPRU 9.13.11R</i> - <i>BIPRU 9.13.13R</i> - <i>BIPRU 9.13.14R</i> - <i>BIPRU 9.13.15R</i> - <i>BIPRU 9.13.16R</i> - <i>BIPRU 9.13.17R</i> (subject to conditions in <i>BIPRU 9.13.18G</i>) | Art. 256.7 |
| 8 | Permission to revert to the use of a less sophisticated approach for operational risk | - <i>BIPRU 6.2.5R</i> (as modified in accordance with <i>BIPRU 6.2.6G</i>) - <i>BIPRU 6.2.7R</i> (as modified in accordance with <i>BIPRU 6.2.8G</i>) | Art. 313 |
| 9 | Combined use of different approaches for operational risk | - <i>BIPRU 6.2.12R</i> (as modified in accordance with <i>BIPRU 6.2.13G</i>) | Art. 314.4 |

| | | | |
|----|---|---|---|
| | – standardised approach and basic indicator approach | | |
| 10 | Waiver of the 3 year average for calculating the own funds requirement under the basic indicator approach for operational risk | - <i>BIPRU 6.3.2R</i> (as modified in accordance with <i>BIPRU 6.3.9G</i>) | Art. 315 |
| 11 | Waiver of the 3 year average for calculating the own funds requirement under the standardised approach for operational risk | - <i>BIPRU 6.4.5R</i> (as modified in accordance with <i>BIPRU 6.4.8G</i>) | Art. 317.4 |
| 12 | Own funds requirements for position risk for options and warrants on: (a) interest rates; (b) debt instruments; (c) equities; (d) equity indices; (e) financial futures; (f) swaps; and (g) foreign currencies | - <i>BIPRU 7.9</i> applies to a <i>firm</i> with a <i>CAD1 model waiver</i> . - <i>Rules waived or modified:</i> (a) <i>GENPRU 2.1.52R</i> (b) <i>BIPRU 7.6.1R</i> | Art. 329 |
| 13 | Own funds requirements for commodities risk for options and warrants on: (a) commodities; and (b) commodities derivatives | - <i>BIPRU 7.9</i> applies to a <i>firm</i> with a <i>CAD1 model waiver</i> . - <i>Rules waived or modified:</i> (a) <i>GENPRU 2.1.52R</i> (b) <i>BIPRU 7.4.1R</i> | Art. 358.3 |
| 14 | Interest rate risk on derivative instruments | - <i>CAD1 model waiver</i> for the use of an interest rate pre-processing model in accordance with <i>BIPRU 7.9.44G</i> - <i>Rule waived: GENPRU 2.1.52R</i> | Art. 331 Art. 340 |
| 15 | Waiver of 100% large exposure limit where the €150 million limit applies | - <i>BIPRU 10.6.32R</i> – As waived in accordance with <i>BIPRU 10.6.33G</i> - <i>SUP 15.3.11R</i> | - Art. 396 in relation to the 100% large exposure limit set out in Art. 395(1) |
| 16 | Waiver of large exposure limits in relation to intra-group exposures: core group waivers | - <i>BIPRU 3.2.25R(2)</i> - <i>BIPRU 10.8A</i> | Art. 113.6 Art. 400.1(f) |
| 17 | Waiver of large exposure limits in relation to intra-group exposures: non-core group waivers | - <i>BIPRU 10.9A</i> | - Art. 400.2(c) as implemented by rule 2 at Annex I of the PRA Rulebook CRR Firms |

| | | | Instrument 2013 |
|----|--|--|---|
| 18 | Waiver of large exposure limits in relation to sovereign exposures | - BIPRU 10.6.34R as waived in accordance with BIPRU 10.6.37G | - Art. 400.2(g) and (h) as implemented by rule 3 at Annex I of the PRA Rulebook CRR Firms Instrument 2013 |

Schedule 3

Waivers in Supervision Manual (SUP) 16

| Column A SUP 16 rule as in force until 31 December 2013 | Column B SUP 16 rule as in force from 1 January 2014 |
|--|---|
| SUP 16.12.11R | SUP 16.12.11B R |
| SUP 16.12.12. R | SUP 16.12.12A R |
| SUP 16.12.15 R | SUP 16.12.15B R |
| SUP 16.12.16 R | SUP 16.12.16A R |
| SUP 16.12.22A R | SUP 16.12.22C R |
| SUP 16.12.25A R | SUP 16.12.25C R |
| SUP 16.12.26 R | SUP 16.12.26A R |



Part

WAIVERS TRANSITIONAL PROVISIONS

Externally defined glossary terms

| Term | Definition source |
|------------------------|----------------------|
| competent authority | Article 4(1)(40) CRR |
| consolidated situation | Article 4(1)(47) CRR |
| subsidiary undertaking | s420(1) FSMA |



Part

CAPITAL BUFFERS

Chapter content

1. APPLICATION AND DEFINITIONS
2. CAPITAL CONSERVATION BUFFER
3. COUNTERCYCLICAL CAPITAL BUFFER
4. CAPITAL CONSERVATION MEASURES
5. APPLICATION ON AN INDIVIDUAL AND CONSOLIDATED BASIS

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| Legislation.gov.uk | http://www.legislation.gov.uk/ |
| Eur-Lex | http://eur-lex.europa.eu/en/index.htm |
| CRDIV CP | http://www.bankofengland.co.uk/pru/Pages/publications/implemcrdiv.aspx |
| Implementing CRDIV: capital buffers | www.bankofengland.co.uk/pru/Pages/publications/capitalbuffers614.aspx |

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Rules 2.1, 2.2 and 3.1 come into force on the 1 January 2016

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to every *firm* that is a *CRR firm*.

1.2 In this Part the following definitions shall apply:

capital conservation buffer

means the amount of *common equity tier 1 capital* a *firm* must calculate in accordance with Chapter 2.

combined buffer

means the sum of

- (a) the *capital conservation buffer*; and
- (b) the *countercyclical capital buffer*.

countercyclical buffer rate

means (in accordance with point (7) of Article 128 of the *CRD*) the rate:

- (a) expressed as a percentage of *total risk exposure amount* set by the FPC or an *EEA countercyclical buffer authority*; or
- (b) expressed in terms equivalent to a percentage of *total risk exposure amount* set by a *third country countercyclical buffer authority*;

that a *firm* must apply in order to calculate its *countercyclical capital buffer*.

countercyclical capital buffer

means the amount of *common equity tier 1 capital* a *firm* must calculate in accordance with Chapter 3.

distribution in connection with common equity tier 1 capital

includes (in accordance with Article 141(10) of the *CRD*):

- (a) a payment of cash dividends;
- (b) a distribution of fully or partly paid bonus shares or other capital instruments referred to in Article 26(1)(a) of the *CRR*;
- (c) a redemption or purchase by an institution of its own shares or other capital instruments referred to in Article 26(1)(a) of the *CRR*;
- (d) a repayment of amounts paid up in connection with capital instruments referred to in Article 26(1)(a) of the *CRR*; and
- (e) a distribution of items referred to in points (b) to (e) of article 26(1) of the *CRR*

EEA countercyclical buffer authority

means the authority or body of an *EEA State* other than the *UK* designated for the purpose of Article 136 of the *CRD* with responsibility for setting the *countercyclical buffer rate* for that *EEA State* or the European Central Bank when it carries out the

task of setting a countercyclical buffer rate for an *EEA State* conferred on it by Article 5(2) of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

FPC

means the *Financial Policy Committee*

MDA

means maximum distributable amount calculated in accordance with 4.3(4).

parent financial holding company in a Member State

means (in accordance with point (26) of Article 3(1) of the *CRD*) a *financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

parent institution in a Member State

means (in accordance with point (24) of Article 3(1) of the *CRD*) an *institution* authorised in an *EEA State* which has an *institution* or *financial institution* as *subsidiary* or which holds a *participation* in such an *institution* or *financial institution*, and which is not itself a *subsidiary* of another *institution* authorised in the same *EEA State* or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

parent mixed financial holding company in a Member State

means (in accordance with point (28) of Article 3(1) of the *CRD*) a *mixed financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

relevant credit exposures

means (in accordance with Article 140(4) of the *CRD*) exposures other than those referred to in points (a) to (f) of Article 112 of the *CRR* that are subject to:

- (a) the *own funds* requirements for credit risk under Part Three, Title II of the *CRR*; or
- (b) where the exposure is held in the *trading book*, *own funds* requirements for specific risk under Part Three, Title IV, Chapter 2 of the *CRR* or incremental default and migration risk under Part Three, Title IV, Chapter 5 of the *CRR*; or
- (c) where the exposure is a *securitisation*, the *own funds* requirements under Part Three, Title II, Chapter 5 of the *CRR*.

third country countercyclical buffer authority

means the authority of a *third country* empowered by law or regulation with responsibility for setting the *countercyclical buffer rate* for that *third country*.

total risk exposure amount

means the total risk exposure amount of a *firm* calculated in accordance with Article 92(3) of the *CRR*.

- 1.3 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

2 CAPITAL CONSERVATION BUFFER

2.1 [Not yet in force]

2.2 [Not yet in force]

3 COUNTERCYCLICAL CAPITAL BUFFER

3.1 [Not yet in force]

3.2 This rule applies until 31 December 2015

- (1) A *firm* must calculate a *countercyclical capital buffer* of *common equity tier 1 capital* equal to its *total risk exposure amount* multiplied by the weighted average of the *countercyclical buffer rates* that apply in the jurisdictions where the *firm's relevant credit exposures* are located.
- (2) In order to calculate the weighted average referred to in (1), a *firm* must apply to each applicable *countercyclical buffer rate* its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to *the relevant credit exposures* in the jurisdiction in question, divided by its total *own funds* requirements for credit risk that relates to all of its *relevant credit exposures*.
- (3) For the purposes of (2), *firm* must calculate its total *own funds* requirement for credit risk, specific risk, incremental default and migration risk in accordance with Part Three, Titles II and IV of the *CRR*.
- (4) The *countercyclical buffer rate* for an exposure is the rate recognised or set by the *FPC* for the jurisdiction in which that exposure is located.
- (5) If the *FPC* does not recognise or set a rate for the jurisdiction in which an exposure is located, the *countercyclical buffer rate* for that exposure is zero.
- (6) If the rate recognised or set by the *FPC* for a jurisdiction is increased, that increase takes effect from the date specified by the *FPC*.
- (7) If a rate is reduced, that reduction takes effect immediately.

[Note: Art 160(6) (part) of the CRD]

4 CAPITAL CONSERVATION MEASURES

Combined buffer

- 4.1 A firm does not meet the *combined buffer* if the *common equity tier 1 capital* maintained by the firm which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* does not meet the *combined buffer*.

[Note: Art 129(5) (part) and 130(5) (part) of the CRD]

Restrictions on distributions

- 4.2 A firm that meets the *combined buffer* must not make a *distribution in connection with common equity tier 1 capital* to an extent that would decrease its *common equity tier 1 capital* to a level where the *combined buffer* is no longer met.

[Note: Art 141(1) of the CRD]

- 4.3 (1) A firm that does not meet the *combined buffer* must:
- (a) calculate the *MDA* in accordance with (4); and
 - (b) report the *MDA* to the *PRA* in writing no later than 5 working days after the firm identified that it did not meet the *combined buffer*.
- (2) A firm that does not meet the *combined buffer* must not undertake any of the following actions before it has calculated the *MDA*:
- (a) make a *distribution in connection with common equity tier 1 capital*;
 - (b) create an obligation to pay variable remuneration or *discretionary pension benefits* or pay variable remuneration or *discretionary pension benefits* if the obligation to pay was created at a time when the firm did not meet the *combined buffer*; and
 - (c) make payments on *additional tier 1 instruments*.
- (3) If a firm does not meet the *combined buffer*, it must not distribute more than the *MDA* calculated in accordance with (4) through any action referred to in points (a) to (c) of (2).
- (4) A firm must calculate the *MDA* by multiplying the sum calculated in accordance with (5) by the factor determined in accordance with (6). The *MDA* shall be reduced by any of the actions referred to in point (a), (b) or (c) of (2)..
- (5) The sum to be multiplied in accordance with (4) shall consist of:
- (a) interim profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the *CRR* that have been generated since the most recent decision on the distribution of profits or any of the actions referred to in points (a), (b) or (c) of (2);
- plus
- (b) year-end profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the *CRR* that have been generated since the most recent decision on the distribution of profits or any of the actions referred to in points (a), (b) or (c) of (2);
- minus
- (c) amounts which would be payable by tax if the items specified in points (a) and (b) were to be retained.
- (6) The factor referred to in (4) shall be determined as follows:

- (a) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* expressed as a percentage of the *firm's total risk exposure amount*, is within the first (that is, the lowest) quartile of the *combined buffer*, the factor shall be 0;
- (b) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the second quartile of the *combined buffer*, the factor shall be 0.2;
- (c) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* expressed as a percentage of the *firm's total risk exposure amount* is within the third quartile of the *combined buffer*, the factor shall be 0.4; and
- (d) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* expressed as a percentage of the *firm's total risk exposure amount*, is within the fourth (that is, the highest) quartile of the *combined buffer*, the factor shall be 0.6.

(7) A *firm* must calculate the lower and upper bounds of each quartile of the *combined buffer* as follows:

Lower bound of quartile

$$= \frac{\text{Combined buffer}}{4} \times (Q_n - 1)$$

Upper bound of quartile

$$= \frac{\text{Combined buffer}}{4} \times Q_n$$

"Qn" indicates the ordinal number of the quartile concerned.

- (8) The restrictions imposed by this rule only apply to payments that result in a reduction of *common equity tier 1 capital* or in a reduction of profits, and where a suspension of payment or failure to pay does not constitute an event of default or a condition for the commencement of proceedings for an order for the appointment of a liquidator or administrator of the *firm*.
- (9) If a *firm* does not meet the *combined buffer* and intends to distribute any of its distributable profits or undertake an action referred to in points (a), (b) and (c) of (2) it must give the *PRA* notice of its intention at least one month before the intended date of distribution or action unless there are exceptional circumstances which make it impracticable to give such a period of notice in which event the *firm* must give as much notice as is practicable in those circumstances. When giving notice a *firm* must provide the following information:
 - (a) the amount of *own funds* maintained by the *firm*, subdivided as follows:
 - (i) *common equity tier 1 capital*;
 - (ii) *additional tier 1 capital*; and
 - (iii) *tier 2 capital*.
 - (b) the amount of its interim and year-end profits;

- (c) the *MDA* calculated in accordance with (4);
- (d) the amount of distributable profits it intends to allocate between the following:
 - (i) dividend payments;
 - (ii) share buybacks;
 - (iii) payments on *additional tier 1 instruments*; and
 - (iv) the payment of variable remuneration or *discretionary pension benefits*, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the *firm* did not meet its *combined buffer*.

(10) A *firm* must maintain arrangements to ensure that the amount of distributable profits and the *MDA* are calculated accurately and must be able to demonstrate that accuracy to the *PRA* on request.

[Note: Art 141(2) to 141(10) of the CRD]

Capital conservation plan

4.4 When a *firm* does not meet the *combined buffer*, it must prepare a capital conservation plan and submit it to the *PRA* no later than 5 working days after the *firm* identified that it did not meet the *combined buffer*.

[Note: Art 142(1) of the CRD]

4.5 The capital conservation plan must include the following:

- (1) the *MDA*;
- (2) estimates of income and expenditure and a forecast balance sheet;
- (3) measures to increase the capital ratios of the *firm*; and
- (4) a plan and timeframe for the increase of *own funds* with the objective of meeting the *combined buffer*.

[Note: Art 142(2) of the CRD]

5 APPLICATION ON AN INDIVIDUAL AND CONSOLIDATED BASIS

Application on an individual basis

5.1 This Part applies to a *firm* on an individual basis whether or not it also applies to the *firm* on a *consolidated basis* or *sub-consolidated basis*.

Application on a consolidated basis

5.2 A *firm* which is a *parent institution in a Member State* must comply with this Part on the basis of its *consolidated situation*.

- 5.3 A *UK bank or building society* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* must comply with this Part on the basis of the *consolidated situation* of that holding company, if the *PRA* is responsible for supervision of the *UK bank or building society* on a *consolidated basis* under Article 111 of the *CRD*.
- 5.4 A *UK designated investment firm* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* must comply with this Part on the basis of the *consolidated situation* of that holding company, if:
- (1) there is no *subsidiary* of the holding company which is a *credit institution*; and
 - (2) the *PRA* is responsible for the supervision of the *UK designated investment firm* on a *consolidated basis* under Article 111 of the *CRD*.

Sub-consolidation in cases of entities in third countries

- 5.5 A *firm* that is a *subsidiary* must apply this Part on a *sub-consolidated basis* if the *firm*, or the *parent undertaking* where it is a *financial holding company* or *mixed financial holding company*, have an *institution* or *financial institution* as a *subsidiary* in a *third country* or hold a *participation* in such an *institution* or *financial institution*.

Extent and manner of prudential consolidation

- 5.6 If this Part applies to a *firm* on a *consolidated basis* or on a *sub-consolidated basis*, the *firm* must carry out consolidation to the extent and in the manner prescribed in Articles 18(1), 18(8), 19(1), 19(3), 23 and 24(1) of the *CRR* and Groups 2.1-2.3.

[Note: Art 129(1) (part) and 130(1) (part) of the CRD]



Part

CAPITAL BUFFERS

Externally defined glossary terms

| Term | Definition source |
|--|------------------------------|
| <i>additional tier 1 capital</i> | <i>Article 61 CRR</i> |
| <i>additional tier 1 instruments</i> | <i>Article 52 CRR</i> |
| <i>common equity tier 1 capital</i> | <i>Article 50 CRR</i> |
| <i>consolidated basis</i> | <i>Article 4(1)(48) CRR</i> |
| <i>consolidated situation</i> | <i>Article 4(1)(47) CRR</i> |
| <i>discretionary pension benefits</i> | <i>Article 4(1)(73) CRR</i> |
| <i>EEA State</i> | <i>s425 FSMA</i> |
| <i>financial holding company</i> | <i>Article 4(1)(20) CRR</i> |
| <i>financial institution</i> | <i>Article 4(1)(26) CRR</i> |
| <i>institution</i> | <i>Article 4(1)(3) CRR</i> |
| <i>mixed financial holding company</i> | <i>Article 4(1)(21) CRR</i> |
| <i>own funds</i> | <i>Article 4(1)(118) CRR</i> |
| <i>parent undertaking</i> | <i>Article 4(1)(15) CRR</i> |
| <i>participation</i> | <i>Article 4(1)(35) CRR</i> |
| <i>securitisation</i> | <i>Article 4(1)(61) CRR</i> |
| <i>sub-consolidated basis</i> | <i>Article 4(1)(49) CRR</i> |
| <i>subsidiary</i> | <i>Article 4(1)(16) CRR</i> |
| <i>tier 2 capital</i> | <i>Article 71 CRR</i> |
| <i>trading book</i> | <i>Article 4(1)(86) CRR</i> |

