

DEPOLARISATION INSTRUMENT 2004**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 138 (General rule-making power);
 - (2) section 145 (Financial promotion rules);
 - (3) section 149 (Evidential provisions);
 - (4) section 156 (General supplementary powers); and
 - (5) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as follows:
- (1) Annexes A to F, H and J to L come into force on 1 December 2004, other than the provisions specified in (2);
 - (2) the following provisions in Annex B come into force on 14 January 2005: COB 4.3.19R to 4.3.26R; COB 5.2.12R to 5.2.17G; and COB 5.3.18AR to 5.3.18DG;
 - (3) Annexes G and I come into force on 14 January 2005.
- D. The transitional rules operate so that a firm:
- (1) must, if applicable, comply with the provisions in this instrument that implement the Insurance Mediation Directive from 14 January 2005;
 - (2) must comply with the Handbook as otherwise amended by this instrument, from 1 June 2005; and
 - (3) may elect to comply with the Handbook as amended by this instrument, other than the provisions which implement the Insurance Mediation Directive, at any time during the period 1 December 2004 to 31 May 2005.

Amendments to the Handbook

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

(1)	(2)
General provisions (GEN)	Annex A
Conduct of Business sourcebook (COB)	Annex B
Insurance: Conduct of Business sourcebook (ICOB)	Annex C
Mortgages: Conduct of Business sourcebook (MCOB)	Annex D
Client Assets (CASS)	Annex E
Training and Competence sourcebook (TC)	Annex F
Authorisation manual (AUTH)	Annex G
Supervision manual (SUP)	Annex H
Dispute Resolution: Complaints (DISP)	Annex I
Credit Unions sourcebook (CRED)	Annex J
Professional Firms sourcebook (PROF)	Annex K
Glossary of definitions	Annex L

Citation

F. This instrument may be cited as the Depolarisation Instrument 2004.

By order of the Board

18 November 2004

Amended by Addendum

9 December 2004

Amended by Second Addendum

18 August 2005

Annex A

Amendments to General Provisions

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

Chapter 5 The FSA logo and the keyfacts logo

Application

- 5.1.1 G This chapter contains:
- (a) *guidance for firms and appointed representatives on the circumstances in which the FSA permits firms and their appointed representatives to reproduce the FSA logo;*
 - (b) rules on the use by firms of the keyfacts logo.

...

- 5.1.4 G ...

The keyfacts logo

- 5.1.5 R A firm must not use the keyfacts logo other than as and when it is required to be used by the rules.
- 5.1.6 R A firm must take all reasonable steps to ensure that its representatives do not use the keyfacts logo other than as and when the logo is required to be used by the rules.
- 5.1.7 R A firm must take all reasonable steps to ensure that the keyfacts logo is not reproduced on any document that the firm, or any person acting on its behalf, provides to a customer unless the reproduction is required by the rules.

Annex B

Amendments to the Conduct of Business sourcebook

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire section is deleted or inserted, the place where the change is made is indicated and the text is not struck through or underlined.

COB TR1, Transitional Rules for pre-N2 and ex Section 43 firms

...

Table: COB TR 1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
1.0	Extra time provisions				
1.1	<i>ETP1</i>	R	Transitional relief		
			(1) A <i>pre-N2</i> firm will not contravene any of the provisions labelled <i>ETP1</i> in Table <i>COB TR2</i> ...	(1) <i>commencement</i> to 30 June 2002... (3) for <i>COB</i> 3.9.10R, <i>COB</i> 4.2.15E(7) ; <i>COB</i> 5.3, <i>COB</i> 5.7 , <i>COB</i> 6.1 to 6.8 until a date yet to be specified	<i>commencement</i>

Insert new *COB TR7* as follows:

COB TR7: Transitional Rules for depolarisation

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
1.	<i>COB</i>	R	From 1 December 2004 to 31 May 2005, a <i>firm</i> may, subject to TR 7.6, comply with <i>COB</i> as if it were not amended by the	From 1 December 2004 to 31 May 2005.	1 December 2004

(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
			Depolarisation Instrument 2004, unless the <i>firm</i> is a <i>product provider</i> in which case it must comply with <i>COB 2.2.7G (7A)</i> , as it applies to a <i>product provider</i> , from 1 December 2004.		
2.	<i>COB rules</i> amended by the Depolarisation Instrument 2004	R	<p>(1) Subject to <i>COB TR7.1</i> and <i>TR7.6</i>, the Depolarisation Instrument 2004 may apply to a <i>firm</i> as follows.</p> <p>(2) A <i>firm</i> may elect at any time from 1 December 2004 to 31 May 2005, to comply with <i>COB</i> as amended by the Depolarisation Instrument 2004.</p> <p>(3) A <i>firm</i> must notify the <i>FSA</i> in writing of an election in (2) and of the date prior to 31 May 2005 from which it will commence compliance with <i>COB</i> as amended by the Depolarisation Instrument 2004.</p> <p>(4) A <i>firm</i> may make different elections in (2) for each <i>appointed representative</i> that acts on its behalf but can only make a single election in respect of each single <i>appointed representative</i>.</p>	From 1 December 2004 to 31 May 2005.	1 December 2004

(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
3	<i>COB rules</i> amended by the Depolarisation Instrument 2004	R	A <i>firm</i> must, in relation to any <i>private customer</i> to whom it has begun to provide services in respect of a <i>packaged product</i> before 14 January 2005 or, if applicable, the date of an election in TR7 2(2), complete the provision of that service in accordance with <i>COB</i> as it applied before amendment by the Depolarisation Instrument 2004.	From 1 December 2004	1 December 2004
4	<i>COB 4 Annex 2E</i> and <i>COB 5.5.5E</i>	R	A <i>firm</i> may continue to rely upon compliance with <i>COB 4 Annex 2E</i> and <i>COB 5.5.5E</i> (including to the extent that a <i>firm</i> issues a <i>financial promotion</i> that complies with <i>COB 4 Annex 2E</i>) provided: (1) the information given to a <i>private customer</i> is not contradicted by any information given to the <i>customer</i> by way of an <i>initial disclosure document</i> or a <i>fees and commission statement</i> and; (2) any <i>financial promotion</i> complies with <i>COB 3.8.19R</i> .	From 1 December 2004 until 30 November 2005	1 December 2004
5	<i>COB 2.2.6</i>	G	The <i>FSA</i> will not regard a <i>firm</i> as being in contravention of <i>COB 2.2.3R</i> if it gives or receives assistance in conducting the review of past business in <i>pension transfers</i> and <i>opt outs</i> provided the provision or receipt of such a benefit does not conflict with any duty the recipient owes to its <i>customers</i> .	From 1 December 2004 to 31 May 2006	1 December 2004

(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
6	COB as amended by the Depolarisation Instrument 2004	R	<p>Notwithstanding COB TR7.1 and TR 7.2, a <i>firm</i> which does not elect under TR 7.2(2) to comply with COB as amended by the Depolarisation Instrument 2004 must, from 14 January 2005, comply with:</p> <p>(1) COB 1.2.1R, COB 1.4.12R and COB 4.3.19R to 4.3.26R, as amended by the Depolarisation Instrument 2004;</p> <p>(2) COB 4.3.19R to COB 4.3.25R as amended by the Depolarisation Instrument 2004 but as if they applied to a <i>firm</i> carrying out the activities in COB 4.3.19R (1)(a)-(c) with or on behalf of <i>private customers</i>;</p> <p>(3) COB 5.2.12R to 5.2.14R as amended by the Depolarisation Instrument 2004; and</p> <p>(4) COB 5.3.14R (1) and COB 5.3.18AR to COB 5.3.18CR, as amended by the Depolarisation Instrument 2004;</p> <p>unless the <i>firm</i> is an <i>insurer</i>, in which case it does not need to comply with the provisions specified in (2), (3) and (4).</p>	14 January 2005 until 31 May 2005	14 January 2005
7		G	<p>The effect of COB TR 7.6 is that from 14 January 2005, if a <i>firm</i> has not elected to comply with the new COB provisions, the <i>firm</i> is in any event required to comply with the requirements of the IMD as set out in the provisions referred to in COB TR 7.6.</p>		

(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
			As regards the information requirements of the <i>IMD</i> , <i>firms</i> have the choice (by virtue of <i>COB</i> 4.3.23G) of providing the minimum information set out in <i>COB</i> 4.3.19R or using an <i>initial disclosure document</i> .		

...

1.2.1 R ...

- (3) ...; ~~and~~
- (4) *COB* does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, except for:
 - (a) ...
 - (b) ...
 - (c) ...; ~~and~~
 - (d) the *IMD* minimum implementation provisions and *COB* 4.3.19R to 4.3.25R as if they also applied to a *firm* carrying out the activities in *COB* 4.3.19R (1)(a)-(c) with or on behalf of *private customers*, unless:
 - (i) the *designated professional body* of the *firm* has made rules which implement some or all of the provisions of articles 12 and 13 of the *IMD*;
 - (ii) those rules have been approved by the *FSA* under section 332(5) of the *Act*; and
 - (iii) the *firm* is subject to the rules in the form in which they were approved;in which case they are disappplied to the extent that articles 12 and 13 of the *IMD* are implemented by the rules of the *designated professional body*.

...

1.2.1B G The effect of *COB* 1.2.1R(4)(d) is that if the relevant *designated professional body* of an *authorised professional firm* does not make rules implementing articles 12 and 13 of the *IMD* applicable to *authorised professional firms*, those *firms* will need to comply with:

- (a) the IMD minimum implementation provisions; and
- (b) COB 4.3.19R to COB 4.3.25R as if they also applied to a firm carrying out the activities in COB 4.3.19R (1)(a)-(c) with or on behalf of private customers.

1.3.3 G (1) The application of many provisions in COB depends on the classification of the client with whom a firm is conducting business. A client must fall within one of three classifications: private customer, intermediate customer or market counterparty. In COB, the term "customer" refers to private customers and intermediate customers, but not market counterparties. The term "client" covers customers and market counterparties. Where relevant, each of the provisions of COB makes clear whether it applies to activities carried on with or for private customers, intermediate customers or both.

...

...

1.3.5** G *Firms are reminded that the definition of inter-professional business does not include:*

- (1) ...
- (3) ...; ~~or~~
- (4) ...; or
- (5) regulated activities relating to life policies.

...

IMD passported activities

1.4.12R R (1) Notwithstanding COB 1.4.2R, the IMD minimum implementation provisions apply, on the basis outlined in (4), to the passported activities carried on by a UK firm under the IMD from a branch elsewhere in the EEA unless the Host State regulator imposes measures which implement articles 12 and 13 of the IMD for those activities.

(2) Notwithstanding COB 1.4.2R, the provisions in COB which implement articles 12 and 13 of the IMD (including COB 4.3.3R (1)(i) and (ii) (provision of initial disclosure document and fees and commission statement)) do not apply to a UK firm providing cross-border services in another EEA State under the IMD or the Consolidated Life Directive, except that the IMD minimum implementation provisions apply, on the basis outlined in (4), to a UK firm providing cross-border services in another EEA State under the IMD if the Host State regulator does not impose measures which implement the articles for those activities.

(3) In addition to the situation in COB 1.4.3R, the IMD minimum implementation provisions apply to an incoming EEA firm providing cross-border services in the United Kingdom under the IMD unless the firm's Home State regulator imposes measures which implement the articles for these activities.

(4) The IMD minimum implementation provisions apply to an activity pursuant to this rule as follows:

- (a) as outlined in the IMD minimum implementation provisions; and

(b) as if COB 4.3.19R to 4.3.25R also applied to a firm carrying out the activities in COB 4.3.19R (1)(a)-(c) with or on behalf of private customers.

- 1.4.13 G (1) The IMD minimum implementation provisions are the minimum provisions required for the implementation of articles 12 and 13 of the IMD.
- (2) The effect of COB 1.4.12R is to apply these minimum provisions to firms in respect of their insurance mediation activities passported under the IMD if other EEA States have not implemented articles 12 and 13 of the IMD for those activities.
- (3) Firms are reminded that insurers have passporting rights under the Consolidated Life Directive but not under the IMD.

Restriction in connection with the sale of packaged products

- 2.2.5 E (1) A firm should not enter, and should take reasonable steps to ensure that no person acting on its behalf enters, into any of the following arrangements with ~~an independent intermediary~~ another firm in relation to the sale of a packaged product if any commission is required to be disclosed to a customer.
- ...
- (d) an arrangement to pay *commission* other than to the *firm* responsible for the sale, unless:
- (i) the *firm* responsible for the sale has passed on its right to receive the *commission* to the recipient; or
 - (ii) another *firm* has given *advice on investments* to the same *customer* after the sale; or
 - (iii) ~~the firm is a provider firm, the recipient is an independent intermediary and~~ the *commission* is paid following the sale of a *packaged product* by the ~~provider~~ *firm* in response to a *direct offer financial promotion* communicated by that *firm* to a *customer* of the ~~independent intermediary~~ *recipient firm*.
- (1A) COB 2.2.5 E (1) does not apply to arrangements between *firms* that are in the same *immediate group*. In this situation COB 5.7.5R will apply.

...

Financial assistance and product providers

- 2.2.5A** E (1) This evidential provision applies in relation to a holding in, or the provision of credit to, a firm which holds itself out as giving advice on investments to private customers on packaged products except where the relevant transaction is between persons who are in the same immediate group.
- (2) A product provider should not take any step which would result in it:
- (a) having a direct or indirect holding in a firm in (1) of its capital or voting power; or
 - (b) providing credit to a firm in (1) (other than commission due from the firm to the product provider in accordance with an indemnity commission clawback arrangement).
- (3) A firm in (1) should not take any step which would result in a product provider having a holding as in (2)(a) or providing credit as in (2)(b), unless

all the conditions in (4) are satisfied.

- (4) The conditions referred to in (3) are that:
- (a) the holding is acquired, or credit is provided, on commercial terms; that is terms objectively comparable to those on which an independent person unconnected to a product provider would, taking into account all relevant circumstances, be willing to acquire the holding or provide credit;
 - (b) the firm (or, if applicable, each of the firms) taking the step has reliable written evidence that (a) is satisfied;
 - (c) there are no arrangements, in connection with the holding or credit, relating to the channelling of business from the firm in (1) to the product provider; and
 - (d) the product provider is not able, and none of its associates is able, because of the holding or credit, to exercise any influence over the advice on investments in relation to packaged products given by the firm.
- (5) In this evidential provision, in applying (2) and (3) any holding of, or credit provided by, a product provider's associate is to be regarded as held by, or provided by, that product provider.
- (6) In this evidential provision, in applying (3) references to a "product provider" are to be taken as including an unauthorised equivalent of a product provider; that is, an unauthorised insurance undertaking or an unauthorised operator of a regulated collective investment scheme or of an investment trust savings scheme.
- (7) Contravention of (2) or (3) may be relied upon as tending to establish contravention of COB 2.2.3R.

Packaged products: guidance on indirect benefits

- 2.2.6 G (-2) To comply with COB 2.2.3R, neither a product provider nor any of its associates should give, and a firm should not receive from such persons, any indirect benefit, if the benefit is likely to conflict to a material extent with any duty owed by the receiving firm when giving advice on investments to private customers on packaged products. Such conflicts may arise, for example, where the gift might induce material bias as regards:
- (a) the choice of product provider whose products are recommended; or
 - (b) the type of product which is recommended.
- (-1) The guidance in COB 2.2.7 G is not relevant to indirect benefits which may be given by a product provider or its associate to its own representatives.
- (1) The FSA will not regard a firm as being in contravention of COB 2.2.3R if it gives or receives gifts, hospitality and promotional competition prizes of a reasonable value any of the following indirect benefits, providing they do not conflict with the duties that the recipient owes to his its customers.
- (a) gifts, hospitality and promotional competition prizes of a reasonable value;
 - (b) business leads channelled toward a particular independent intermediary provided that the independent intermediary is an

~~associate and complies with the requirements of COB 5.3.95R (Requirement for suitability: independent intermediary);~~

(e) ~~assistance in conducting the Review of past business in pension transfers and opt outs.~~

(2) A ~~product provider~~ may assist ~~an independent intermediary~~ another firm to promote its packaged products so that the quality of ~~their~~its service to customers is enhanced. Such assistance should not be of a kind or value that is likely to impair ~~an independent intermediary's~~ the other firm's ability to ~~act independently~~ pay due regard to the interests of its customers, and to give advice on, and recommend, packaged products available from the ~~market as a whole~~ recipient firm's whole range or ranges of packaged products. The ~~independent intermediary~~ recipient firm should be mindful of the requirements of COB 5.3.95R (Requirement for suitability: independent intermediaries generally).

...

(4) COB 2.2.6G does not apply to indirect benefits provided by a firm to another firm that is in the same immediate group. In this situation COB 5.7.5R will apply.

2.2.7 G Table Reasonable indirect benefits

This Table belongs to COB 2.2.6G

Reasonable indirect benefits	
	Joint marketing exercises
1	A provider firm <u>product provider</u> or its <u>associate</u> may provide generic product literature (that is, letterheading, leaflets, forms and envelopes) that is suitable for use and distribution by or on behalf of an independent intermediary <u>another firm</u> if:
	(a) the literature does not feature the independent intermediary's <u>recipient firm's</u> name or features it less prominently than that of the <u>product provider firm</u> and is not used to promote the independent intermediary's <u>recipient firm's broker fund</u> service; and
	(b) the total costs (for example, packaging, posting, mailing lists) of distributing such literature to its <u>customers</u> is are borne by the independent intermediary <u>recipient firm</u> .
2	A provider firm <u>product provider</u> or its <u>associate</u> may supply an independent intermediary <u>another firm</u> with 'freepost' envelopes, for forwarding such items as completed applications, medical reports or copy <u>client agreements</u> , when these are made generally available to all independent intermediaries <u>firms</u> from which <u>whom</u> the <u>provider</u> obtains business.
3	A provider firm <u>product provider</u> or its <u>associate</u> may supply product specific literature (for example, <u>key features</u> , minimum information, <u>direct offer financial promotions</u>) to an independent intermediary <u>another firm</u> if:
	(a) the literature is not designed to promote the independent intermediary's <u>recipient firm's broker fund</u> service; or
	(b) the literature does not contain the name of any independent

		<i>intermediary</i> <u>other firm</u> ; or-
	(e)	the name of the <i>independent intermediary</i> <u>other firm</u> is only overprinted on the literature and the <i>provider firm's</i> name appears on the literature more prominently than that of the <i>independent intermediary</i> <u>other firm</u> .
	(c)	the name of the recipient <i>firm</i> (if it is included) appears only incidentally in the literature and the supplying <i>firm's</i> name appears with greater prominence.
4		A provider firm <u>product provider</u> or its <i>associate</i> may supply draft articles, news items and <i>financial promotions</i> for publication in an <i>independent intermediary's</i> <u>another firm's</u> magazine, only if in each case any costs paid by the <i>product provider</i> or its <i>associate</i> for placing the articles and <i>financial promotions</i> are not more than market rate, and exclude distribution costs.
		Seminars and conferences
5		A provider firm <u>product provider</u> or its <i>associate</i> may take part in a seminar organised by an <i>independent intermediary</i> <u>another firm</u> or a third party and may pay toward the cost of the seminar, if:
	(a)	its participation is for a genuine business purpose;
	(b)	the contribution is reasonable and proportionate to its participation and by reference to the time and sessions at the seminar when its staff play an active role; and
	(c)	in the case of a seminar organised by a third party, the seminar is open to participation by <i>independent intermediaries</i> <u>other firms</u> generally.
		Technical services and information
6		A provider firm <u>product provider</u> or its <i>associate</i> may supply a 'freephone' link to which it is connected only if it is available to <i>independent intermediaries</i> <u>other firms</u> generally.
7		A provider firm <u>product provider</u> or its <i>associate</i> may supply an <i>independent intermediary</i> <u>another firm</u> with any of the following:
	(a)	quotations and <i>projections</i> relating to its <i>packaged products</i> and, in relation to specific <i>investment</i> transactions (or for the purpose of any scheme for review of past business), advice on the completion of forms or other <i>documents</i> ;
	(b)	access to data processing facilities, or access to data, that is related to the <i>product provider's firm's</i> business;
	(c)	access to third party electronic dealing or quotation systems that are related to the <i>provider firm's product provider's</i> business; and
	(d)	software that gives information about the <i>product provider's firm's packaged products</i> or which is appropriate to its business (for example, for use in a scheme for review of past business or for producing <i>projections</i> or technical product information).
7A		A <i>product provider</i> may pay cash amounts or give other assistance to a <i>firm</i> not in the same <i>immediate group</i> for the development of software or other computer facilities necessary to operate software supplied by the <i>product</i>

	<u>provider</u> , but only to the extent that by doing so it will generate equivalent cost savings to itself or consumers.
8	A provider firm <u>product provider</u> or its <u>associate</u> may supply a <u>broker fund adviser</u> (and its <u>customer</u>) with a <u>periodic statement</u> relating to the relevant <u>broker fund</u> if the <u>broker fund adviser</u> is unable to supply the <u>periodic statement</u> .
9	A provider firm <u>product provider</u> or its <u>associate</u> may supply an <u>independent intermediary</u> <u>another firm</u> with information about sources of mortgage finance.
10	A provider firm <u>product provider</u> or its <u>associate</u> may supply an <u>independent intermediary</u> <u>another firm</u> with generic technical information in writing, not necessarily related to the <u>product provider's firm's</u> business, when this information:
	(a) is made available generally to independent intermediaries <u>other firms which give or might give advice on the product provider's packaged products</u> ; or
	(b) (i) is of a specialist nature and is made available to a particular class of independent intermediary <u>firm</u> (that is, one that promotes itself as an expert in the same specialist area); and
	(i) states clearly and prominently that it is produced by the <u>product provider</u> or (if different) <u>supplying firm</u> .
	Training
11	A provider firm <u>product provider</u> or its <u>associate</u> may provide an <u>independent intermediary</u> <u>another firm</u> with training facilities of any kind (for example, lectures, venue, written material and software) only if these are made available generally to all independent intermediaries <u>other firms which give or might give advice on the product provider's packaged products</u> .
	Travel and accommodation expenses
12	A provider firm <u>product provider</u> or its <u>associate</u> may reimburse an independent intermediary's <u>other firm's</u> reasonable travel and accommodation expenses when the independent intermediary <u>other firm</u> :
	(a) participates in market research conducted by or for the <u>product provider firm</u> ;
	(b) attends an annual national event of a <u>UK trade association</u> , hosted or co-hosted by the <u>product provider firm</u> ;
	(c) participates in the <u>product provider's firm's</u> training facilities (see 11);
	(d) visits the <u>product provider's firm's</u> <u>UK office</u> in order to:
	(i) receive information about the <u>product provider's firm's</u> administrative systems; or
	(ii) attend a meeting with the <u>product provider firm</u> and an existing or prospective <u>customer</u> of the independent intermediary <u>receiving firm</u> .

...

2.2.20 R ...
(3) A firm must make a record of each benefit given to ~~an independent intermediary~~ another firm in accordance with COB 2.2.6G, and must keep that record for at least six years from the date on which it was given.

...

3.2.2 G ...
(2) *Financial promotions* may be communicated, for example, by means of:
...
(e) written correspondence, telephone calls and face to face discussions including by ~~advisers~~ representatives;

...

...

3.2.8 G ...
(2) Firms are reminded that if in the course of making a *financial promotion* of any kind ~~an adviser (independent or tied)~~ a representative gives specific *advice on investments* to a *private customer* about the suitability of a product for that individual, the ~~adviser~~ representative in giving the ~~advice~~ *advice on investments* is subject to the rules, as appropriate, on advising and selling in *COB 5*.

...

3.7.3 G ...
(2) Records which should be retained include:
(a) any written *financial promotion* used by a ~~financial adviser or representative~~;

...

...

Specific non-real time financial promotions: ~~provider firms~~ packaged products

Delete the existing *COB 3.8.19R rule* and replace with the following text which is not underlined:

3.8.19 R (1) A firm must not *communicate* or *approve* a *specific non-real time financial promotion* containing or offering *advice on investments* on *packaged products* unless the *promotion* discloses information to show whether the scope of the *advice on investments* which is given or offered is or will be based upon a selection of products from:
(a) the whole market (or from the whole of a named sector of the market); or
(b) a limited number of *product providers*; or
(c) a single *product provider*.
(2) A firm must not *communicate* or *approve* a *specific non-real time financial promotion* offering *packaged products* produced by a person, A:
(a) that holds out any *person* other than A as the *packaged product's* producer; or

- (b) that does or says anything which might reasonably lead a *private customer* to be mistaken as to the identity of the product's producer; or
- (c) in which the prominence of A's brand is less than that of other brands included in the promotion.

...
3.8.22 R ...

- (7) ~~If applicable, acts in conformity with the rules in COB 4.3 (Disclosing information about services, fees and commission - packaged products) and COB 5.1 (Advising on packaged products), concerning polarisation and status disclosure.~~

...
3.8.24 G

- The requirements of COB 3.8.22R:
- (1) apply in respect of all individuals who initiate the communication, including ~~advisers~~ representatives, call centre operators and *introducers*.

...
3.9.6 R

- (1) ...
- (2) In particular a *direct offer financial promotion* must contain:
 - (a) ...
 - (b) where it is the case that no advice on investments has been given, a prominent statement that: ~~if a person has any doubt about the suitability of the agreement which is the subject of the financial promotion, he should contact the firm which has communicated or approved the financial promotion for advice (or independent financial adviser, if the firm does not offer advice).~~
 - (i) no advice on investments has been given; and
 - (ii) if a person has any doubt about the suitability of the agreement which is the subject of the financial promotion he should contact the firm for advice on investments (or another appropriate firm if the firm does not offer advice on investments)

...
3.9.18A G Firms are reminded of the provisions in COB 4.3, 5.2 and 5.3 requiring particular disclosures to clients in relation to life policies.

...
Specific guidance

- 3.14.5 G
- (1) Key features, initial disclosure document and written contractual terms
 - (a) To meet the requirements of COB 3.9.10R, a *firm* should make it clear that the information is available to a recipient of the *direct offer financial promotion*, and easily obtainable, before any application is made.
 - (b) It is important that recipients should have the opportunity to view the

full text of the relevant *key features*, initial disclosure document, terms and conditions, customer agreement and any other applicable risk information required by the *rules*.

...

...

- 4.1.11 E (1) In the written warning required by *COB* 4.1.9R(1)(b)(i), a *firm* should, where relevant:
- (a) advise the *client* that he will lose the protection afforded by the following *rules* in *COB* applicable to *private customers*:
 - (i) *COB* 3 (Financial promotion);
 - (ii) *COB* 4.3 (Disclosing information about services, fees and commissions - packaged products);
 - (iii) *COB* 5.1 (Advising on packaged products);
 - (~~iv~~) *COB* 5.4 (Customers' understanding of risk);
 - (~~iv~~) *COB* 5.7 (Disclosure of charges, remuneration and commission);
 - (~~v~~) *COB* 6.1: (Packaged product and ISA disclosure);
 - (vi) *COB* 7.9 (Lending to private customers);
 - (vii) *COB* 7.10 (Margin requirements);
 - (~~viii~~) *COB* 7.11 (Non-exchange traded securities);
 - (b) explain any consequences to the *client* in respect of the following *rules* in *COB* which are limited or modified in their application to *intermediate customers*:
 - (i) ~~{deleted}~~
 - (ii) ~~*COB* 5.1 (Polarisation and status disclosure)~~;
 - (iii) *COB* 8.1 (Confirmation of transactions);
 - (~~iv~~) *COB* 8.2 (Periodic statements);

...

After *COB* 4.2 insert the following new section which is not underlined:

4.3 Disclosing information about services, fees and commission - packaged products
Application

4.3.1 R *COB* 4.3 applies:

- (1) to a *firm* when carrying on with or for *private customers* any of the following in relation to *packaged products*:
 - (a) *advising on investments*; or
 - (b) *dealing as agent*; or
 - (c) *arranging*;
- (2) to a *firm*, other than an *insurer*, that carries on in relation to a *life policy* any of the activities in (1) with or for an *intermediate customer* or a *market counter-party*.

Purpose

- 4.3.2 G The *rules* in this section give further support to *Principle 7* (Communication with clients). There is, in relation to *packaged products*, a particular need for *private customers* to have information at an early stage about the nature and scope of the services which a *firm* may offer and the basis on which it may be remunerated. The *rules* also implement the *Insurance Mediation Directive*.

Disclosure to private customers on first making contact

- 4.3.3 R (1) (a) A *firm* must take reasonable steps to ensure that its *representatives* on first making contact with a *private customer* with a view to:
- (i) *advising on investments on packaged products*; or
 - (ii) *dealing as agent in packaged products*; or
 - (iii) *arranging*;
- provide the *customer*, in a *durable medium*, with information concerning:
- (b) (i) the *firm* and the scope of and nature of its services (an *initial disclosure document*); and
 - (ii) where (a) applies, the *firm's* arrangements for charging and receiving *fees* and *commission* (a *fees and commission statement*);
- in both cases being information which the *firm* reasonably considers will be, or is likely to be, appropriate for the *customer* having regard to the type of service which the *firm* may provide or business which the *firm* may conduct.
- (2) A *firm* must also provide a *private customer* with an *initial disclosure document* if, in relation to the amendment of a *life policy* for that *private customer*, it:
- (a) *advises on investments on packaged products*; or
 - (b) *deals as agent in packaged products*; or
 - (c) *arranges*.
- (3) (a) The requirements in (1) and (2) do not apply:
- (i) to the extent that the appropriate information has already been given to the *customer* on a previous occasion and that information is still likely to be accurate and appropriate for the *customer*; or
 - (ii) if *COB 4.3.16R* (initial contact by telephone) applies; or
 - (iii) to a *firm* when it carries out an execution only *transaction* in non-life *packaged products*; or
 - (iv) to an *insurer* for those *customers* in respect of which it is not *advising on investments*.

- (b) A *firm* that reasonably expects it will not be *advising on investments* in respect of products falling within any of the product groups set out in Note 14 to COB 4 Annex 6R does not have to comply with the requirements in (1)(b)(ii) but if it does *advise on investments* on these products the *rules* will apply to the *firm* in respect of the *fees and commission statement* as if it was required by (1)(b)(ii) to provide the statement.
- (4) The requirements in (1) and (2) will apply to :
- (a) a *firm* that is acting as a discretionary *investment manager* for *private customers*; or
- (b) a *firm* which is effecting *execution-only transactions* in *packaged products* for *private customers*;
- only if the *firm* is carrying on an *insurance mediation activity* in relation to *life policies* for those *private customers*, in which case the requirements in (1) and (2) will only apply to the extent of requiring the *firm* to provide those *private customers* with an *initial disclosure document*.
- (5) A *firm* which acts for a *private customer* under a *non-discretionary management agreement* need not comply with the requirements in (1) above to provide an *initial disclosure document* or a *fees and commission statement* if the following are satisfied:
- (a) the *firm* is remunerated by the *customer* by the payment of a *fee*; and
- (b) the *agreement* provides that the *firm* may recommend *securities* as well as *packaged products* for inclusion in the *customer's* portfolio and that in respect of *packaged products* the *firm* will make selections from the whole market;
- but such a *firm* must, if it is carrying on an *insurance mediation activity* for a *private customer* in relation to *life policies*, comply with the requirements in (1) as to the provision of an *initial disclosure document* to the *private customer*.
- (6) A *firm* which is required in accordance with this *rule* to provide an *initial disclosure document* to a *private customer* may instead provide the *customer* with a *combined initial disclosure document* if it has reasonable grounds to be satisfied that the *services* which it is likely to provide to the *customer* will, in addition to *packaged products*, relate to one or more of the following:
- (a) *regulated mortgage contracts*;
- (b) *regulated lifetime mortgage contracts*;
- (c) *non-investment insurance contracts*.
- (7) The information contained in the *initial disclosure document* may be provided orally if a *firm* has not made a *personal recommendation* to a *private customer*, and:
- (a) the *customer* requests it; or
- (b) immediate cover is necessary;
- but in both cases the *firm* must provide the *initial disclosure document* immediately after the conclusion of the contract, in a *durable medium*.

- 4.3.4 G For certain types of *life policies*, such as annuities, it is customary for a *customer* to contact various *firms* for quotations which he can then compare. In these circumstances, it is not necessary for the *firm* to give an *initial disclosure document* (COB 4.3.3R(1)(i)) at the time that the quotation is provided, if the quotation cannot be accepted (and a contract cannot be formed) without the *firm* obtaining further information from the *customer*.

Provision of fees and commission statement on request

- 4.3.5 R A *firm* must take reasonable steps to ensure that it provides a *private customer* with an appropriate *fees and commission statement* whenever requested to do so.

Firms which charge fees

- 4.3.6 R (1) A *firm* must before starting to act for a *private customer* on the basis of a *fee charging arrangement*:
- (a) secure the *customer's* agreement to the particular rate or amount which the *firm* will charge for its services; and
 - (b) provide the *customer* with a record in a *durable medium* of the particular *fee charging arrangement* which will apply unless the *firm* starts to act for the *private customer* during a telephone call, in which case this record must be forwarded to the *customer* on conclusion of the call.
- (2) A *firm* which charges a *private customer* a *fee* must do so on the basis that it will, in respect of any *commission* which it receives in respect of transactions in *packaged products* for that *customer* (and to which the particular *fee charging arrangement* relates), ensure the value of that *commission* is transferred to the *customer* by one or more of the following:
- (a) reducing the amount of its *fee*;
 - (b) arranging for the amount invested by the *customer* to be increased; or
 - (c) refunding the amount of the *commission* to the *customer*;
- except that this does not prohibit such a *firm* from agreeing with the *customer* (in writing) that it will retain an amount or rate of trail or renewal *commission* up to an amount each year specified in the agreement and so small, relative to the overall amount of fees paid by the *customer*, that it would be manifestly disproportionate for the *firm* to be required to account to the *customer* in one of the ways outlined in (a) to (c).

Ongoing disclosure

- 4.3.7 R (1) A *firm* which has started to provide a *private customer* with services in relation to *packaged products* following the provision of a *fees and commission statement* must not (at least until the completion of those services):
- (a) increase the rate or amount of the *fees* it is charging the *customer*; or
 - (b) subject to (4), arrange to retain any *commission* which exceeds the maximum amount or rate disclosed in the *statement*;
- without first providing a further appropriate *statement* and obtaining the *customer's* prior consent to the proposed alteration in a *durable medium*.

- (2) A *firm* which in accordance with (1) secures a *private customer's* agreement to retain an increased rate or amount of *commission* must ensure that, if it subsequently provides the *customer* with a *suitability letter*, it includes an explanation of why it was necessary for the *firm* to recommend a *packaged product* in respect of which the *firm* will retain such higher *commission* or *fees*.
- (3) If a *firm* decides to provide a *private customer* with *advice on investments* on a type of *packaged product* (which falls within a product group specified in Note 14 to COB 4, Annex 6R) in relation to which the *fees and commission statement* previously given to the *customer* does not contain the information required in Note 14 to COB 4, Annex 6R, it must issue a new and appropriate *statement* to that *customer*.
- (4) (a) Notwithstanding (1)(b) a *firm* is not required to provide a further *fees and commission statement* for the purposes of (1) if:
 - (i) the maximum amounts or rates disclosed in the *statement* already provided to the *customer* only apply to policies of the example term or age of *policyholder* given in the *fees and commission statement* or to policies with shorter terms; and
 - (ii) the *firm* arranges a policy for a term longer than the example term in the *statement* (or longer than the term deemed for the example age given) and the increase in the *commission* which the *firm* arranges to retain over the maximum disclosed in the *statement* is not more than an amount that is directly proportional to the increase in the duration of the term of the policy (or to the term deemed from the age of *policyholder*).
- (b) If requested by a *customer*, a *firm* must explain the basis of the higher maximum *commission* or *fees* charged in accordance with (4)(a)(ii).

- 4.3.8 G (1) COB 4.3.7R (4) is intended to allow *firms* to arrange policies for a longer term than that given as the example in the *fees and commission statement* without requiring any further disclosure but only if the *commissions* the *firm* arranges to retain are directly proportional to the maximum *commissions* disclosed in the *statement* having regard to the duration of the policy. For example, if the *statement* disclosed a maximum *commission* of 10% on a 10 year policy, then on a 20 year policy the maximum *commission* the *firm* could arrange to retain is 20% without further disclosure
- (2) The maximum *commissions* that apply to *policies* of a particular term also apply as the relevant maxima for *policies* with a shorter duration. The *rule* is of no application in circumstances where a *firm* arranges to retain *commission* exceeding the maximum disclosed in the *fees and commission statement* if the policy arranged has a term shorter than the example given in the *statement*.
 - (3) Long-term care and whole of life *policies*, for which the example given in the *fees and commission statement* refers to the age of the *policyholder*, are deemed to have a term equal to the difference between the age of the *policyholder* (at the time that the policy is taken out) and the age of 85.

Initial disclosure document

- 4.3.9 R (1) An *initial disclosure document* must contain the keyfacts logo, headings and text in the order shown in *COB 4*, Annex 4R and in accordance with the Notes.
- (2) A *combined initial disclosure document* must contain the keyfacts logo, headings and text in the order shown in *COB 4*, Annex 5R and in accordance with the Notes.
- (3) If a *private customer* so requests, a *firm* should be able to provide an explanation of the basis on which it has chosen to market the particular *packaged products* within the *range* from which *advice on investments* will be given to that *customer* including an explanation of why the *firm* has selected particular *product providers*.
- (4) Information given in the initial disclosure information about compensation arrangements made by an *investment firm* must:
- (a) (if it relates to the activities of an *establishment* in the *United Kingdom*) be in English; or
- (b) (if it relates to the activities of a *branch* in another *EEA State*) be in an official language of that *EEA State*.
- (5) Information given in the initial disclosure information about the *insurance mediation activities* of a *firm* must be in English, unless the *customer* requests it to be, and the *firm* agrees to it being, in another language.
- 4.3.10 G *Firms* can obtain from the *FSA* website <http://www.fsa.gov.uk> a specimen of the *initial disclosure document*. Subject to *COB 4.3.9R*, a *firm* may produce its *initial disclosure document* by using its own house style and brand.

Fees and commission statement

- 4.3.11 R (1) A *fees and commission statement* must contain the keyfacts logo, heading and text in the order shown in *COB 4*, Annex 6R and in accordance with the Notes.
- (2) A *firm* must maintain as many versions of the *fees and commission statement* set out at *COB 4* Annex 6R as are appropriate to the different bases on which it may conduct business with *private customers*:
- (a) *fee* only (version 1);
- (b) *commission* (or *equivalent*) only (version 2);
- (c) *fee* or *commission* (or *equivalent*) (version 3);
- (d) *fee* or *commission* (or *equivalent*); or combination of *commission* (or *equivalent*) and *fee* (version 4);
- (e) *commission* (or *equivalent*); or combination of *commission* (or *equivalent*) and *fee* (version 5);
- (f) *fee*; or combination of *commission* (or *equivalent*) and *fee* (version 6).
- (3) A *firm* must keep its *fees and commission statements* up to date and keep a record of each *statement* for a period of six years from the date on which it was updated or replaced.

- (4) A *firm* must maintain a record of each particular *fees and commission statement* which it provides to a *private customer* (other than when given merely in response to a request).

4.3.12 G Where, as envisaged in COB 4.3.5R, a *firm* is asked to provide a *fees and commission statement* by a *person* with whom the *firm* has had no prior contact it may provide the *fees and commission statement* which is appropriate for its typical or most prevalent *customer* type and the business it conducts with them.

- 4.3.13 G (1) COB 4.3.11 requires a *firm* to maintain statements showing the amount it may charge its *customers* by way of *fees*, or which it may receive from others by way of *commission*, in either case in respect of services it provides in relation to the sale of *packaged products*. Consistent with COB 5.1 and COB 5.5 the basis on which a *firm* may provide such services may differ from *customer* to *customer* (for example as to whether the *firm* will select from the whole market, or a limited number of *product providers*).
- (2) A *firm* may maintain more than one version of the *fees and commission statement* but if it does, it must take reasonable steps to ensure that the statement provided to each *customer* in their initial contact is consistent with the description of the services given to the *customer* in the *firm's initial disclosure document* (as required by COB 4.3.3R) and with the record of the *range of packaged products* which the *firm* has supplied to the *customer* or which it would supply on request to the *customer* in accordance with COB 4.3.15R.
- (3) If a *firm* alters the nature of the services it provides for any *customer* then it may also change the basis or amount by which it will be remunerated whether by *fees* or *commission*. A *firm* proposing to make such a change should first provide the *customer* with a new *fees and commission statement* and explain its proposed altered basis for charging and receiving *commission* and seek the *customer's* consent to proceeding on that basis. A *firm* may when conducting further and separate services with a *customer* seek to do so on the basis of different arrangements for its remuneration.

Record for distribution of range of packaged products

4.3.14 R A *firm* which operates with a *range (or ranges) of packaged products* must produce in a *durable medium*, and in a form which is appropriate for distribution to *private customers*, the record of its *range (or ranges) of packaged products* which it maintains for the purposes of COB 5.1.6AR (1).

4.3.15 R A *firm* must take reasonable steps to ensure that its *representatives* provide a copy of the appropriate *range of packaged products* on the request of a *private customer* having regard to the services it is providing or may provide to the *customer*.

keyfacts information, terms of business and telephone sales

4.3.16 G (1) COB 4.3.17R and 4.3.18R enable provision by a *firm* of an *initial disclosure document* to a *private customer* to be taken as compliance also with analogous information provision requirements contained in COB 4.2 (Terms of business and client agreements with customers).

- (2) In cases where *firms* make initial contact with a *customer* on the telephone a *firm* may, in addition, have to take into account and comply with the additional requirements applicable to the conclusion of *distance contracts*. *COB 4.3.18R* expands on the items of information which a firm is required to give in accordance with *COB 4, Annex 1R* so that where the firm expects to conduct business relating to *packaged products* adequate information is given during the telephone call about the nature and scope of the services which the *firm* will or may provide.
- 4.3.17 R (1) A *firm* which complies with *COB 4.3.3R* will, in respect of any requirement imposed by *COB 4.2* as to the delivery or content of information to be included in its *terms of business*, be regarded as complying with any such analogous requirement.
- (2) Any information required by *COB 4.2* which is not covered by (1) may be satisfied by it being included at the end of an *initial disclosure document* which is given to a *private customer* in accordance with *COB 4.3.3R* or, if provided at the same time, by way of separate items of information.
- 4.3.18 R (1) Where a *firm's* initial contact with a *private customer* (for a purpose set out in *COB 4.3.3R*) is by telephone then the following information must be provided and requirements satisfied before proceeding further:
- (a) the name of the *firm* and, if the call is initiated by or on behalf of a *firm*, the commercial purpose of the call;
 - (b) whether the *firm* offers *packaged products* from the whole market or from a limited number of companies or from a single company or single group of companies;
 - (c) whether the *firm* will provide the *customer* with *advice on investments on packaged products*;
 - (d) if the *firm* does not offer products from the whole market, that the *customer* can request a copy of the appropriate *range of packaged products*;
 - (e) whether the *firm* offers a *fee based service*, a *commission based service*, a service based on a combination of fee and commission, or a combination of these three types of services, and the consequences for the *customer* of proceeding with each type of service;
 - (f) that the information given under (a) to (e) will subsequently be confirmed in writing.
- (2) A *firm* which complies with (1) will, subject to (3), satisfy the condition set out in item (1) of *COB 4, Annex 1R*.
- (3) If during the course of a telephone call a *firm* is to conclude a contract (whether for the provision of a mediation services and/or for the purchase or sale of a *packaged product*), it must as well as complying with (1) and (2) above satisfy the requirement in *COB 4.2.5R* and *COB 4, Annex 1R*.
- (4) If a *firm's* initial contact with a *private customer* by telephone is such that *COB 4.3.3R* (other than *COB 4.3.3R(2)(a)(ii)*) applies then, subject to any relevant exclusions, it must send the *customer* an *initial disclosure document* and a *fees and commission statement* as soon as is reasonably practicable following the conclusion of the call.

Intermediate customers and market counterparties (and private customers who are introduced): disclosure before conclusion of the contract or immediately after conclusion of the contract

- 4.3.19 R (1) *COB* 4.3.20R to 4.3.25R apply to a *firm*, other than an *insurer*, when it conducts any of the following in relation to *life policies* with or for an *intermediate customer* or a *market counterparty*:
- (a) *advising on investments*; or
 - (b) *dealing*; or
 - (c) *arranging*
- (2) *COB* 4.3.26R (disclosure by introducers) applies to a *firm*:
- (a) when it *introduces* a *private customer* to another *firm*;
 - (b) other than an *insurer* when it *introduces* an *intermediate customer* or *market counterparty* to another *firm*.
- 4.3.20 R (1) The information in *COB* 4.3.21R must be provided to the *client* in a *durable medium* at any time before conclusion of the contract, and if necessary upon amendment or renewal thereof, unless (2) or (4) applies.
- (2) The information in *COB* 4.3.21R:
- (a) may be provided orally if:
 - (i) the *client* requests this; or
 - (ii) the *client* requires immediate cover;
 - (b) need not be provided before conclusion of the contract if the contract is concluded by telephone, but if the *client* is a *retail customer* the requirements in *COB* 4.2.5R and *COB* 4, Annex 1R must be satisfied.
- (3) If (2) applies, the *client* must be provided with the information in *COB* 4.3.21R in a *durable medium* immediately after the conclusion of the contract.
- (4) The requirements in (1) do not apply to the extent that the information has already been given to the *client* on a previous occasion and that information is still likely to be accurate and up to date.
- 4.3.21 R Table Information to be provided before conclusion of the contract or immediately after conclusion of the contract.

This table belongs to *COB* 4.3.20R

1.	The name and address of the <i>firm</i> and, where relevant, the name and address of the <i>appointed representative</i> .
2.	The <i>firm's</i> statutory status (in accordance with <i>GEN</i> Ann 1R (Statutory status disclosure)).
3.	That items 1 and 2 can be checked on the <i>FSA Register</i> by visiting the <i>FSA's</i> website www.fsa.gov.uk/register or by contacting the <i>FSA</i> on 0845 606 1234.
4.	Whether the <i>firm</i> or any <i>appointed representative</i> of the <i>firm</i> has any holding, direct or indirect, representing more than 10 per cent of the voting rights or of the capital in an <i>insurance undertaking</i> .
5.	Whether an <i>insurance undertaking</i> or parent of an <i>insurance undertaking</i>

	has a holding, direct or indirect, representing more than 10 per cent of the voting rights or of the capital in the <i>firm</i> or in any <i>appointed representative</i> of the <i>firm</i> .
6.	In relation to the <i>life policy</i> provided, whether the <i>firm</i> offers the product: <ul style="list-style-type: none"> (a) on the basis of a fair analysis of the market; or (b) from a limited number of <i>insurance undertakings</i>; or (c) from a single <i>insurance undertaking</i>. If (b) or (c) apply, the <i>firm</i> must also disclose whether it is contractually obliged to conduct <i>insurance mediation activity</i> in this way.
7.	If the contract has not been offered on the basis of a fair analysis of the market, that the <i>client</i> can request a copy of the list of the <i>insurance undertakings</i> from which the <i>firm</i> has offered the product.
8.	How to complain to the <i>firm</i> and, where relevant, that complaints may subsequently be referred to a named complaints scheme.
9.	Where relevant, that compensation may be available from a named compensation scheme should the <i>firm</i> be unable to meet its liabilities; the <i>firm</i> must describe the extent and level of cover and how further information can be obtained.

- 4.3.22 R (1) A *firm* must provide the information specified in COB 4.3.21R (9):
- (a) (if it relates to the activities of an *establishment* in the *United Kingdom*) in English; or
 - (b) (if it relates to the activities of a *branch* in another *EEA State*) in an official language of that *EEA State*.
- (2) The information provided by a *firm* pursuant to COB 4.3.20R and which relates to the *firm's insurance mediation activities*, must be in English, unless the *customer* requests it to be, and the *firm* agrees to it being, in another language.
- 4.3.23 G A *firm* can, subject to COB 4.3.24G, comply with COB 4.3.20R by providing the information specified in COB 4.3.21R in an *initial disclosure document* or, if appropriate, a *combined initial disclosure document*.
- 4.3.24 G A *firm* that provides the information required by COB 4.3.20R in an *initial disclosure document* or *combined initial disclosure document* may amend or delete sections of the document subject to the following:
- (a) the *firm* must not include the keyfacts logo and the heading and text in Section 1 unless it uses the document in full and without altering the text other than that in sections 5, 7 and 8, which may be amended or deleted; and
 - (b) the *firm* must still provide the information covered by the amended or deleted sections if required to do so by COB 4.3.20R.
- Information to be provided to clients on request
- 4.3.25 R (1) A *firm* that provides a service of a type described in COB 4.3.21R (6)(b) or (c) must maintain, and keep up to date, for each type of *life policy* it deals with, a list of *insurance undertakings* it deals with.
- (2) The information in (1) must be maintained in a form which allows a copy to

be provided to a *client* on request, in accordance with COB 4.3.21R (7), in a *durable medium*.

Disclosure by introducers

- 4.3.26 R (1) A *firm* that only *introduces* a *client* to another *firm* with a view to a transaction in a *life policy*, must provide the information in COB 4.3.21R (1) and (2) at the time it makes initial contact with the *client*. The information may be provided orally.
- (2) If the information required in (1) is provided orally, the information in COB 4.3.21R (1) and (2) must be provided in a *durable medium* immediately after the initial contact between the *firm* and the *client*.

Group Personal Pensions

- 4.3.27 R A *firm* must take reasonable steps to ensure that its *representatives* on first making contact with an employee with a view to advising on his employer's *group personal pension scheme* or *stakeholder pension scheme*, inform the employee:
- (1) that the *firm* will be providing *advice on investments* on *group personal pension schemes* and/or *stakeholder pension schemes* provided by the employer;
- (2) whether the employee will be provided with *advice on investments*:
- (a) that is restricted to the *group personal pension scheme* or *stakeholder pension scheme* provided the employer; or
- (b) the matters in (a) and other products;
- (3) the amount and nature (ie *fees* and/or *commission* (or *equivalent*)) and/or a combination of *fees* and *commission* (or *equivalent*)) of any payments that the employee will have to pay for the *advice on investments*.

Insert after COB 4 Annex 3 the following new annexes: Annex 4R, Annex 5R, Annex 6R, Annex 7R, Annex 8G and Annex 9G:

COB 4 Annex 4 R: Initial disclosure document required by COB 4.3.9 R (1) ("IDD")

1. Firms should omit the notes and square brackets which appear in the following specimen.

The IDD must contain the keyfacts logo, headings and text in the order shown and in accordance with the notes. **[Note 1]**



about our services **[Note 2]**



Financial Services

[Note 5]
[123 Any Street
Some Town
ST21 7QB]

[Note 3] **[Note 4]**

1. The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. It requires us to give you this document. Use this information to decide if our services are right for you.

2. Whose products do we offer? **[Note 6]** **[Note 7]**

- We offer products from the whole market. **[Note 6A]**
- We [can] **[Note 8]** only offer products from a limited number of companies.
 Ask us for a list of the companies and products we offer. **[Note 11]**
- We [can] **[Note 8]** only offer [a] product[s] from [a single group of companies] [name of single company]. **[Note 9(1)]** **[Note 12]**
 [or] **[Note 9(2)]**
 We only offer our own products.
Ask us for a list of the companies and products we offer. **[Note 11]**

3. Which service will we provide you with? [Note 6]

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.
- We will ask questions about your income, savings and other circumstances in order to provide basic advice on stakeholder products but we will not:
- conduct a full assessment of your needs;
 - consider whether any other product outside the range we offer may be more suitable. **[Note 6A]**

4. What will you have to pay us for our services?

- Before we provide you with advice, we will give you our keyfacts guide 'about the cost of our services'.**[Note 13]**
- We will tell you how we get paid, and the amount, before we carry out any business for you.

5. Who regulates us? [Note 14]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] **[Note 15]** **[Note 16]** is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. **[Note 17]**

Our permitted business is []. **[Note 18]**

[or] **[Note 19]**

[Name of *appointed representative*] **[Notes 3 and 4]****[Note 3]** **[Note 4]** is an appointed representative of [name of *firm*] [address of *firm*] **[Note 15]** **[Note 16]** which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] **[Note 18]**

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

6. Loans and ownership [Note 20]

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.]
[Note 20][Note 21]Note 22][Note 23]

7. What to do if you have a complaint [Note 14]

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 24]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 25]

8. Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 14]
[Note 26] [Note 26A]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

Further information about compensation scheme arrangements is available from the FSCS.

The following notes do not form part of the IDD.

Note 1 – subject to this, a *firm* may use its own house style and brand.

Note 2 – the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *customers*. The keyfacts logo and the text 'about our services' must be used and positioned as shown in the IDD. The logo may be re-sized, but it must be reasonably prominent and its proportions must not be distorted. When reproducing the logo, *firms* may use colour providing this does not diminish the prominence of the logo. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 3 – insert the *firm's* or *appointed representative's* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included.

Note 4 – if an individual who is employed or engaged by an *appointed representative* provides the information, the individual should not put his or her own name on the IDD.

Note 5 – insert the head office or if more appropriate the principal place of business from which the *firm* or *appointed representative* expects to conduct business (this can include a *branch*) with *customers*. (An *appointed representative* must not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer?

Note 6 – The *firm* must select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *customer*. This needs to be done only in relation to the service it is offering to a particular *customer*.

Note 6A – if a *firm* indicates that it will be providing *basic advice on stakeholder products* then the first box in section 2 must not be ticked as the *firm* will not be doing so on the basis of *advice on investments* from the whole market.

Note 7 - if the IDD is provided by an *appointed representative*, the service described must be that offered by the *appointed representative*, in accordance with *COB 5*.

Note 8 – insert “can” if the *firm's* range of products is determined by any contractual obligation. This does not apply where a *product provider, insurer, lender* or company is selling its own products.

Note 9 – if the *firm* selects this box, it will be offering the products of one provider to the *customer*. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. If the *firm* does not select this box, then the text must follow that set out in Note 12 below.

- (1) Insert the name of the provider. For example: "We can only offer products from [name of *product provider*]". If the provider has only one product, the *firm* must amend the text to the singular – for example: "We can only offer a pension from [name of lender]".

- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part's trading name, it should use this alternative text.

Note 11 – this sentence is required only where a *firm* selects this service option. The list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *customer*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOB 4.2.14R*.

Note 12 – if the *firm* does not select this box, it must alter the wording to say "a single group of companies". For example: "We only offer the products from a single group of companies" should replace the text in the specimen *IDD*.

Section 4: What will you have to pay us for our services?

Note 13 – *firms* are only required to provide a *private customer* with an appropriate keyfacts guide 'about the costs of our services' (i.e. a menu) if they propose to give that *customer advice on investments on packaged products*. Where a *firm* is not required to provide that *customer* with a menu because the *firm* does not intend to give him *advice on investments on packaged products*, then it should tick the second box in section 4.

Section 5: Who regulates us?

Note 14 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *customer*, provided the *customer* with its *terms of business* which contains that information including the *firm's permitted business*. If this section is omitted, the other sections of the *IDD* must be renumbered accordingly.

Note 15 – if the *firm's* address on the *FSA Register* differs from that given on the *IDD* under note 5, the address on the *FSA Register* must be given in this section. If the address is the same as that given under note 5 it should be repeated in this section.

Note 16 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it must include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 17 - an *incoming EEA firm* will need to modify this section if it chooses to use this *IDD* (see *GEN 4 Ann 1R(2)*).

Note 18 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 19 – where the information is provided by an *appointed representative*, the *appointed representative* must use this text instead. The *appointed representative* must give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *customer*.

Section 6: Loans and ownership

Note 20 – omit this section where there are no relevant loan or ownership arrangements under the following notes. If this section is omitted the other sections of the IDD must be renumbered accordingly. Where the information is provided by an *appointed representative*, it must cover loans made to or by that *appointed representative*, or holdings in or held by that *appointed representative*, as appropriate.

Note 21 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider of *packaged products* or by the parent of the provider.

Note 22 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider of *packaged products* which is held by the *firm*.

Note 23 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Section 7: What to do if you have a complaint

Note 24 - if different to the address in note 5, give the address and telephone number which is to be used by *customers* wishing to complain.

Note 25 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it must make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 26 – when an *incoming EEA firm* provides the CIDD, it must modify this section as appropriate.

Note 26A - when a *firm* which is not a *participant firm* provides the CIDD, it must answer this question 'No' and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained.

COB 4 Annex 5 R: Combined initial disclosure document required by COB 4.3.9 R (2) (“CIDD”)

1. Firms should omit the notes, asterisks and square brackets which appear in the following specimen.

This specimen covers services in relation to *packaged products, non-investment insurance contracts and regulated mortgage contracts* (including *regulated lifetime mortgage contracts* and home reversion schemes). If the *firm* is only providing services in relation to two types of these products, the parts of the CIDD that are not relevant must be omitted. *Firms* must omit the notes and square brackets that appear in the following CIDD. The CIDD must contain the keyfacts logo, headings and text in the order shown and in accordance with the notes.

[Note 1]



about our services [Note 2]



Financial Services

[Note 5]
[123 Any
Street
Some Town
ST21 7QB]

[Note 3] [Note 4]

1 The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. It requires us to give you this document. Use this information to decide if our services are right for you.

2 Whose products do we offer? [Note 6] [Note 7]

Investment

We offer products from the whole market. [Note 6A]

We [can] [Note 8] only offer products from a limited number of companies.

Ask us for a list of the companies and products we offer. [Note 12]

We [can] [Note 8] only offer [a] product[s] from [a single group of companies] [name of single company]. [Note 10(1)] [Note 13]

[or] [Note 10(2)]

We only offer our own products.

Ask us for a list of the companies and products we offer. [Note 12]

Insurance

- We offer products from a range of insurers [for] [list the types of *non-investment insurance contracts*].
- We [can] [**Note 8**] only offer products from a limited number of insurers [for] [list the types of *non-investment insurance contracts*].

Ask us for a list of the insurers we offer insurance from. [**Note 12**]

- We [can] [**Note 8**] only offer [a] product[s] from [a single insurer] [name of single *insurance undertaking*] [for] [list the types of *non-investment insurance contracts*]. [**Note 9**] [**Note 10(1)**] [**Note 13**]

[or] [**Note 10(2)**]

We only offer our own products for [list the types of *non-investment insurance contracts*].

[Lifetime] Mortgages [and home reversion schemes] [**Note 14**]

- We offer mortgages from the whole market.
- We [can] [**Note 8**] only offer mortgages from a limited number of lenders.

Ask us for a list of the lenders we offer mortgages from. [**Note 11**]

- We [can] [**Note 8**] only offer [a limited range of the] [a] mortgage[s] from [a single lender] [name of single lender]. [**Note 10(1)**][**Note 13**]

[or] [**Note 10(2)**]

We only offer our own mortgages.

3 Which service will we provide you with? [**Note 6**]

Investment

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.
- We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances but we will not:

- Conduct a full assessment of your needs;
- Offer advice on whether a non-stakeholder product may be more suitable

[Note 6A]

Insurance

- We will advise and make a recommendation for you after we have assessed your needs [for] [list the types of *non-investment insurance contracts*].
- You will not receive advice or a recommendation from us [for] [list the types of *non-investment insurance contracts*]. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

4 What will you have to pay us for our services?

Investment

- Before we provide you with advice, we will give you our keyfacts guide 'about the cost of our services'. [Note 15]
- We will tell you how we get paid, and the amount, before we carry out any business for you.

Insurance [Note 16]

- A fee [of £ []] [for] [list the types of services provided for *non-investment insurance contracts*].
- No fee [for] [list the types of services provided for *non-investment insurance contracts*].

You will receive a quotation which will tell you about any other fees relating to any particular insurance policy.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- No fee. [We will be paid by commission from the [lender/company].] [Note 17]

- A fee of £[] payable at the outset and £[] payable when you apply for a [lifetime] mortgage [or home reversion scheme]. [We will also be paid commission from the [lender/company.]] [Note 17] [Note 18]

You will receive a key facts illustration when considering a particular [lifetime] mortgage, [or further information about a particular home reversion scheme] which will tell you about any fees relating to it. [Note 14]

Refund of fees [Note 19] [Note 14]

If we charge you a fee, and your [lifetime] mortgage [or home reversion scheme] does not go ahead, you will receive:

[Note 20]

- A full refund [if the [lender/company] rejects your application]. [Note 21]
- A refund of £ [] [if your application falls through]. [Note 21] [Note 22]
- No refund [if you decide not to proceed]. [Note 21]

5 Who regulates us? [Note 23]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 24] [Note 25] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 26]

Our permitted business is []. [Note 27]

[or] [Note 28]

[Name of *appointed representative*] [Note 3] [Note 4] is an appointed representative of [name of *firm*] [address of *firm*] [Note 24] [Note 25] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] [Note 27]

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

[Home reversion schemes are not regulated by the FSA.] [Note 14]

6 Loans and ownership [Note 29]

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.] [Note 29][Note 30][Note 31][Note 32][Note 33][Note 34]

7 What to do if you have a complaint [Note 23]

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 35]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 36] [Note 36A] [Note 37] [The Financial Ombudsman Service does not consider complaints about home reversion schemes.] [Note 14]

8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 23] [Note 38] [Note 38A]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Investment

Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

Insurance

Insurance advising and arranging is covered for 100% of the first £2,000 and 90% of the remainder of the claim, without any upper limit.

[or] [Note 39] [Note 39A]

For compulsory classes of insurance, insurance advising and arranging is covered for 100% of the claim, without any upper limit.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

Mortgage advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. [Home reversion schemes are not covered by the Financial Services Compensation Scheme.] [Note 14]

Further information about compensation scheme arrangements is available from the FSCS.

[Note 40] Message from the Financial Services Authority

Think carefully about this information before deciding whether you want to go ahead. If you are at all unsure about which lifetime mortgage or home reversion scheme is right for you, you should ask your adviser to make a recommendation.

Please remember that home reversion schemes are not regulated by the FSA.

The following notes do not form part of the CIDD.

Note 1 – subject to this, a *firm* may use its own house style and brand.

Note 2 – the *Financial Services Authority* has developed a common key facts logo to be used on significant pieces of information directed to *customers*. The key facts logo and the text 'about our services' must be used and positioned as shown in the CIDD. The logo may be re-sized, but it must be reasonably prominent and its proportions must not be distorted. When reproducing the logo, *firms* may use colour providing this does not diminish the prominence of the logo. A specimen of the key facts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 3 – insert the *firm's* or *appointed representative's* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included.

Note 4 – if an individual who is employed or engaged by an *appointed representative* provides the information, the individual should not put his or her own name on the CIDD.

Note 5 – insert the head office or if more appropriate the principal place of business from which the *firm* or *appointed representative* expects to conduct business (this can include a *branch*) with *customers*. (An *appointed representative* must not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer?

Note 6 – for services in relation to *packaged products* and *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes the *firm* must select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *customer*. For services in relation to *non-investment insurance contracts*, the *firm* must select more than one box if the scope of the service or the type of service it provides to a particular *customer* varies by type of contract. For example, if it deals with a single *insurance undertaking* for motor insurance and a range of *insurance undertakings* for household insurance or if it provides *advice* on some types of contract but not others. In the case where more than one box is selected, the *firm* should specify which box relates to which type of *non-investment insurance contract*, by adding text to the CIDD. This needs to be done only in relation to the service it is offering to a particular *customer*.

Note 6A – if a *firm* indicates that it will be providing *basic advice on stakeholder products* then the first box in section 2 must not be ticked as the *firm* will not be doing so on the basis of *advice on investments* from the whole market.

Note 7 - if the CIDD is provided by an *appointed representative*, the service described must be that offered by the *appointed representative*, in accordance with *COB 5*, *ICOB 4.2.8R* note 1(e) and *MCOB 4.3.10R*.

Note 8 – insert “can” if the *firm's* range of products is determined by any contractual obligation. This does not apply where a *product provider*, *insurer*, lender or company is selling its own products.

Note 9 – if the *insurance intermediary* deals with a different *insurance undertaking* for different types of *non-investment insurance contracts*, it should identify all the *insurance undertakings* and specify the type of contract to which they relate on the CIDD. This only needs to be done in

relation to the service it is offering a particular *customer*. For example, “we can only offer products from ABC Insurance for motor insurance and XYZ Insurance for household insurance”.

Note 10 – if the *firm* selects this box, it will be offering the products of one provider to the *customer* for a particular product type. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. In the case of *non-investment insurance contracts*, where the *firm* is providing a service in relation to different types of insurance, this box covers the situation where it is offering a particular type of insurance from a single *insurance undertaking*. If the *firm* does not select this box, then the text must follow that set out in note 13 below.

- (1) Insert the name of the provider, namely the *product provider* for *packaged products*, the *insurance undertaking(s)* for *non-investment insurance contracts*, the lender for *regulated mortgage contracts* and *regulated lifetime mortgage contracts* and the company for home reversion schemes. For example: "We can only offer products from [name of *product provider*]". For *non-investment insurance contracts* the type of insurance offered should also be included. For example: "We only offer XYZ's household insurance and ABC's motor insurance." If the provider has only one product, the *firm* must amend the text to the singular – for example: "We can only offer a mortgage from [name of lender]". If the *firm* does not offer all of the mortgages or home reversion schemes generally available from that provider, it must insert the words "a limited range of" as shown in the specimen.
- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part's trading name, it should use this alternative text.

Note 11 – for services provided in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes, this sentence is required only where a *firm* selects this service option. It may also be omitted if a *firm* chooses to list all of the lenders it offers mortgages from instead of the text "a limited number of lenders", in the previous line, so long as the *firm* offers all of the products generally available from each lender.

Note 12 – this sentence is required only where a *firm* selects this service option. For services provided in relation to *packaged products*, the list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *customer*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOB* 4.2.14R.

Note 13 – if the *firm* does not select this box, it must alter the wording to say "a single group of companies" for *packaged products*, "a single insurer" for *non-investment insurance contracts*, "a single lender" for *regulated mortgage contracts* or *regulated lifetime mortgage contracts* and "a single company" for home reversion schemes. For example: "We only offer the products from a single group of companies" should replace the text in the specimen CIDD.

Note 14 – change “mortgage” to “lifetime mortgage” where the *firm* sells only *regulated lifetime mortgage contracts*. *Firms* must insert the text relating to home reversion schemes and change “mortgage” to “product” and “lender” to “company” if they advise or give personalised information on home reversion schemes in addition to *advising on investments* or giving personalised information on *regulated lifetime mortgage contracts*.

Section 4: What will you have to pay us for our services?

Note 15 – *firms* are only required to provide a *private customer* with an appropriate keyfacts guide "about the cost of our services" (i.e. a menu) if they propose to give that *customer advice on investments on packaged products*. Where a *firm* is not required to provide that *customer* with a menu because the *firm* does not intend to give him *advice on investments on packaged products*, then it should tick the second box in section 4.

Note 16 – if the *customer* will be charged a *fee* for *insurance mediation activities* in connection with *non-investment insurance contracts*, insert a plain language description of what each *fee* is for and when each *fee* is payable. This should include any *fees* for *advising on* or *arranging a non-investment insurance contract* and any *fees* over the life of the contract, for example, for mid-term adjustments. If a *firm* does not charge a *fee* the text in the first box should be abbreviated to 'A fee'. If the *firm* is offering more than one type of service in connection with *non-investment insurance contracts*, the *firm* may aggregate the *fees* over all the services provided, and (if that is the case) identify the services for which there is no *fee*.

Note 17 – if the *firm* receives commission instead of, or in addition to, *fees* from the *customer* for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes, it must insert a plain language explanation of this (see specimen for a plain language example). If the *firm* will pay over to the *customer* any commission the *firm* receives, it may refer to that fact here.

Note 18 – insert a plain language description of when any *fees* are payable for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes. This description could include, for example, a cash amount, a percentage of the loan or reversion amount or the amount per hour, as appropriate. However, where a cash amount is not disclosed, one or more examples of the cash amount must be included. If a *firm* offers more than one pricing option, it may illustrate each with a separate box. If a *firm* does not charge a *fee*, the text for the second box should be abbreviated to 'A fee'.

Note 19 – omit this part of the CIDD on 'Refund of fees' if the *firm* has indicated that there will be "No fee" for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes or that any *fee* will be payable only if the product completes.

Note 20 – *firms* may select as many boxes as appropriate.

Note 21 – insert a short, plain language description of the circumstances in which the *fee* for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes is refundable or not refundable as described.

Note 22 – a *firm* may delete this line if it does not offer a partial refund for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes in any circumstances.

Section 5: Who regulates us?

Note 23 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *customer*, provided the *customer* with its *terms of business* which contains that information including the *firm's permitted business*. This section may be omitted for services relating to *non-investment insurance contracts* if the *firm* provides the information covered by this section where it is required by *ICOB 4.2.8R* to the *customer* by some other means. This section may be omitted for services relating to *regulated mortgage contracts* (including *regulated lifetime mortgage contracts*) and home reversion schemes in accordance with *MCOB 4.4.1R(3)*. If this section is omitted, the other sections of the CIDD must be renumbered accordingly.

Note 24 – if the *firm's* address on the *FSA Register* differs from that given on the CIDD under note 5, the address on the *FSA Register* must be given in this section. If the address is the same as that given under note 5 it should be repeated in this section.

Note 25 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it must include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 26 - an *incoming EEA firm* will need to modify this section if it chooses to use this CIDD (see *GEN 4 Ann 1R(2)*).

Note 27 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 28 – where the information is provided by an *appointed representative*, the *appointed representative* must use this text instead. The *appointed representative* must give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *customer*.

Section 6: Loans and ownership

Note 29 – omit this section where there are no relevant loan or ownership arrangements under the following notes or if the *firm* is an *insurer* selling its own *non-investment insurance contracts*. If this section is omitted the other sections of the CIDD must be renumbered accordingly. If the *firm* is not providing services in relation to *packaged products*, the heading of this section must be changed to 'Ownership'. Where the information is provided by an appointed representative, it must cover loans made to or by that appointed representative or holdings in, or held by, that appointed representative as appropriate.

Notes 30, 31 and 32 apply only to a *firm advising on, dealing in, or arranging* in relation to *packaged products* ~~for private customers~~.

Note 30 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider of *packaged products* or by the parent of the provider.

Note 31 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider of *packaged products* which is held by the *firm*.

Note 32 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Notes 33 and 34 apply to an *insurance intermediary* that is not an *insurer* providing services in relation to *non-investment insurance contracts*.

Note 33 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *insurance intermediary* which is held by an *insurance undertaking* or by the parent of an *insurance undertaking*.

Note 34 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of an *insurance undertaking* which is held by the *insurance intermediary*.

Section 7: What to do if you have a complaint

Note 35 – if different to the address in note 5, give the address and telephone number which is to be used by *customers* wishing to complain.

Note 36 – this text may be omitted for *non-investment insurance contracts* if the *insurance intermediary* is aware that a *commercial customer* would not be an *eligible complainant*.

Note 36A – if the CIDD is provided by an authorised professional firm which is exclusively carrying on non-mainstream regulated activities, the authorised professional firm should delete this sentence and refer to the alternative complaints handling arrangements. It should also omit the information required under note 14.

Note 37 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it must make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 38 – when an *incoming EEA firm* provides the CIDD, it must modify this section as appropriate.

Note 38A - when a *firm* which is not a *participant firm* provides the CIDD, it must answer this question 'No' and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained. It should also omit the information required under note 14.

Note 39 – where the *insurance intermediary* provides a service in relation to a compulsory class of insurance, such as *employers' liability insurance*, it must use this alternative text.

Note 39A – where the *insurance intermediary* provides a service in relation to a contract which covers both a compulsory class of insurance and a class of insurance which is not compulsory, it should indicate the level of compensation that applies to each class.

Lifetime mortgage warning

Note 40 - This warning box should be added when the *firm* sells *regulated lifetime mortgage contracts* or home reversion schemes or both

COB 4 Annex 6R (Fees and Commission Statement required by COB 4.3.11R (1) and (2))

1. (1) Versions of the templates for the *fees and commission statement* prescribed for the purposes of COB 4.3.11R:
 - (a) *fee* only (version 1);
 - (b) *commission* (or *equivalent*) only (version 2);
 - (c) *fee* or *commission* (or *equivalent*) (version 3);
 - (d) *fee* or *commission* (or *equivalent*); or combination of *commission* (or *equivalent*) and *fee* (version 4);
 - (e) *commission* (or *equivalent*); or combination of *commission* (or *equivalent*) and *fee* (version 5); and
 - (f) *fee*; or combination of *commission* (or *equivalent*) and *fee* (version 6).
- (2) *Firms* must omit the notes and square brackets that appear in the following templates. Except to the extent indicated in the Notes set out at the end of this annex, *firms* must use the text, format and type size shown in the templates. In particular, the templates must contain the 'keyfacts' logo, headings and prescribed text in the position and order shown and in accordance with the Notes. Subject to this, a *firm* may use its own house style and brand.

2. Version 1 - fee only template in accordance with COB 4.3.11R.

[Note 1]



about the cost of our services



[Note 2]

Financial Services

[Note 3] Last updated [22 October 2004]

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

1. The Financial Services Authority (FSA)

The FSA is the independent regulator of financial services. It requires us to give you this document when advising on some savings and investments. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services [Note 5]

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

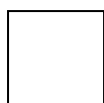
- gather and analyse personal information about you, your finances, your needs and objectives;
 - recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.
-

3. What are your payment options? [Note 6(a)]

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**



Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]



Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up-front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier. [Note 6(e)]

4. How much might our services cost? [Note 7] [Note 8]

We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT. [Note 9]

Our typical charges are: [Note 10]

Principal/Director/Partner	£150-200 per hour
Financial adviser	£100-150 per hour
Administration	£25 per hour

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. [Note 9]

5. Further information [Note 22]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated [22 October 2004]

3. Version 2 - *commission* (or *equivalent*) only template in accordance with COB 4.3.11R.

[Note 1]



about the cost of our services **ABC plc**

[Note 2] **Financial Services**

[Note 3] Last updated [22 October 2004]

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

1. The Financial Services Authority (FSA)

The FSA is the independent regulator of financial services. It requires us to give you this document when advising on some savings and investments. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services [Note 5]

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

- gather and analyse personal information about you, your finances, your needs and objectives;
- recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.

3. What are your payment options? [Note 6a]

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**

Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]

Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier. [Note 6(e)]

4. How much might our services cost? [Note 7] [Note 8]

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £100 per month
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Endowments	10 year term	[Note 18]	[Note 19]	[Note 20]
Protection				
Whole of life assurance	Age 40	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	25 year term	[Note 18]	[Note 19]	[Note 20]
	10 year term	[Note 18]	[Note 19]	[Note 20]

Table 2 - Commission if you invest a lump sum [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £10 000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10 000, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Investment bond	Any	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	Any	[Note 18]	[Note 19]	[Note 20]
At retirement				
Annuities	Any	[Note 18]	[Note 19]	[Note 20]
Income drawdown	Any	[Note 18]	[Note 19]	[Note 20]

Notes:

1. The market average figures are calculated by the FSA using actual data from a representative sample of regulated firms and are shown in a way that you may compare with our own maximum rates. The market average figures will be updated by the FSA from time to time based on new data.
2. Where a firm sells its own products it must calculate its figures according to FSA guidelines. [Note 21]

5. Further information [Note 22]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated [22 October 2004]

4. Version 3 - *fee or commission (or equivalent)* template in accordance with COB 4.3.11R.

[Note 1]

keyfacts

about the cost of our services



[Note 2]

[Note 3] Last updated [22 October 2004]

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

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The FSA is the independent regulator of financial services. It requires us to give you this document when advising on some savings and investments. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services [Note 5]

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

- gather and analyse personal information about you, your finances, your needs and objectives;
 - recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.
-

3. What are your payment options? [Note 6a]

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**



Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]



Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier. [Note 6(e)]

4. How much might our services cost? [Note 7] [Note 8]

If you choose the fee option

We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT. [Note 9]

Our typical charges are: [Note 10]

Principal/Director/Partner **£150-200 per hour**

Financial adviser **£100-150 per hour**

Administration **£25 per hour**

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. [Note 9]

If you choose the commission option

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £100 per month
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Endowments	10 year term	[Note 18]	[Note 19]	[Note 20]
Protection				
Whole of life assurance	Age 40	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	25 year term	[Note 18]	[Note 19]	[Note 20]
	10 year term	[Note 18]	[Note 19]	[Note 20]

Table 2 - Commission if you invest a lump sum [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £10 000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10 000, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Investment bond	Any	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	Any	[Note 18]	[Note 19]	[Note 20]
At retirement				
Annuities	Any	[Note 18]	[Note 19]	[Note 20]
Income drawdown	Any	[Note 18]	[Note 19]	[Note 20]

Notes:

1. The market average figures are calculated by the FSA using actual data from a representative sample of regulated firms and are shown in a way that you may compare with our own maximum rates. The market average figures will be updated by the FSA from time to time based on new data.
2. Where a firm sells its own products it must calculate its figures according to FSA guidelines. **[Note 21]**

5. Further information [Note 22]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated [22 October 2004]

5. Version 4 - *fee* or *commission* (or *equivalent*); or combination of *commission* (or *equivalent*) and *fee* template in accordance with COB 4.3.11R.

[Note 1]



about the cost of our services



[Note 2]

[Note 3] Last updated [22 October 2004]

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

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The FSA is the independent regulator of financial services. It requires us to give you this document when advising on some savings and investments. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services [Note 5]

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

- gather and analyse personal information about you, your finances, your needs and objectives;
- recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.

3. What are your payment options? [Note 6a]

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**



Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]



Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier. [Note 6(e)]



Paying by a combination of commission and fee. In some circumstances, we also charge a fee on top of any commission we might receive. [Note 6(f)(g)]

4. How much might our services cost? [Note 7] [Note 8]

If you choose the fee option

We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT. [Note 9]

Our typical charges are: [Note 10]

Principal/Director/Partner	£150-200 per hour
Financial adviser	£100-150 per hour
Administration	£25 per hour

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. [Note 9]

If you choose the combination of commission and fee option [Note 11]

We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will not exceed the total of the maximum fees set out above and the maximum commission set out in the tables below.

If you choose the commission option

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £100 per month
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>
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Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
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Protection				
Whole of life assurance	Age 40	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	25 year term	[Note 18]	[Note 19]	[Note 20]
	10 year term	[Note 18]	[Note 19]	[Note 20]

Table 2 - Commission if you invest a lump sum [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £10 000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10 000, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Investment bond	Any	[Note 18]	[Note 19]	[Note 20]
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At retirement				
Annuities	Any	[Note 18]	[Note 19]	[Note 20]
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Notes:

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2. Where a firm sells its own products it must calculate its figures according to FSA guidelines. [Note 21]

5. Further information [Note 22]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated [22 October 2004]

6. Version 5 - *commission* (or *equivalent*); or combination of *commission* (or *equivalent*) and *fee* template in accordance with COB 4.3.11R.

[Note 1]



keyfacts

about the cost of our services

[Note 2]

[Note 3] Last updated [22 October 2004]

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

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Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]

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Paying by a combination of commission and fee. In some circumstances, we also charge a fee on top of any commission we might receive. [Note 6(f)(g)]

4. How much might our services cost? [Note 7] [Note 8]

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Our typical charges are: [Note 10]

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Financial adviser	£100-150 per hour
Administration	£25 per hour

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. [Note 9]

If you choose the combination of commission and fee option [Note 11]

We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will not exceed the total of the maximum fees set out above and the maximum commission set out in the tables below.

If you choose the commission option

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly [Notes 12- 17]

Products	Example term or age	Comparison of costs		Example based on £100 per month
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>
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Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Endowments	10 year term	[Note 18]	[Note 19]	[Note 20]
Protection				
Whole of life assurance	Age 40	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	25 year term	[Note 18]	[Note 19]	[Note 20]
	10 year term	[Note 18]	[Note 19]	[Note 20]

Table 2 - Commission if you invest a lump sum [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £10 000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10 000, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Investment bond	Any	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	Any	[Note 18]	[Note 19]	[Note 20]
At retirement				
Annuities	Any	[Note 18]	[Note 19]	[Note 20]
Income drawdown	Any	[Note 18]	[Note 19]	[Note 20]

Notes:

1. The market average figures are calculated by the FSA using actual data from a representative sample of regulated firms and are shown in a way that you may compare with our own maximum rates. The market average figures will be updated by the FSA from time to time based on new data.
2. Where a firm sells its own products it must calculate its figures according to FSA guidelines. [Note 21]

5. Further information [Note 22]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated [22 October 2004]

7. Version 6 *fee*; or combination of *commission* (or *equivalent*) and *fee* template in accordance with COB 4.3.11R.

[Note 1]

keyfacts about the cost of our services **ABC plc**
Financial Services
[Note 2]

[Note 3] Last updated [22 October 2004]

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

1. The Financial Services Authority (FSA)

The FSA is the independent regulator of financial services. It requires us to give you this document when advising on some savings and investments. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services [Note 5]

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

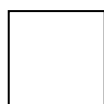
- gather and analyse personal information about you, your finances, your needs and objectives;
- recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.

3. What are your payment options? [Note 6a]

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**



Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]



Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier. [Note 6(e)]



Paying by a combination of commission and fee. In some circumstances, we also charge a fee on top of any commission we might receive. [Note 6(f)(g)]

4. How much might our services cost? [Note 7] [Note 8]

If you choose the fee option

We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT. [Note 9]

Our typical charges are: [Note 10]

Principal/Director/Partner	£150-200 per hour
Financial adviser	£100-150 per hour
Administration	£25 per hour

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. [Note 9]

If you choose the combination of commission and fee option [Note 11]

We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will not exceed the total of the maximum fees set out above and the maximum commission set out in the tables below.

If you choose the commission option

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly [Notes 12- 17]

Products	Example term or age	Comparison of costs		Example based on £100 per month
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Endowments	10 year term	[Note 18]	[Note 19]	[Note 20]
Protection				
Whole of life assurance	Age 40	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	25 year term	[Note 18]	[Note 19]	[Note 20]
	10 year term	[Note 18]	[Note 19]	[Note 20]

Table 2 - Commission if you invest a lump sum [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £10 000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10 000, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 19]	[Note 20]
Investment bond	Any	[Note 18]	[Note 19]	[Note 20]
Saving for retirement				
Personal and Stakeholder pensions	Any	[Note 18]	[Note 19]	[Note 20]
At retirement				
Annuities	Any	[Note 18]	[Note 19]	[Note 20]
Income drawdown	Any	[Note 18]	[Note 19]	[Note 20]

Notes:

1. The market average figures are calculated by the FSA using actual data from a representative sample of regulated firms and are shown in a way that you may compare with our own maximum rates. The market average figures will be updated by the FSA from time to time based on new data.
2. Where a firm sells its own products it must calculate its figures according to FSA guidelines. [Note 21]

5. Further information [Note 22]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated [22 October 2004]

The following Notes do not form part of the template.

- Note 1 The 'keyfacts' logo and the text "about the cost of our services" must be positioned as illustrated in the templates. The logo may be resized and re-coloured, but the size and colour must be prominent and its proportions must not be distorted.
- Note 2 Insert the name of the *firm* or its *appointed representative* (which in either case may be its *authorised* name or its trading name). A corporate logo or logos may also be included, where illustrated, but must be of equal prominence to 'keyfacts' logo. Where an *appointed representative* is providing the *fees and commission statement*, then the *appointed representative's* name must be inserted. An appointed representative may include its logo, but this must be in place of, and not in addition to, its principal's logo.
- Note 3 Insert the date on which the *fees and commission statement* was prepared or last amended, in accordance with COB 4.3.11R(3). This date may be shown either at the top of the front page of the *fees and commission statement* or at the end of the *fees and commission statement* after Section 5.
- Note 4 Insert the name and address of the head office or, if more appropriate, the principal place of business from where the *firm* or *appointed representative* expects to provide *advice on investments* to *private customers* on *packaged products*. The name and address of the *authorised firm* must not be included if the *fees and commission statement* is to be given by an *appointed representative*, which must insert its own address.

Section 2

- Note 5 The text in Section 2 is not prescribed, but *firms* may adopt a form of the wording shown. *Firms* must describe the services they offer relating to *packaged products* in their own words, concisely, in plain language and within the space indicated in the template. This description must make clear that the initial discussion (not necessarily the initial meeting) about whether the *customer* wishes to use any of the *firm's* services will be without charge. A *firm* may choose to start charging (if appropriate) for the remainder of any or meeting, but only after any discussion on the content of the *fees and commission statement* has been concluded.

Section 3

- Note 6
- (a) A *firm* must select, by inserting a tick, the appropriate boxes which show the service that the *firm* expects to provide to the *customer*. If the *fees and commission statement* is provided by an *appointed representative*, the service selected must be that offered by the *appointed representative*. The text in this Section 3 of the *fees and commission statement* is prescribed, except as indicated in Note 6(d) and (g) below.
 - (b) The "Paying by fee" option must be included in each *fees and commission statement* even if the *firm* is not offering a purely *fee* based option - in which case, the box and prescribed text must be included, but without a tick.

- (c) A *firm* which holds itself out as acting independently in the provision of *advice on investments on packaged products* must, in accordance with COB 5.1.11AR (1), offer a *private customer* the "Paying by fee" option.
- (d) A *firm* which offers a "contingent" *fee* based option (see COB 5.1.11BG(3)) must modify the wording by the "Paying by fee" option to explain (clearly and in plain language) how the contingent *fee* arrangement will operate. A *firm* could use the following example description: "If you buy a financial product, you will pay us a fee for our advice and services. But if no sale is made, you will not have to pay us anything."
- (e) The "Paying by commission (or product charges)" option must be included in each *fees and commission statement* even if the *firm* is not offering this option - in which case, the box and the prescribed text must be included, but without a tick. In this option, reference to "commission" means *commission* and *commission equivalent*.
- (f) A *firm* may only include the "Paying by a combination of commission and fee" option in the *fees and commission statement* where this option is actually offered to the *customer* to whom the *fees and commission statement* is given.
- (g) The text that accompanies the "Paying by a combination of commission and fee" option is not prescribed. However, a *firm* must insert a clear plain language description of how its maximum remuneration is calculated using both the *fee* and the *commission* information provided in Section 4 of the *fees and commission statement*.

Section 4

- Note 7 In this section 4, if a *firm* offers both payment options to the *customer* to whom the *fees and commission statement* is given, then it must include the prescribed headings ("If you choose the fee option" and "If you choose the commission option") and accompanying text relating to both options. If either *fees* or *commission* are not offered, then the prescribed headings and text for whichever option is not offered should not be included in this section.
- Note 8 A *firm* which provides the "Paying by a combination of commission and fee" option must: (i) set out its maximum *fee* amount in the fee section of Section 4, and set out its maximum *commission* (or *equivalent*) amount in the commission section of Section 4; (ii) and ensure that the maximum amount of *fee* and *commission* (or *equivalent*) does not exceed the total of both options.

Section 4 - Fees

Note 9 If a *fees and commission statement* contains information relating to *fees*, then a *firm* must ensure that the following statements are included:

1. "We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT."
2. "You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first."

Note 10 The text for describing a *firm's fee* charging arrangements is not prescribed, but must be clear and in plain language. A *firm* must provide numerical statements of the amount or rate of its *fees* and these must be expressed in pounds sterling or another appropriate currency, where relevant. Examples of statements which *firms* may use are:

Hourly Rate

We will agree the rate we will charge before beginning work. Our typical charges are:

Principal/Director/Partner	£00-000 per hour
Financial adviser	£00-000 per hour
Administration	£00 per hour

Your adviser will tell you if you have to pay VAT.

Lump Sum

We will agree what we will charge you before beginning work. Our typical charges are:

Individual financial review £00

Your adviser will tell you if you have to pay VAT.

Percentage of funds under management

We will agree what we will charge you before beginning work. Our typical charges are:

Investment management agreement
0% per year of the value of the investments you ask us to manage
Your adviser will tell you if you have to pay VAT.

Section 4 – Combination of commission (or equivalent) and fee

Note 11 If a *fees and commission statement* contains information relating to the combination of *commission* (or *equivalent*) and *fees*, then a *firm* must ensure that the maximum amount of *fee* and *commission* (or *equivalent*) does not exceed the total of both the fee and commission options. The maximum fee amount that a *firm* might charge must be set out in the fee section, and the maximum commission (or equivalent) amount must be set out in the commission section.

The text for describing a *firm's* charging arrangements where a *firm* offers the combination of *commission* (or *equivalent*) and *fees* option is not prescribed, but a *firm* must describe correctly (clearly and in plain language) its usual way of charging a combination of *fee* and *commission*. *Firms* may use a form of the wording set out in the following examples:

1. Where we charge a combination of fees and commission, our maximum rates are set out in the fee information section above and the commission section below.
2. We charge a consultation fee of up to £x, and, if you buy a financial product, we will also retain commission within the amounts set out in the commission tables below.
3. We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will not exceed the total of the maximum fees set out above and the maximum commission set out in the tables below.
4. We charge an annual fee as described in the fee information set out above. If we arrange for you to purchase a financial product, then we will also retain commission which will be within the maximum commission amounts set out in the tables below.

Section 4 – Commission (or equivalent)

Note 12 If a *fees and commission statement* contains information relating to *commission*, then a *firm* must set out information concerning *commission* (or *equivalent*) in the tabular format prescribed. The headings for Tables 1 and Table 2; the headings and sub-headings for each column; the product headings in each row of the first column; and the example term and age set out in the second column of each table are all prescribed and must not be amended.

Note 13 Each *fees and commission statement* must refer to the range of packaged products which the *firm* expects to be relevant for the particular *customer* or group of *customers* to whom the *fees and commission statement* is likely to be given. Where this stated range does not contain a product that is included in the templates, then a *firm* may delete the appropriate product row from the tables in its *fees and commission statement*.

Note 14 The text and information contained in the commission section of Section 4 must be included if a *firm* reasonably expects to provide those services to a *private customer* receiving the *fees and commission statement* in respect of any of the following product groups.

Regular contribution business

The following product groups relate to regular contribution investments (including annual and quarterly premium contracts) and includes any non-contractual top-ups or increments (to existing regular contribution investments) which generate *commission (or equivalent)*.

(a) Collective investments

Any regulated collective investment scheme or investment trust savings scheme.

(b) Endowments

A life policy that pays a sum of money on the survival of the life assured to a specific date or, if earlier, on death.

(c) Whole of life assurance

A life policy which, disregarding any benefit payable on surrender, secures a capital sum only on death or either on death or on disability, but does not include term assurance.

(d) Personal and stakeholder pensions

Any personal pension scheme, FSAVC scheme or stakeholder pension scheme (other than a group personal pension scheme or stakeholder pension scheme arranged on a group basis for the employees of a particular employer).

Lump sum business

The following product groups relate to single contribution business, including commission (or equivalent) generating, non-contractual, top-ups or increments to existing lump sum investments.

(a) Collective investments

Any regulated collective investment scheme.

(b) Investment bond

A single premium whole of life assurance policy or endowment policy.

(c) Personal and stakeholder pensions

Any personal pension scheme, FSAVC scheme or stakeholder pension scheme (other than a group personal pension scheme or stakeholder pension scheme arranged on a group basis for the employees of a particular employer).

(d) Annuities

A pension annuity or purchased life annuity.

(e) Income drawdown

A pension contract effected for the purpose of income withdrawal from a pension fund.

- Note 15 A *firm* which conducts business with *private customers* in relation to any *packaged products* not falling within any of the product groups may provide a *customer* with information about *commission* (or *equivalent*) relating to that business by way of a separate annex. For the purpose of the *rules*, any such information does not form part of a *firm's fees and commission statement*.
- Note 16 Having regard to the nature of the business which a *firm* reasonably expects to conduct with the *customers* to whom the *fees and commission statement* will be provided, a *firm* must (i) present information about *commission* receivable on regular monthly payments in accordance with Table 1; and (ii) present information about *commission* receivable on lump sums in accordance with Table 2. The information must be presented in the two separate but sequential Tables 1 and 2.
- Note 17 Where a *firm* reasonably expects not to conduct either regular contribution or lump sum business with the *customers* to whom the *fees and commission statement* will be provided, it may exclude the relevant table so that its *fees and commission statement* contains only the table relevant to the type of business it expects to conduct.
- Note 18 For each product group shown a *firm* must disclose the maximum amount or rate of *commission* (or *equivalent*) where applicable under COB 5.7.5R which it reasonably expects it would retain in respect of the sale of a *packaged product* falling within the product group. The maximum rate or amount must be ascertained in accordance with the procedure set out in COB 4 Annex 7R.
- Note 19 For each product group shown a *firm* must disclose the corresponding market average calculated and published by the FSA and in accordance with the procedure set out in COB 4 Annex 7R.
- Note 20 For each product group illustrated a *firm* must include an example in accordance with COB 4 Annex 7R.
- Note 21 The two notes shown at the end of Section 4 of the *fees and commission statement* are prescribed.

Section 5

- Note 22 The text in section 5 is prescribed.
- Note 23 An example of a completed *fees and commission statement* is shown at COB 4 Annex 9 G.

COB 4 Annex 7 R

Identifying and describing the maximum rate of commission (or equivalent), the market average and the Example

1. A *firm* must state in each *fees and commission statement* it issues:
 - (a) its maximum rate of *commission (or equivalent)* for each product group in the statement;
 - (b) the market average rate for each product group;
 - (c) an illustration in the example column of an amount of *commission (or equivalent)* calculated by reference to its maximum rate for each product group in the statement and the example contribution levels stated in the tables (ie eg £100 per month or £10,000 lump sum).

Maximum rate of commission (or equivalent)

2. The maximum rate of *commission (or equivalent)* specified by a *firm* must be the maximum amount that the firm decides to retain.
3. If the maximum *commission (or equivalent)* is not apparent from the rates supplied by a *product provider* then a *firm* must adopt the net present value comparison method set out below.
4. For any product group, the maximum rate of *commission (or equivalent)* must not be more than a *firm* could reasonably expect to receive from any *product provider*.

Identifying a maximum rate of commission – comparison of net present value

5. A *firm* must use the assumptions set out in paragraphs 8-12 below when calculating the maximum commission figures to be inserted into its *fees and commission statement*. Where a *firm* uses a tool provided by the *FSA* for this express purpose (for example a calculator provided by the *FSA* on a cd-rom for the purpose of calculating the maximum commission figures), the calculations can be presumed to have used these assumptions.
6. The net present value for each *commission (or equivalent)* rate must be calculated as the sum of the discounted values of each *commission (or equivalent)* payment that the *firm* may retain for that *commission (or equivalent)* rate, using the assumptions set out in paragraphs 8-12 below.
7. For any product group, the *firm's* maximum rate of *commission (or equivalent)* is the *commission (or equivalent)* rate in that product group with the highest net present value.
8. A *firm* must use the assumptions outlined in Table 1 when calculating net present values.

COB 4 Annex 7 R Table 1 Table of assumptions to be used in calculating net present values.

Product	a) Discount Rate	b) Net growth rate	c) Lapse rate (per annum)	d) Assumed Term	e) Withdrawal rate (per annum)
Regular premiums/contributions					
Collective investment scheme	Net growth rate + 3%	6%	6%	10 years	
Endowment	Net growth rate + 3%	6%	6%	Maturity	
Personal Pensions / SHP	Net growth rate + 3%	6%	12% for 5 years then 5%	Maturity	
Whole of Life	Net growth rate + 3%	6%	6%	37 years	
Single premiums/contributions					
Annuities	Net growth rate + 3%	6%	0%	16 years	
Bonds	Net growth rate + 3%	6%	2.5%	7 years	5%
Collective investment scheme	Net growth rate + 3%	6%	6%	7 years	
Personal Pensions / SHP	Net growth rate + 3%	6%	2.5%	10 years	
Income withdrawals	Net growth rate + 3%	6%	0%	10 years	6%

9. *Commission (or equivalent)* payments must be assumed to be payable as outlined in COB 4 Annex 7 R Table 2

COB 4 Annex 7 R Table 2 – The timing of *commission (or equivalent)* payments

Type of commission (or equivalent payment)	When payable
Initial / indemnified commission	immediately at outset of the contract
Commission as a % of premiums	at the time of payment of the relevant monthly premium
Commission as a % of fund value	at the end of each policy month, immediately after any withdrawals and lapses, at a monthly rate of 1/12 th of the annual % of the fund value

10. Withdrawals must be assumed to occur monthly at a rate that is 1/12th of the assumed annual withdrawal rate.
11. Lapses must be assumed to occur monthly, at a rate that is 1/12th of the assumed annual lapse rate. In calculating the net present value, no commission should be assumed to be payable on the proportion of policies that are assumed to have lapsed.
12. Mortality rates must be ignored.

Describing the maximum rate of commission (or equivalent)

13. Subject to paragraph 14, a *firm* must use each appropriate description in COB 4 Annex 7 R Table 3 (ie one or more) to describe the maximum rates of *commission (or equivalent)* in its *fees and commission statement*.

COB 4 Annex 7 R Table 3

Type of commission (or equivalent)	Descriptions
Regular premium or contributions	i. "X% of the first 12 month's payments" ii. "X % of each of the first n month's payments" iii. "Y% of all payments" iv. "Y% of all payments from month p" v. "Z% of your fund value each year from year q".
Lump sums	i. "X% of the amount you invest" ii. "Z% of your fund value each year from year q"

14. A *firm* must adapt any of the descriptions prescribed by Tables 3 so that its *fees and commission statements* adequately describe the particular characteristics of a *firm's commission (or equivalent)* arrangements. For example, a *firm* can and should re-express the percentage figure, in the description taken from Table 3, in a "shape" (that is a description of the pattern of payments) that it considers to be typical of the way in which it retains *commission (or equivalent)*. This may differ from the shape in which the particular maximum rate of *commission (or equivalent)* is actually payable. Another example of the way in which a *firm* should adapt the descriptions in Table 3 is if the *commission* received by a *firm* is payable as a fixed cash amount per policy then alternative wording should be used by the *firm* to adequately describe the fixed nature of the payment in its description of the rate of commission.
15. A *firm* that uses more than one of the descriptions in COB 4 Annex 7 R Table 3 must make it clear that it has used more than one description (eg by inserting the word "plus" in between each description).
16. The maximum rate of *commission (or equivalent)* must be rounded to the nearest 0.1% unless the *commission (or equivalent)* is a multiple of 0.25% of a fund value in which case it should be shown rounded to the nearest 0.25%.

Identifying and describing the market average

17. The *FSA* will publish the net present value of market average rates on its website from time to time.
18. A *firm* must express the market average rate in the shape or pattern of payments which most closely corresponds to the number, frequency and nature of payments in the shape or pattern of payments used to describe the firm's maximum *commission* (or *equivalent*).
19. A *firm* can use any suitable tool or method to re-express the market average in its *fees and commission statements*, as long as that method uses the assumptions set out in 8 - 12 above (for example a calculator contained on a cd-rom of the type referred to in paragraph 5).
20. The market average rate shown in the *fees and commission statement* must be a re-expression of the published net present value of the market average using the assumptions set out in 8 – 12 above. Subject to any rounding in the final description, this re-expression should have the same net present value as the published market average.
21. A *firm* must describe the market average rate using the most appropriate description in the Descriptions column in Table 3.

The market average may be equivalently expressed by adopting the method set out in the worked example in *COB 4 Annex 9 G* below, used in conjunction with tables of net present value factors that will be made available by the *FSA*. These factors will be calculated using the assumptions set out above. Alternatively, the market average expression may be expressed using such other tools, systems or methods as the *FSA* may make available from time to time.

Changes in the market average

22. A *firm* must ensure that its *fees and commission statements* are revised to take account of changes in the market average rates published by the *FSA* by not later than:
 - (a) 2 months from the date on which the *FSA* prescribes amended market average rates if the effect of the amendment is to reduce any of the averages for a relevant product group by 4% or more of the previous average; and
 - (b) in all other cases at such time as the *firm* has occasion to revise its *statements*.

The example

23. Subject to paragraph 26, a *firm* must use, in the example in its *fees and commission statement*, the description in Table 4 that corresponds to description(s) of the maximum rate of the *commission* (or *equivalent*) that appears in its *fees and commission statement*.

COB 4 Annex 7 R Table 4

Type of <i>commission</i> (or <i>equivalent</i>)	Description of the maximum rate of <i>commission</i> (or <i>equivalent</i>)	Corresponding description to be used in the example
Regular premium or contributions	i. "X% of the first 12 month's payments"	i. "£X initially"
	ii. "X % of each of the first n month's payments"	ii. "£X spread evenly over the first n months"
	iii. "Y% of all payments"	iii. "£Y each year"
	iv. "Y% of all payments from month p"	iv. "£Y each year from month p"
	v. "Z% of your fund value each year from year q".	v. "£Z in year p, £Z + A in year p + 1, and so on (the actual amounts will vary in line with your fund value)"
Lump sums	i. "X% of the amount you invest"	"£X initially"
	ii. "Z% of your fund value each year from year q"	"£Z each year from year p (The actual amounts will vary in line with your fund value)"

24. A *firm* that uses more than one of the descriptions in Table 4 must make it clear that it has used more than one description (eg by inserting the word "plus" in between each description).
25. A *firm* must adapt any of the descriptions prescribed by Tables 3 and 4 as are necessary to ensure that a *fees and commission statement* adequately describes the particular characteristics of a *firm's commission (or equivalent)* arrangement. Examples of the way in which the descriptions could be adapted are provided in paragraph 14 above.

COB 4 Annex 8 G

Calculation of a maximum rate of commission

1. The net present value of each *commission* (or *equivalent*) rate may be calculated by adopting the method set out in the worked example below, used in conjunction with tables of sample net present value factors issued by the *FSA*. These factors will be calculated using the assumptions set out in paragraphs 8 to 12 of *COB 4 Annex 7 R*.

Worked Example of Commission Disclosure in a *fees and commission statement*

2. For the purposes of the following worked example four variations of *commission* (or *equivalent*) are shown for an investment bond. The market averages and NPV factors are purely illustrative.

A *firm* has commission arrangements for the sale of investment bonds with five *product providers* involving all four variations. The *firm* retains all commissions from each provider. The arrangements are:

Provider	Provider Commission		
	Initial	% of fund value	Fund based start month
1	5.25%	-	-
2	4.5%	-	-
3	-	0.75%	13
4	3.0%	0.5%	1
5	3.5%	0.25%	1

Stage 1 - Comparison of net present value

The *firm* has to decide which provider pays "our maximum". The test is to calculate the net present value of the different commissions using the assumptions prescribed by the *FSA*. To do this, the method in form 1b below is used. The *firm* needs to look up the table of NPV factors which shall be made available by the *FSA*. Looking these up, and completing the form as follows gives:

Product group	Investment Bonds						
	Initial Commission			Fund Based Renewal / Trail Commission			Total NPV
	Commission Rate	NPV Factor	Value = Rate x Factor	Commission Rate (& Start Month)	NPV Factor	Value= Rate x Factor	
	A	B	$C = A \times B$	J	K	$L = J \times K$	
1	5.25%	1.00	5.25%	-	-	-	5.25%
2	4.5%	1.00	4.5%	-	-	-	4.5%
3	-	1.00	-	0.75% from month 13	3.997	2.98%	2.98%
4	3.0%	1.00	3.0%	0.5% from month 1	4.943	2.47%	5.47%
5	3.5%	1.00	3.5%	0.25% from month 1	4.943	1.24%	4.74%

So commission shape 4 has the highest net present value and is thus "our maximum".

Stage 2 – Worked example

An example is calculated by applying "our maximum" rates to the prescribed lump sum or monthly amounts. £10000 in this case gives "£300 immediately plus £50 each year from year 1".

Stage 3 – Market Average

"The market average" is the market average rate published by the *FSA* expressed in the shape that most corresponds to the shape of "our maximum". To do this, the method used in form 2 below is used. The *firm* needs to look up the table of NPV factors and the table of market average NPVs prescribed by the *FSA*. Looking these up, and completing the form as follows gives:

Form 1 (Worked Example)

Product group		Investment Bond						
Market Average NPV		5.0%						
		Fund Based Renewal / Trail Commission		Premium Based Renewal Commission		Spread initial / Non-Indemnified Commission		Initial / Indemnified Commission
		Commission rate	Start month	Commission rate	Start month	Commission rate	Spread period	Commission rate
Commission Shape of your maximum	A	0.5%	Month 1	-	-	-	-	3.0%
NPV Factor	B	4.943		-		-		1.000
Value of Commission Shape	C = A x B	2.47%		-		-		3.0%
Value of market average - Fund Based Commission	D1 – see notes	2.47%						
Value of market average – Premium Based Commission	D2 – see notes			-				
Value of market average - Spread Initial Commission	D3 – see notes					-		
Value of market average - Initial Commission	D4 – see notes							5.0% - 2.47% = 2.53%
Market Average Commission Shape	E = D ÷ B	2.47% / 4.943 = 0.5% from month 1		-		-		2.53% / 1.000 = 2.5%

Therefore the market average, expressed in the shape that most closely resembles "our maximum" is 2.5% of the lump sum plus 0.5% of the fund from month 1

Stage 4

Enter the appropriate figures in the fees and commission statement as shown below.

Lump sum products	Example term or age	Comparison of costs		Example based on £10,000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10,000 ignoring any changes to fund value</i>
Savings and investments				
Investment bond	Any	3.0% of the amount you invest plus 0.5% of your fund value each year from year 1	2.5% of the amount you invest plus 0.5% of your fund value each year from year 1	£300 in year 1 plus £50 each year from year 1 (The actual amount will vary in line with your fund)

Form 1a – Calculation of Maximum Commission Amounts (Monthly Premium Products)

This form should be used to help decide which of the commission options received for a product group in the "monthly products" table should appear as "our maximum" on the *fees and commission statement*.

Product group													
	Initial / Indemnified Commission			Spread Initial Commission			Premium Based Renewal Commission			Fund Based Renewal / Trail Commission			Total NPV
	Commission Rate A	NPV Factor B	Value = Rate x Factor C = A x B	Commission Rate (& Spread Period) D	NPV Factor E	Value= Rate x Factor F = D x E	Commission Rate (& Start Month) G	NPV Factor H	Value= Rate x Factor I = G x H	Commission Rate (& Start Month) J	NPV Factor K	Value= Rate x Factor L = J x K	
1		1.00											
2		1.00											
3		1.00											
4		1.00											
5		1.00											
6		1.00											
7		1.00											
8		1.00											

***The maximum rate of commission for this product group is the shape with the highest Total NPV (column M).
This maximum rate of commission should be included in the fees and commission statement for this product group***

Notes for completion of form 1a

1. A separate form should be completed for all monthly product groupings appearing on the *fees and commission statement*.
2. Complete a separate row for each potential maximum commission shape that you receive in the chosen product group.
3. Commission shapes that are clearly lower in value than others of the same shape should be omitted – for example, 15% initial + 0.5% fund based paid from month 12 is clearly lower than 20% initial + 0.5% fund based paid from month 12, and so only the latter needs to be included in the calculations.
4. Commission rates used should be the highest rates of the total commission payable that you may retain;
5. Commission rates should be entered for each commission type as follows:
 - Column A (Initial/Indemnified) - a percentage of the first 12 months' premiums;
 - Column D (Spread Initial/Non-Indemnified Initial) – a percentage of each premium paid in the initial commission period;
 - Column I (Premium based renewal) – a percentage of each premium paid in the renewal period;
 - Column L (Fund Based renewal/trail) – a percentage of the fund value each year.
6. Level commissions, payable as a percentage of all monthly premiums, should be treated as premium-based renewal commissions.
7. The relevant NPV Factors in columns B, E, H & K should be inserted for the relevant Product Group, Commission Type, Spread Period and Start Month. They can be obtained from the document "Published NPV Factors".
8. Columns C, F, I, L & M should be calculated based on the figures inserted in the previous columns.
9. The commission shape which has the highest total NPV in column M should be used in the "Our Maximum" section of the *fees and commission statement*.

Form 1b – Calculation of Maximum Commission Amounts (Lump Sum Products)

This form should be used to help decide which of the commission options received for a product group in the "lump sum products" table should appear as "our maximum" on the *fees and commission statement*.

Product group							
	Initial Commission			Fund Based Renewal / Trail Commission			Total NPV
	Commission Rate	NPV Factor	Value = Rate x Factor	Commission Rate (& Start Month)	NPV Factor	Value= Rate x Factor	
	A	B	C = A x B	J	K	L = J x K	
		1.00					
2		1.00					
3		1.00					
4		1.00					
5		1.00					
6		1.00					
7		1.00					
8		1.00					

The maximum rate of commission for this product group is the shape with the highest Total NPV (column M). This maximum rate of commission should be included in the fees and commission statement for this product group

Notes for completion of form 1b

1. A separate form should be completed for all lump sum products appearing on the *fees and commission statement*.
2. Complete a separate row for each potential maximum commission shape that you receive in the chosen product group.
3. Commission shapes that are clearly lower in value than others of the same shape should be omitted – for example, 15% initial + 0.5% fund based paid from month 12 is clearly lower than 20% initial + 0.5% fund based paid from month 12, and so only the latter needs to be included in the calculations.
4. Commission rates used should be the highest rates of the total commission payable that you may retain.
5. Commission rates should be entered for each commission type as follows:
 - Column A (Initial) - a percentage of the lump sum payment;
 - Column J (Fund Based renewal/trail) – a percentage of the fund value each year.
6. The relevant NPV Factors in columns B & K should be inserted for the relevant Product Group, Commission Type and Start Month. They can be viewed in the document "Published NPV Factors".
7. Columns C, L & M should be calculated based on the figures inserted in the previous columns.
8. The commission shape which has the highest total NPV in column M should be used in the "Our Maximum" section of the *fees and commission statement*.

Form 2 – Re-expression of market average commission

This form should be used to re-express the market average NPV into the relevant shape, for use in the *fees and commission statement*.

Product group								
Market Average NPV								
		Fund Based Renewal / Trail Commission		Premium Based Renewal Commission		Spread initial / Non-Indemnified Commission		Initial / Indemnified Commission
		Commission rate	Start month	Commission rate	Start month	Commission rate	Spread period	Commission rate
Commission Shape of your maximum	A							
NPV Factor	B							
Value of Commission Shape	C = A x B							
Value of market average - Fund Based Commission	D1 – see notes							
Value of market average – Premium Based Commission	D2 – see notes							
Value of market average - Spread Initial Commission	D3 – see notes							
Value of market average - Initial Commission	D4 – see notes							
Market Average Commission Shape	E = D ÷ B							

Notes for completion of form 2

1. A separate form should be completed for each product group appearing on your fees and commission statement;
2. The Market Average NPV should be obtained from the FSA's most recent published list of market averages, choosing the appropriate rate for the relevant product group.
3. In row A, enter the details of the commission shape that the market average is to be expressed in. This should be the commission shape shown as "your maximum" for the relevant product group in your fees and commission statement.
4. Commission rates should be entered for each commission type as follows:
 - Fund Based renewal/trail – a percentage of the fund value each year;
 - Premium based renewal – a percentage of each premium paid in the renewal period;
 - Spread Initial/Non-Indemnified Initial – a percentage of each premium paid in the initial commission period;
 - Initial/Indemnified - a percentage of the first 12 months' premiums, or a percentage of the lump sum, as appropriate.
5. Level commissions, payable as a percentage of all monthly premiums, should be treated as premium-based renewal commissions.
6. Where "your maximum" commission does not contain a commission type (e.g. your maximum has no spread initial commission), the column relating to that commission type should be left blank.
7. The relevant NPV Factors in row B should be inserted for the relevant Product Group, Commission Type, Spread Period and Start Month. They can be obtained from the document "Published NPV Factors".
8. Row C should be calculated as the product of the relevant commission rate in row A and the NPV factor in row B.
9. Row D1 should be calculated as the lower of:
 - the Market Average NPV, and
 - Row C - The Value of Commission Shape for the **fund based commission** type (but see the note below)

Note: If the commission shape in row A contains no premium-based, spread initial or initial/indemnified commission (i.e. if fund based commission is the final commission type being considered) then the calculation in row C should be ignored when calculating D1. In this instance, the value in D1 should be equal to:

- the Market Average NPV

10. Row D2 should be calculated as the lower of:

- The Market Average NPV minus the value calculated for row D1; and
- Row C – The Value of Commission Shape for the **premium based commission** type (but see note below).

If this calculation gives a negative value, D2 should be set to zero.

Note: If the commission shape in row A contains no spread initial or initial/indemnified commission (i.e. if premium-based commission is the final commission type being considered) then the calculation in row C should be ignored when calculating D2. In this instance, the value in D2 should be equal to:

- The Market Average NPV minus the value calculated for row D1.

11. Row D3 should be calculated as the lower of:

- The Market Average NPV minus the value calculated for row D1,
minus the value calculated for row D2, and
- Row C – The Value of Commission Shape for the **spread initial / non-indemnified commission** type (but see note below).

If this calculation gives a negative value, D2 should be set to zero.

Note: If the commission shape in row A contains no initial/indemnified commission (i.e. if premium-based commission is the final commission type being considered) then the calculation in row C should be ignored when calculating D3. In this instance, the value in D3 should be equal to:

- The Market Average NPV minus the value calculated for row D1, minus the value calculated for row D2.

12. Row D4 should be calculated as:

- The Market Average NPV minus the value calculated for row D1, minus the value calculated for row D2, minus the value calculated for row D3.

If this calculation gives a negative value, D4 should be set to zero.

13. Row E should be calculated as the value in the relevant row D (for that commission type, e.g. row D2 for premium based renewal commission) divided by the relevant NPV factor in row B. For presentation in the *fees and commission statement*, this result should be rounded to the nearest 0.1% (or the nearest 0.25%, if fund-based commission is paid as an exact multiple of this).



Last updated 22 October 2004

ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB

1. The Financial Services Authority (FSA)

The FSA is the independent regulator of financial services. It requires us to give you this document when advising on some savings and investments. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

- gather and analyse personal information about you, your finances, your needs and objectives;
- recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.

3. What are your payment options

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**



Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you.



Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier.

4. How much might our services cost?

If you choose the fee option

We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT.

Our typical charges are:

Principal/Director/Partner	£150-200 per hour
Financial adviser	£100-150 per hour
Administration	£25 per hour

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first.

If you choose the commission option

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly

Products	Example term or age	Comparison of costs		Example based on £100 per month
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	5% of all payments	5.5% of all payments	£60.00 each year
Endowments	10 year term	30% of each of the first 16 month's payments plus 2.5% of all payments from month 17	25.9% of each of the first 16 month's payments plus 2.5% of all payments from month 17	£360.00 spread evenly over the first 16 months plus £30.00 each year from month 17
Protection				
Whole of life assurance	Age 40	90% of each of the first 12 month's payments plus 2.5% of all payments from month 49	104.2% of each of the first 12 month's payments plus 2.5% of all payments from month 49	£1080.00 spread evenly over the first 12 months plus £30.00 each year from month 49
Saving for retirement				
Personal and Stakeholder pensions	25 year term	20% of each of the first 12 month's payments plus 0.25% of your fund value each year from year 1	20.9% of each of the first 12 month's payments plus 0.25% of your fund value each year from year 1	£240.00 spread evenly over the first 12 months plus £3.00 in year 1, £6.00 in year 2, and so on (The actual amount in later years will vary in line with your fund value)
	10 year term	15% of each of the first 12 month's payments plus 0.25% of your fund value each year from year 1	19.2% of each of the first 12 month's payments plus 0.25% of your fund value each year from year 1	£180.00 spread evenly over the first 12 months plus £3.00 in year 1, £6.00 in year 2, and so on (The actual amount in later years will vary in line with your fund value)

Table 2 - Commission if you invest a lump sum

Products	Example term or age	Comparison of costs		Example based on £10 000 lump sum
		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10 000, ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	3% of the amount you invest plus 0.25% of your fund value each year from year 1	2.5% of the amount you invest plus 0.25% of your fund value each year from year 1	£300.00 initially plus £25.00 each year from year 1 (The actual amount in later years will vary in line with your fund value)
Investment bond	Any	7% of the amount you invest	5% of the amount you invest	£700.00 initially
Saving for retirement				
Personal and Stakeholder pensions	Any	0.5% of your fund value each year from year 1	0.6% of your fund value each year from year 1	£50.00 each year from year 1 (The actual amount in later years will vary in line with your fund value)
At retirement				
Annuities	Any	1.5% of the amount you invest	1.4% of the amount you invest	£150.00 initially
Income drawdown	Any	3% of the amount you invest plus 0.5% of your fund value each year from year 1	1.8% of the amount you invest plus 0.5% of your fund value each year from year 1	£300.00 initially plus £50.00 each year from year 1 (The actual amount in later years will vary in line with your fund value)

Notes:

1. The market average figures are calculated by the FSA using actual data from a representative sample of regulated firms and are shown in a way that you may compare with our own maximum rates. The market average figures will be updated by the FSA from time to time based on new data.
2. Where a firm sells its own products it must calculate its figures according to FSA guidelines.

5. Further information

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

Last updated 22 October 2004

5.1 ~~Polarisation and Status Disclosure~~ Advising on packaged products

Application

- 5.1.1 R This section applies to a *firm* which gives *advice on investments* to a *private customer* on *packaged products* ~~(including adopted packaged products), and to a *firm* which is a member of a *marketing group*.~~

Purpose

- 5.1.2 G This section gives support to *Principle 6* (Customers' interests) and *Principle 7* (Communications with clients) which require *firms* to have due regard to the information needs of their *customers* and treat them fairly. The purpose of this section is to ensure that *private customers* are adequately informed about the nature of the *advice on investments* which they may receive from a *firm* in relation to *packaged products*. In particular *firms* need to be clear to *private customers* about the scope and range of the products and *product providers* on which their *advice on investments* is based. ~~When *advice on investments* which are *packaged products* is given, it is important that a *private customer* is always clear whether a *firm*, its *advisers* or *representatives*, will act solely in his interests or whether the range of advice offered by the *firm* will be determined by the nature and number of the *firm's* commercial relationships. Accordingly, the *rules and guidance* in *COB 5.1* give effect to the regulatory policy of polarisation which, in relation only to *advice on packaged products* requires a *firm* to act either independently for the *private customer*, or to act on a tied basis where advice is restricted to its own products, those of its *marketing group* and *adopted packaged products*. Polarisation does not extend to an *execution-only transaction* or to a *financial promotion* of a *packaged product* which does not contain any *advice on investments*.~~

Delete the existing COB 5.1.3G to COB 5.1.6G inclusive, which are not shown struck through, and replace with the following new rules: COB 5.1.6AR to 5.1.6GR, which are not underlined:

- 5.1.3 G [deleted]
- 5.1.4 G [deleted]
- 5.1.5 G [deleted]

5.1.6 G [deleted]

Scope and range of advice on packaged products: general

- 5.1.6A R (1) A *firm* which gives *advice on investments* to *private customers* about *packaged products* must, subject to (2), take reasonable steps to ensure that the scope of the *advice on investments* given to a *private customer* is based upon a selection from one of the following:
- (a) the whole market (or the whole of a named sector of the market);
or
 - (b) a limited number of *product providers*; or
 - (c) a single *company* or single group of *companies*.
- (2) A *firm* may change the scope of the *advice on investments* it gives to a particular *private customer* by widening the scope from that in (1)(c) through to that in (b) or (a) or from (b) to (a), but it must take reasonable steps to ensure that before doing so the *customer* is made aware of the proposed change by a communication in a durable *medium*.
- (3) If a *firm*:
- (a) extends the scope of the *advice on investments* it will give a *private customer*; or
 - (b) extends the *range of packaged products* on which its *advice on investments* will be based;

and as a consequence the *firm's* arrangements for its remuneration are materially altered, the *firm* must provide the *customer* with a new and appropriate *fees and commission statement*.

- 5.1.6B G (1) *COB 5.1.6AR* requires a *firm* when giving *advice on investments* to a *private customer* to do so on the basis that the scope of its *advice on investments* will involve a selection from the whole market (or from the whole of a sector of the market), or from a limited number of *product providers* or from a single provider and to adhere to such a scope during the advisory process unless the *firm* decides, and if necessary secures the *customer's* agreement, to widen the scope for the *customer* and, if necessary, any changes in the arrangements by which the *firm* will be remunerated (see *COB 4.3.6R*). A *firm* can choose to offer both whole of market and more limited *advice on investments*. The scope of the advice which the *customer* subsequently receives should always however be made clear and explained in a way which is likely to be understood.

- (2) The scope of *advice on investments* prescribed in each of COB 5.1.6AR (1) (a) to (c) will require different competencies on the part of a *firm's representatives* to enable the *firm* to discharge its advisory functions.
- (3) A *firm* selecting *packaged products* from a limited number of *product providers* or from a single provider may do so on the basis of a *range of packaged products* which comprises a selection of products available from those providers and accordingly a *firm* may have one or more such *ranges*. COB 4.3.3R requires a *firm* to give each *customer* some initial disclosure information – an *initial disclosure document* - which must indicate the scope of the *advice on investments* which the *customer* can expect to receive. This initial information must also invite the *customer* to ask for a copy of the *range of packaged products* from which the *firm* will make a selection. A *firm* which has several *ranges of packaged products* will need to ensure that each *customer* who asks for it is given information about the *range* which is appropriate for that *customer*.
- (4) If a *firm* holds itself out as giving *advice on investments* to *private customers* on *packaged products* from the whole market (or the whole of any sector of that market; see (5)), the *firm's* selection for this purpose will need to be sufficiently large to enable the *firm* to satisfy the suitability requirement in COB 5.3.9R (Requirement for suitability: whole-of-market advisers). One way in which such *firms* may wish to satisfy this requirement is by using “panels” of *product providers* which are sufficient for the purpose of giving advice from the whole market and which are reviewed on a regular basis. A *firm* which provides *advice on investments* from the whole market (or from the whole of a sector of the market) should ensure that its analysis of the market and the available *packaged products* is kept adequately up to date.
- (5) References to a *firm* advising on *packaged products* from the whole of a sector of the market are to a *firm* which, though holding itself out as giving *advice on investments* from the whole market, *advises on investments* in practice only on a relatively limited selection of *packaged products* which are available to meet the needs of a specialist sector or niche market (for example pension annuities). In such circumstances the quality of the *firm's* analysis of the sector or niche market should be commensurate with that which a *firm* would apply for the purposes of selecting products from the market as a whole.
- (6) IPRU(INS) 1.3 (Restriction of business to insurance) in practice restricts the *range of packaged products* that a *long-term insurer* may have and CIS 16.5.1R (Managers of UCITS schemes) restricts the *range of packaged products* that a *manager* of a *UCITS scheme* may have.

- (7) If a *firm* gives *advice on investments* to a *private customer* on a *packaged product* produced by another *person*, the *key features* must be “appropriate” (see *COB 6.2.7R* (Provision of key features: life policies) *COB 6.2.22R* (1) (Provision of key features: schemes) and *COB 6.4.15R* (Stakeholder pension schemes)). Therefore, if the terms of the *packaged product* are different from the terms of the product for which the *key features* was originally prepared by the *product provider*, for example there are additional charges, then the *key features* will need to be amended.
- (8) There are restrictions on *communicating* and *approving a financial promotion* relating to a *life policy* produced by an *unauthorised person* (see *COB 3.13.1R* (Additional requirements for financial promotions for an overseas long-term insurer)).
- (9) When a *firm* gives *advice on investments* relating to a *packaged product* which is not produced by the *firm*, it is responsible for the *advice on investments* given. The *product provider* is responsible for the relevant terms and conditions of the *packaged product*.
- (10) The *rules* in *COB 5.1* are mainly concerned to ensure that *firms* can offer a wide range of advisory services in relation to *packaged products*. In the course of giving such advice a *firm's representatives* may also need to consider the merits of whether a *customer* should give up, surrender or cease contributing to an existing *packaged product* and the *rules* in this section do not place a restriction on this (subject always to such *advice on investments* being suitable having regard to the *customer's* circumstances).

Range of packaged products: appointed representatives

- 5.1.6C R (1) A *firm* must maintain in writing and keep up to date a statement of:
- (a) the scope of *advice on investments* (within the meaning of *COB 5.1.6AR(1)*) which each of its *appointed representatives* is, through its contract with the *firm*, permitted to give; and including
 - (b) the *range* (or *ranges*) of *packaged products* on which each *appointed representative* advises.
- (2) In applying the *rules* in *COB* to a *firm* in respect of its *appointed representatives*, references to a *firm's* scope or *range of packaged products* are to be taken as references to the scope (or scopes) and to the *range* (or *ranges*) of its *appointed representatives*.

- 5.1.6D G An *appointed representative's range of packaged products* may be defined by a particular category of *packaged product* or by individual product, as long as it is clear (for example, "all pension products of ABC Co Limited"). It may be set out in a document separate from the *appointed representative's* contract of appointment and should, in any event, be separate from the main body of the contract for clarity.

Range of packaged products: records

- 5.1.6E R
- (1) A *firm* must make, and keep up to date, a record of the scope (or scopes) of the *advice* (within the meaning of COB 5.1.6AR(1)) which it provides, its *range* (or *ranges*) of *packaged products* and the *range* or *ranges* of each of its *appointed representatives* (if different from the *firm's*).
 - (2) The record in (1) must be retained for six years from the date on which it was superseded by a more up-to-date record.
 - (3) The record for distribution to a *customer* must be the particular *range of packaged products* which is appropriate for the services provided to that *customer* and include details of:
 - (a) the identity of the *product providers* within the *range* whose *packaged products* the *firm* may sell; and
 - (b) a list of the categories of their products the *firm* may sell.
 - (4) In the case of a *firm* whose scope of *advice on investments* is the selection of *packaged products* from the whole of the market (or from the whole of a sector of the market) and which provides no other scope of *advice on investments*, it will be sufficient if the *firm's* record is restricted to confirming that the *advice on investments* it provides is given on this basis (and in the case of a *firm* which provides *advice on investments* on the whole of a sector of the market, confirms the nature and parameters of that sector).
 - (5) For the purposes of the record in (1), (3) and (6), in relation to the *packaged products* within a particular category available from a *product provider*:
 - (a) where a *firm* provides services to a particular *customer* in relation to all of the products within that category the record may refer simply to that category and the *product provider* and not each particular product within the category; and
 - (b) notwithstanding (3)(b), where a *firm* does not provide services to a particular *customer* in relation to all of the products within that category the record must give details of each of the products in the category on which it does provide services.

- (6) A *firm* must maintain a record of the particular *range* of *packaged products* on which its *advice on investments* to each *private customer* is based and such a record must be kept for six years from the date on which the *advice on investments* is given.

Branding packaged products

- 5.1.6F R If a *firm* gives *advice on investments* to a *private customer* on a *packaged product* produced by another *person*, it must not:
- (1) hold itself out as the *packaged product's* producer; or
 - (2) do or say anything which might reasonably lead a *private customer* to be mistaken as to the identity of the product's producer.
- 5.1.6G R A *firm* must display the brand of the *product provider* at least as prominently as any other brand in the documentation that it makes available to its *customers* in relation to a *packaged product*.

~~Tied advice by provider firms~~ Staying within the range of advice of packaged products

- 5.1.7 R (1) A ~~*provider firm*~~ must, subject to (2), take reasonable steps to ensure that neither it nor any of its *representatives* gives *advice on investments* to a *private customer* about the purchase of a *packaged product* unless the product is:
- ~~(a) issued by the *firm* itself or by another member of its *marketing group*; or~~
 - ~~(b) an *adopted packaged product*~~
 - (a) within the *firm's range* (or *ranges*) of *packaged products*; and
 - (b) is within the particular *range of packaged products* on which *advice on investments* is given to that *customer*.
- (2) The restriction in (1) does not apply where COB 5.3.7R (Suitability of packaged products: out-of-range recommendations) applies.

5.1.8 R [deleted]

5.1.9 G COB 5.1.7R (1) does not inhibit the sale by a ~~*provider firm*~~;

- (1) where the sale does not involve the provision of *advice on investments* to a *private customer*; a ~~A provider~~ firm may act as an intermediary for a transaction in a *packaged product* where that transaction is an *execution-only transaction* (*long-term insurers* are reminded of IPRU(INS)1.3 (Restriction of business to insurance) and *managers of UCITS schemes* are reminded of CIS 16.5.1R (Managers of UCITS schemes)); or
- (2) when the firm acts a discretionary investment manager.

5.1.11 R [deleted]

Restriction on holding out

- 5.1.11A R (1) A firm that, in relation to packaged products, provides advice on investments to a private customer, must not hold itself out as acting independently unless it intends to:
- (a) provide advice on investments to that customer that is on packaged products from the whole market (or the whole of a sector of the market); and
 - (b) offers the customer the opportunity of paying fees for the provision of such advice.
- (2) A firm which in accordance with (1) holds itself out as independent must ensure that the advice on investments subsequently given to the private customer concerned is on packaged products from the whole market (or the whole of a sector of the market).
- (3) A firm will not contravene (2) and does not need to offer the option of fee based advice on investments in accordance with (1), if it acts in accordance with COB 4.3.27R.
- 5.1.11B G (1) COB 5.1.11AR stipulates what a firm must do if it is to hold itself out to any particular client that it will act independently. Firms which wish to hold themselves out generally as acting independently should ensure that doing so (for example through a trading name or advertising) is consistent with the kind of service which private customers receive in relation to packaged products.
- (2) A firm that carries on business both in relation to packaged products and regulated mortgage contracts can do so in relation to the whole market and therefore be "independent" for one but offer only a limited service for the other. If this is the case the firm should explain the different nature of the services in a way which meets the requirement for clear, fair and not misleading communications in COB 2.1.3R (Clear, fair and not misleading communications).

- (3) COB 5.1.11AR (1)(b) means that a *firm* wishing to hold itself out as independent will need to give *customers* a purely *fee* based option for paying for its services. Such a *fee* may be offered on a contingent basis so that it does not become payable if the *customer* does not acquire a product. A *firm* offering a fee-based service may, in addition, provide the *customer* with other payment options, such as by *commission*.

Representatives to have access to whole range

- 5.1.12 R (1) A ~~provider~~ *firm* must, subject to (2), take reasonable steps to ensure that those of its representatives who give advice on investments on packaged products are able to sell with advice on investments each ~~type of packaged product~~ within the particular range of packaged products from which products are selected for a *customer* ~~that it issues itself or is issued by a member of its marketing group, or is an adopted packaged product~~.
- (2) A ~~provider~~ *firm* may restrict the ~~type of packaged products~~ it authorises a particular *representative* to sell, if:
- (a) that *representative* is not sufficiently competent to sell certain types of product; and
 - (b) it requires that *representative* to identify instances when another ~~packaged product of its own, or of the marketing group, or an adopted packaged product~~ outside his own restricted range within the relevant range of packaged products ought to be recommended; ~~The representative must then be required to refer the private customer to another representative within the marketing group of the firm~~ who is authorised and competent to sell that product.

Remuneration structure and referrals

- 5.1.13- R A ~~provider~~ *firm* must take reasonable steps to ensure that none of its representatives:
- (1) ~~is are not~~ likely to be influenced by the structure of ~~their~~ his or her remuneration to give unsuitable *advice on investments* to a *private customer*; and
 - (2) ~~do not~~ refers *private customers* to ~~an independent intermediary~~ another firm in circumstances which would amount to the provision of an inducement under COB 2.2.3R (Prohibition of inducements).

Excess charges on price-capped products

5.1.14 R A ~~firm which is a provider firm~~ must, if it gives *advice on investments* to a *private customer* ~~about on an adopted packaged product~~ *stakeholder pensions scheme* or other price capped product for which the firm is not the product provider, ensure that it does so only in accordance with arrangements under which the *firm* discloses any charges imposed by the *firm* in excess of those charged by the producer of the ~~adopted packaged product~~.

5.1.14A G Products subject to price caps within COB 5.1.14R would include ISAs marketed as “CAT standard”.

Delete the remaining provisions in this section COB 5.1.15R to 5.1.23G inclusive, these are not shown struck through.

5.1.15 R [deleted]
to
5.1.23G

...

5.2.1 R ...

(3) ... ~~customer~~; or

(4) is not an insurer and makes a personal recommendation to take out a life policy to an intermediate customer or a market counterparty; or

(5) is not an insurer and is arranging (but not merely by introducing) a life policy;

(6) is an insurer and is arranging a life policy for a private customer.

5.2.2 G ... However, the Insurance Mediation Directive requires that a statement of the demands and needs of a client is provided to the client, whether advice is given or not. This is required whatever the status of the client. Accordingly the demands and needs provisions in COB 5.2.12R to COB 5.2.17G apply to all circumstances relating to life policies.

Statement of demands and needs

5.2.12 R (1) Unless either COB 5.2.13R or COB 5.2.14R applies, a firm must provide the client with a statement of his demands and needs if:

(a) it makes a personal recommendation of a life policy to a client; or

- (b) it arranges (whether through issuing a *direct offer financial promotion* or otherwise) for the *client* to enter into a *life policy*.
 - (2) Unless (3) applies, the statement in (1) must be provided:
 - (a) as soon as practicable, and in any event before the conclusion of the contract for the *life policy*; and
 - (b) in a durable *medium*.
 - (3) A *firm* may provide the statement in (1) orally if:
 - (a) the *client* requests it; or
 - (b) immediate cover is necessary;

but in both cases the *firm* must provide the information in (1) immediately after the conclusion of the contract, in a durable *medium*.
- 5.2.13 R If the only contact between the *firm* and the *client* before conclusion of the contract is by telephone, the statement of demands and needs must be provided immediately after the conclusion of the contract, in a durable *medium*.
- 5.2.14 R A *firm* need not provide a statement of demands and needs if the required information is contained in a *suitability letter*, or explanation of a *personal recommendation*, provided under COB 5.3.
- 5.2.15 G (1) A *firm* may provide the demands and needs statement as part of an application form so that the demands and needs statement is made dependent upon the *customer* providing personal information on the application form (including an application forming part of a *direct offer financial promotion*).
- (2) For quotations (see COB 4.3.3AG), there is no requirement for the *firm* to provide a demands and needs statement, but one must be provided before the conclusion of the contract, unless the only contact between the *firm* and the *client* is by telephone, in which case COB 5.2.13R applies.
- (3) A *key features* document that complies with COB 6.1.4R (Requirement to produce key features) may be used as the statement of demands and needs required by COB 5.1.12R (1)(b).
- 5.2.16 G COB 5.2.17G contains guidance on the contents of the statement required by COB 5.2.12R(1).
- 5.2.17 G Table
- Guidance on the contents of the statement required by COB 5.2.12R(1).

This table belongs to COB 5.2.16G.

	<u>Introduction</u>
(1)	<u>Where relevant, the statement should explain simply and clearly why the <i>personal recommendation</i> is viewed as suitable, having regard to the <i>client's</i> demands and needs.</u>
	<u>Style and Presentation</u>
(2)	<u>The style and presentation of the statement is left for the <i>firm</i> to decide, so that a statement can be designed which works best for the market in which the <i>firm</i> transacts business. A statement is more likely to be effective if it demonstrates these features:</u>
(a)	<u>simplicity and plain language: when technical terms need to be incorporated, they should be explained if the <i>client</i> is unlikely to understand their meaning; and</u>
(b)	<u>concise and clear messages: lengthy explanations and extensive statements are likely to reduce the effectiveness of the statement, and make the <i>client</i> less likely to read the statement properly.</u>

5.2.18 G Firms are reminded of the record keeping obligations under SYSC 3.2.20R.

...

5.3.1 R ...

(4) ... employees; ; or

(5) if the *firm* is not an *insurer*, makes a *personal recommendation* to an *intermediate customer* or a *market counterparty* to take out a *life policy*.

...

5.3.3 G Firms are reminded of the requirements of COB 3.9.6R (Direct offer financial promotions: general requirements). A *direct offer financial promotion* must make it clear that, if a *private customer* is in any doubt about the suitability of the agreement which is the subject of the promotion, he should contact the *firm*, or ~~an *independent intermediary*~~ another appropriate *firm* if the *firm* does not offer advice.

...

Requirement for suitability generally

5.3.5 R (1) A *firm* must take reasonable steps to ensure that, ~~it does not if~~ in the course of *designated investment business*:

(a) it makes any personal recommendation to a private customer to:

(i) buy, ~~or sell~~, subscribe for or underwrite a *designated investment* (or to exercise any right conferred by such an *investment* to do so); or

(ii) elect to make *income withdrawals*; or

... (iii) enter into a *pension transfer* or *pension opt-out* from an *occupational pension scheme*; or

(b) it effects a discretionary transaction for a *private customer* (except as in (3 5)); or

(c) it makes a *personal recommendation* to an *intermediate customer* or a *market counterparty* to take out a *life policy*;

~~unless the recommendation~~ *advice on investments* or transaction is suitable for the *private customer-client*. ~~having regard to the facts disclosed by him and other relevant facts about the *private customer* of which the *firm* is, or reasonably should be, aware.~~

(2) If the recommendation or transaction in (1) relates to a *packaged product*:

(a) it must, subject to COB 5.3.7R - COB 5.3.10R, be the most suitable from the *range of packaged products*, on which *advice on investments* is given to the *client* as determined by COB 5.1.7R; and

(b) if there is no *packaged product* in the *firm's* relevant *range of packaged products* which is suitable for the *client*, no recommendation must be made.

(3) In making the recommendation or effecting the transaction in (1), the *firm* must have regard to:

(a) the facts disclosed by the *client*; and

(b) other relevant facts about the *client* of which the *firm* is, or reasonably should be, aware.

~~(2)~~ A *firm* which acts as an *investment manager* for a *private customer* must
(4) take reasonable steps to ensure that the *private customer's* portfolio or account remains suitable, having regard to the facts disclosed by the *private customer* and any other relevant facts about the *private customer* of which the *firm* is or reasonably should be aware.

~~(3)~~ Where, with the agreement of the *private customer*, a *firm* has pooled his
(5) funds with those of others with a view to taking common discretionary management decisions, the *firm* must take reasonable steps to ensure that a discretionary transaction is suitable for the *fund*, having regard to the stated *investment objectives* of the fund.

5.3.5A G (1) If circumstances arise in which a *firm* reasonably concludes that there are several *packaged products* in the relevant *range* which would satisfy the test in COB 5.3.5(2)R, it will act in conformity with that *rule* if it recommends only one of those *products*.

(2) If a *client* does not wish to proceed in accordance with a recommendation, a *firm* may nonetheless make further recommendations providing any such recommendation is suitable for the *client* in accordance with the obligation in COB 5.3.5R.

Delete the provisions, COB 5.3.6R to 5.3.8G inclusive, these are not shown struck through.

5.3.6 R [deleted]

5.3.7 R [deleted]

5.3.8 G [deleted]

Suitability of packaged products: out-of-range recommendations

5.3.8A R (1) A *firm* when not selecting *packaged products* from the whole market (and notwithstanding COB 5.3.5R (2)) may recommend a *packaged product* outside the *range of packaged products* on which it provides advice to a particular *client* if the recommended *packaged product* is suitable for the *client* and had it been included would have been at least as suitable as the most suitable *packaged product* in that *range*.

(2) A *firm* must take reasonable steps to ensure that an *appointed representative* of a *firm* only acts as in (1) with its explicit written permission, either generally or in relation to the specific recommendation.

5.3.8B G COB 5.3.8AR enables a firm to advise on packaged products from outside a particular range of packaged products. This will enable such advice on investments to be given on a one-off basis by firms which have only one range of packaged products and by other firms which may have more than one but without the firm needing to change the scope or range of the advice on investments which the client is expecting to receive.

Delete the rules, COB 5.3.9R and COB 5.3.10R, these are not shown struck through.

5.3.9 R [deleted]

5.3.10 R [deleted]

Requirement for suitability: whole-of-market advisers

5.3.10A R (1) A firm which holds itself out as giving personal recommendations to private customers on packaged products from the whole market (or the whole of a sector of that market) must not give any such personal recommendation unless it:

(a) has carried out a reasonable analysis of a sufficiently large number of packaged products which are generally available from the market (or sector of the market); and

(b) conducts the analysis in (a) on the basis of criteria which reflect adequate knowledge of the packaged products generally available from the market as a whole (or from a relevant sector).

(2) A firm in (1) must satisfy the obligation in COB 5.3.5R (2) by taking reasonable steps to ensure that a personal recommendation given to a private customer is:

(a) in accordance with its analysis carried out under (1); and

(b) is the packaged product which on the basis of that analysis is the most suitable to meet the customer's needs.

5.3.10B R (1) A firm which holds itself out as giving personal recommendations to intermediate customers or market counterparties on life policies from the whole market (or from a relevant sector) must not give any such personal recommendation unless it:

(a) has carried out an analysis of a sufficiently large number of life policies which are generally available from the market (or sector of the market); and

(b) conducts the analysis in (a) on the basis of criteria which reflect adequate knowledge of the life policies generally available from the market as a whole (or from a relevant sector).

- (2) A firm in (1) must satisfy the obligation in COB 5.3.5R (2) by taking reasonable steps to ensure that a personal recommendation given to a client is :
- (a) in accordance with its analysis carried out under (1); and
 - (b) for a life policy which on the basis of that analysis is suitable to meet the client's needs.

Delete COB 5.3.11G in its entirety, the text of this provision is not shown struck through.

5.3.11 G [deleted]

...

Requirements for suitability letter: other specific requirements

5.3.14 R (1) A firm that gives a personal recommendation, in relation to a life policy, to a person who is a policyholder or a prospective policyholder of a life policy, must provide the person with a suitability letter prior to the conclusion of the contract, unless one of the exceptions in COB 5.3.19R applies.

(2) If, following a personal recommendation by the firm that does not fall within (1), a private customer:

(a)(4) buys, sells, surrenders, converts, cancels, or suspends premiums for or contributions to, a ~~life policy~~, pension contract or a stakeholder pension scheme; or

(b)(2) elects to make income withdrawals;

(c)(3) acquires a holding in, or sells all or part of a holding in, a scheme; or

(d)(4) enters into a pension transfer or pension opt-out from an OPS;

the firm must provide the customer with a suitability letter, within the time period stipulated by COB 5.3.18R, unless one of the exceptions in COB 5.3.19R applies.

...

5.3.16 R The suitability letter in COB 5.3.14R must:

...

(3) ...; ~~and~~

- (4) ...;
- (5) if the recommended product is from a *product provider* (or if relevant, an undertaking in the *immediate group* of that *provider*) which is identified in section 6 of the *firm's initial disclosure document* given in accordance with *COB 4.3.3R(1)*, include the information given in section 6 or in section 6 of the *firm's combined initial disclosure document*; and
- (6) in the case of a recommendation by a *firm* under *COB 5.3.7R* (Suitability of packaged products: out-of-range recommendations) explain why it has recommended a *packaged product* outside the *firm's range of packaged products*, including why it is suitable for the *customer*.

...

- 5.3.18 R The firm must provide the letter required by *COB 5.3.14R (2)* to the *customer*:
- (1) in the case of a *life policy*, *pension contract* or *stakeholder pension scheme*, where...

...

- 5.3.18A R A *firm* may provide a statement of demands and needs to the *client* orally, instead of the *suitability letter* in *COB 5.3.14R*, if:
- (1) the *client* requests it; or
 - (2) immediate cover is necessary;
- but in both cases the *firm* must provide the *suitability letter* immediately after the conclusion of the contract, on a *durable medium*.
- 5.3.18B R If the only contact between the *firm* and the *client* before conclusion of the contract is by telephone, the *suitability letter* must be provided immediately after the conclusion of the contract, on a *durable medium*.

Suitability: intermediate customers and market counterparties

- 5.3.18C R (1) If a *firm* makes a *personal recommendation* to an *intermediate customer* or a *market counterparty* to take out a *life policy*, it must explain to the *client* the reasons for *personally recommending that life policy*.
- (2) The explanation required under (1) must:
 - (a) take account of the complexity of the *life policy* proposed; and
 - (b) be provided to the *client* before the contract is concluded.

5.3.18D G A firm should take the following into account when explaining the reasons for a personal recommendation to an intermediate customer or a market counterparty in accordance with COB 5.3.18AR:

- (1) the firm should explain why the client's demands and needs combine to make the recommended contract suitable for the client;
- (2) the firm should not merely state what contract is being recommended with no link to the client's demands and needs;
- (3) a firm that offers contracts from more than one insurance undertaking should include a statement of why a particular insurance undertaking has been recommended; reasons may include contract features not available anywhere else, price, or service levels.

...

5.3.19 R COB 5.3.14R does not apply:

...

- (4) to any personal recommendation by a friendly society for a life policy sold by it a friendly society with a premium not exceeding £50 a year or, if payable weekly, £1 a week;

...

...

5.3.29 G Table Guidance on matters which should be taken into account when assessing the suitability of various personal recommendations. This Table belongs to COB 5.3.13G (4).

Suitability guidance

A Pension transfers and pension opt-outs.

...

Pension Transfers only

4. (a) ...

- (v) enabling the ~~adviser~~ representative to look at other pension options, if available;

...

...

B. Personal pension schemes and FSAVCs compared to Stakeholder Pension Schemes

...

2. ~~Both independent intermediaries and r~~ Representatives will need to undertake the comparison between *personal pension schemes* and *stakeholder pension schemes* and, as required by COB 5.3.16R(3), explain in the *suitability letter* why, if they have recommended a *personal pension scheme*, it is considered to be at least as suitable.

...

4. ~~Both independent intermediaries and r~~ Representatives will need to undertake a comparison between the three options and explain in the *suitability letter* why, if they have recommended an *FSAVC*, it is considered to be at least as suitable as a *stakeholder pension scheme* or the in-house *AVC*.

...

C. Hybrid products

...

2. The requirements for suitability in giving *investment advice* apply to all elements of a hybrid product:
- (a) ~~independent intermediaries~~ if appropriate, representatives need to scrutinise ready-made packages from a single *product provider* to make sure that each element is competitive and that a better solution is not available by combining elements from different providers;

...

...

G. Contracting out of SERPS

When a *firm* is advising a *customer* on whether to contract out of SERPS in favour of an *appropriate personal pension* or contracted-out *money-purchase scheme* ('COMP'):

- (a) ~~advisers~~ representatives should give careful consideration to:

...

5.3.30 G Table Guidance on the contents of suitability letters

This table belongs to *COB 5.3.17G*

Guidance on the contents of suitability letters

Introduction

...

5. Ideally each *suitability letter* will be different, reflecting the approach of the ~~*adviser representative*~~, the *customer's* profile, subjects discussed and the considerations on which the *advice* was based. ...

Content

6. A *firm* should take the following into account when constructing a *suitability letter*:

...

- (e) ~~*independent intermediaries*~~ where the range of *packaged products* from which *advice on investments* has been given contains the products of more than one *product provider* in respect of the same type of *packaged product*, the letter should include (the list is not exhaustive) why a particular *product provider* has been recommended; reasons may include product features not available elsewhere, price, service levels, performance track record, *investment* prospects, medical evidence terms, reputation and financial strength.

Signing

7. Each *suitability letter* should be signed by a *person* authorised by the *firm* to advise on the type of product which is being recommended. Ideally this will be the ~~*adviser representative*~~ who gave the particular *advice* but, if not, both the signatory and the ~~*adviser representative*~~ should accept responsibility for the letter and the recommendation.

5.5.5 E Table Table of information to be disclosed in written communications

This Table belongs to *COB 5.5.4E*.

Written communications

- (1) Any written communication, including stationery, business cards or other business documentation published by the *firm*, or used by its agents, ~~*representatives, financial advisers*~~ or *introducers*, should include:

...

(b) ~~[deleted]~~ the name of the *firm's marketing group* (if any);

...

(e) ~~[deleted]~~ In the case of a *provider firm*:

(i) a statement that the individual using the communication is the *representative* of, or represents only, the *firm* or its *marketing group*; and

(ii) a brief description, except in the case of business cards, of the *packaged products* and services provided by the *firm* or by members of its *marketing group* including any *adopted packaged products* which the *firm* or an member of the *marketing group* has adopted;

...

(2) ~~[deleted]~~In the case of a *provider firm*, when the *firm's representative* first meets a *private customer*, the *customer* should be given the following particulars in writing, which may be in the form of a business card, either before progressing beyond the social preliminaries or as soon as reasonably practicable after a telephone conversation has ended:

(a) the name, address and telephone number of the *representative*;

(b) the name, business address and telephone number of the *firm's* branch or office to which the *representative* reports;

(c) the name of the *firm's marketing group* (if any);

(d) a statement that the *firm* is regulated by or authorised by the Financial Services Authority; and

(e) where relevant a statement that the *appointed representative* or *marketing group associate* represents only the specified *firm* or *marketing group* together (except in the case of a business card) with a brief description of the *packaged products* and services provided by that *firm* or *marketing group*, indicating which of those he is appointed to sell.

...

5.5.6 G ~~A firm which gives advice on investments to a private customer about packaged products is reminded of the additional disclosure requirements in COB 5.1 (Polarisation and status disclosure).~~~~[deleted]~~

...

5.6.2 G Principle 6 (Customer's interests) requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. The purpose of this section is to ensure that the *charges* a *firm* makes to its *private customers* are not excessive. The obligation to disclose to a *private customer* the *charges* that a *firm* intends to make are set out in COB 4.3 (Disclosing information about services, fees and commission – packaged products) and COB 5.7 (Disclosure of charges, remuneration and commission).

...

5.7.4 G (1) A *firm* may make the disclosures required by COB 5.7.3 R in its *terms of business* in a *client agreement*, or in a separate written statement. Disclosure should include any product-related *charges* that are deducted from the *private customer's investment*. If the product is a *packaged product*, product-related *charges* and expenses will be disclosed in the *key features document* or in the minimum information that the *firm* is required to provide to the *private customer* in accordance with COB 6.2 (Provision of key features) and COB 6.4 (Product disclosure: special situations). When a *firm* is a *broker fund adviser*, disclosure should include any *fees* payable to the *firm* or its *associate* in connection with that activity by a *provider firm*. In the case of advice provided in connection with *packaged products* a *firm* should, in accordance with COB 4.3.3 R, have provided its customer with a *fees and commission statement* setting out the maximum rates of any *fees* which the *customer* will pay and/or with an indication of the maximum rates of *commission* (or *equivalent*) which it, or its *representatives*, may retain in connection with the sale of *packaged products*. COB 5.7.3 R does not require any further disclosure of a *firm's fees* if, in accordance with COB 4.3.5 R it has confirmed the exact amount or rate that it will charge.

(2) In addition it is necessary that a *private customer* should, as soon as is practicable, be informed of the exact rate or the exact amount in cash terms of any *commission* (or *equivalent*) which the *firm* or its *representatives* will receive in respect of a specific transaction.

(3) In the case of a *packaged product*, product related charges and expenses will be disclosed in the *key features* document or in the minimum information that the *firm* is required to provide to *private customers* in accordance with COB 6.2 (Provision of key features) and COB 6.4 (Product disclosure: special situations). When a *firm* is a *broker fund adviser*, disclosure should include any *fees* payable to the *firm* or its *associate* in connection with that activity by a *product provider*.

Delete the text within the existing COB 5.7.5 R and replace with the following text, which is not underlined:

Disclosure of commission (or equivalent) for packaged products

5.7.5 R (1) When a *firm* sells, *personally recommends* or arranges the sale of a *packaged product* to a *private customer*, and subsequently on the request of a *private customer*, the *firm* must disclose to the *private customer*, in cash terms:

(a) any *commission equivalent* payable by it to a *representative* or *appointed representative*; and.

(b) any *commission* or *commission equivalent* receivable by it, or by any of its *associates* in connection with the transaction

unless *COB 5.7.9 R* or *COB 5.7.10 R* applies.

(2) In (1)(b) a *firm* is, in respect of any transaction, to be regarded as receiving *commission equivalent* if:

(a) it is received from a *product provider* (“P”), or an *associate* of P; and

(b) either P or its *associate* is in the same *immediate group* as the *firm*; and

(c) the value of the *commission equivalent* (as assessed in accordance with these *rules*) is greater than the amount of *commission* in cash terms.

(3) In (1) and (2) “cash terms” in relation to *commission* does not include the value of any indirect benefits which the *firm* may receive in accordance with *COB 2.2*.

5.7.6 R In determining the amount to be disclosed as ~~remuneration~~ commission equivalent in accordance with *COB 5.7.5R* a *firm* must put a proper value on the cash payments, benefits and services provided to its ~~employees and agents~~ representatives in connection with the transaction.

5.7.7 G ~~[deleted] For an adopted packaged product COB 5.7.6 R includes all cash payments, benefits and services provided by the provider of the adopted packaged product.~~

5.7.8 E (1) When determining the value of cash payments, benefits and services under *COB 5.7.6R*, a ~~provider~~-*firm* should follow the provisions of *COB 5.7.16E*.

...

5.7.10 R The requirement in *COB 5.7.5R* to disclose to a *private customer* the amount or value, in cash terms, of ~~remuneration or commission~~ or equivalent does not apply if the *firm* provides the *private customer* with example *key features*, in accordance with *COB 6.2.7R* (Life policies) and *COB 6.2.22R* (Schemes), provided that the *firm* *discloses* to the *private customer* the actual amount of value of ~~remuneration or commission~~ or equivalent within five *business days* of effecting the transaction.

...

5.7.12 G If the precise rate of ~~remuneration~~ or value of *commission* or equivalent is not known in advance, the *firm* should estimate the rate likely to apply to the ~~employee or agent in question~~ representative in respect of the transaction.

5.7.13 G The disclosures required by *COB 5.7.5R* should normally be made in writing. For example, if a specific *key features* document or *projection* is provided to a *private customer*, the required disclosures should either be contained in the *projection* or the *key features* document, or be given to the *private customer*. When a *private customer* does not make a written application to enter into a transaction contemplated by *COB 5.7.5 R*, for example, when the transaction is a telephone *deal* for *units* in a *regulated collective investment scheme*, the *firm* may disclose the amount or value of ~~remuneration or commission~~ or equivalent orally. In these circumstances, the *firm* should give written confirmation as soon as possible after the date of the transaction, and in any event within five *business days*. In preparing its written disclosure statement, a *firm* may wish to follow the *guidance* on content and wording set out in *COB 5.7.17G*.

...

5.7.15 R If the terms of a *packaged product* are varied in circumstances that require the issue of a cancellation notice, a *firm* must disclose to a *private customer* in writing any consequent increase in ~~remuneration or commission~~ or equivalent.

5.7.16 E Table Calculating ~~remuneration~~ commission equivalent

This table forms part of *COB 5.7.8 E*

Calculating ~~remuneration~~ commission equivalent

~~COB 5.7.8E applies only to a firm which is a product provider firm.~~ This table sets out the basis on which the *firm* should determine the value of cash payments, benefits and services to be disclosed as ~~remuneration~~ commission equivalent under COB 5.7.5R. Benefits and services, as set out in parts B and C below, need be included only where their value is such that they could not be provided to ~~an independent intermediary~~ a firm as an indirect benefit under COB 2.2.6G (Packaged products – guidance on indirect benefits) and COB 2.2.7G (Reasonable indirect benefits – ~~joint marketing exercises~~).

The result of the calculation should be that the amounts disclosed as commission equivalent are, as far as possible, the same as the amounts and value of commission which would be paid in a corresponding sale.

Part A: Cash payments

1. These cover all payments by a *firm* to a representative, appointed representative or a firm in the same immediate group in relation to a transaction in a *packaged product*, including:
 - (a) payments to any ~~employee or~~ *representative* of the *firm* in respect of the transaction (for example, a manager's override), including any payments from the *firm* to *introducers*;
 - (b) ...
 - (c) that element of any payment made in relation to other business which may be considered to result directly or indirectly from the transaction; for example, any extra element of ~~remuneration~~ commission equivalent payable on the sale of a mortgage which is to be repaid through an *investment* in a *packaged product*;
 - (d) payments resulting directly from business written in previous years (for example, renewal ~~remuneration~~ commission equivalent), which are conditional on the completion of minimum amounts of new business;
 - (e) ...
 - (f) salaries and other payments which do not relate directly to any one transaction, provided they are treated similarly to 'benefits' and 'services' (see paragraph ~~11~~ 14).
2. In determining the amounts to be included in the calculation, a *firm* should have regard to the following:
 - (a) When the precise rate of ~~remuneration~~ commission equivalent is not known in advance ...
 - ...

- (c) When a payment is made before the *firm* receives the *premium* or the investment monies to which it relates (for example, indemnity ~~remuneration~~ commission equivalent), it should be included as being received at the time of payment. If the ~~adviser~~ representative or the *product provider* wishes to explain this arrangement to the *customer*, he is free to do so, provided this does not detract from the required disclosure.

...

Part C Services

5. These include benefits which could not be provided to ~~an independent intermediary a firm, A,~~ as an indirect benefit (under COB 2.2.3R (Prohibition of inducements) and COB 2.2.6G (*Packaged products – guidance on indirect benefits*)), and which ~~the intermediary A~~ would therefore have to fund out of its disclosable *commission*. For those services which can be provided as an indirect benefit, it is not necessary for the *firm* providing the benefit, B, actually to provide services to ~~an independent intermediary another firm, A,~~ for ~~it B~~ to be able to apply this criterion in relation to its *employees, representatives* or agents.
6. The following services should be included:
- (a) ...
- (b) loans where a commercial rate of interest is not charged, including ~~remuneration~~ commission equivalent advances overdue for repayment;
- ...
7. To put a value on these services, the following costs should be included:
- ...
- (h) in respect of ~~marketing group associates a firm in the same immediate group~~ and connected *appointed representatives*, where the name of the company is included in the *direct offer financial promotion*, the costs of any promotion in a newspaper or elsewhere and the provision of ~~representative specific~~ literature specific to the *representative* in connection with a *direct offer financial promotion*.
8. The following costs should be excluded:
- ...
- (g) the costs of head office and branch level management and support, other than payments to *managers* falling under Part 1, for *representatives*, where these services could also be provided to ~~an~~

~~independent intermediary a firm not in the same immediate group,~~
for example, broker branches consultants and ‘inspectors’;

...

Part D: Calculation methodology ~~actuarial advice~~

9. ~~A long-term insurer or friendly society should take the advice of its appointed actuary (or if does not have one, an actuary) in determining the costs of benefits and services to be included and their apportionment over individual packaged product transactions. Where the firm does not follow its actuary’s advice, it should notify the FSA, giving the reasons for that decision and the alternative assumptions it plans to use.~~

Estimating commission equivalent

The cost of benefits and services should normally be based on the most recent relevant experience of the firm, except where one of the following applies:

- (a) the firm has reasonable grounds to believe that the commission equivalent for the period concerned will be higher than that implied by the experience; or
- (b) the firm has strong grounds to believe that the commission equivalent for the period concerned will be lower than that implied by the experience; or
- (c) no such experience is available.

If any of (a) to (c) applies, the estimate should be based on and evidenced by business plans which the firm is satisfied on reasonable grounds are achievable.

Delete the text COB 5.7.16E (10) to (12) and replace with the following new text for COB 5.7.16E(10) to (19), which is not shown underlined.

10. *Firms* that receive or expect to receive:
- (a) *commission* in respect of *packaged products* which are not its own products or the products of a *product provider* who is in the same *immediate group*; and
 - (b) *commission equivalent* in respect of its own products

must ensure that the costs and benefits attributed to these products do not exceed the amounts that can be financed from that *commission*.

Construction of ~~Remuneration~~ commission equivalent scales

11. The total costs of cash payments, benefits and services should be assessed and the normal approach is to split them into new business costs and after sale servicing costs. The costs of each of these functions should be assessed directly in relation to the work carried out by the *representatives*.
12.
 - (a) The *commission equivalent* costs identified in 11 should be spread across the business using a new business *commission equivalent* scale and a servicing *commission equivalent* scale respectively. The new business *commission equivalent* scales when applied to the total value/volumes of business should reproduce the total new business *commission equivalent* costs, and similarly for the servicing scales.
 - (b) The *commission equivalent* scales should distinguish between products for which the *commission equivalent to representatives* is likely to be different.
13. Where the *representative's commission equivalent* includes a cash payment related to volume and/or value of the transactions sold, the following method would be appropriate:
 - (a) The basic payment scale should comprise a new business payment scale and a servicing payment scale. The cost of benefits and services should be expressed in the form of a new business uplift factor and a servicing uplift factor. So the "new business uplift factor" would be the cost of new benefits and services divided by the new business payments. The "servicing uplift factor" would be the cost of servicing benefits and services divided by servicing payments.
 - (b) The payment scales should be grossed up by new business uplift factors or servicing uplift factors as appropriate to reflect the cost of benefits and services. The grossed up scales represent the new business and servicing *commission equivalent* scales, and are applied to each contract to derive the *commission equivalent* to be disclosed.
 - (c) Where the level of payment in the first year of a policy equals the level of payment in subsequent years then "new business payments" refers to payments in the first year of a contract and "servicing payment" refers to the level of payment in subsequent years.
 - (d) If servicing costs are expected to be incurred in any year in which no servicing payments are to be made on a contract, disclosure should still be made, for example by using a technique similar to that described in 14.

14. (a) When a *representative* receives a salary, or other payment unrelated to volume or sales:
 - (i) this should be amalgamated with the cost of benefits and services; and
 - (ii) the total costs should be apportioned over individual transactions in a way that reflects the value of a contract to a *firm* or the *firm's immediate group*.
- (b) Where a *firm* is a distributor for a *product provider* within the same *immediate group*, the *firm* must apportion total costs over individual transactions in a way that reflects the value of the contract to the *firm's immediate group*.
15. Where other methods of *commission equivalent* are employed, for example, part salary and part related to the volume/value of the sale, the salary element should be added to the cost of benefits and services and the method in 13 should be used.
16. Where a *representative* agrees to forgo part of his or her normal payment to improve the terms of the contract, the same uplift factor (in line with 13(a)) may be applied to the reduced payment, or the same monetary cost of benefits and services may be used, subject to the following constraints:
 - (a) the same uplift factor approach should only be adopted if the *customer* will also receive the full benefit of the lower of:
 - (i) the reduction in the amount of disclosed *commission equivalent* for non-financial benefits and services; and
 - (ii) an equivalent proportion of the policy loadings intended to cover non-financial benefits and services.
 - (b) Where the 'same uplift factor' approach is adopted, the proportion of payments foregone must be allowed for in calculating the uplift factor.
 - (c) Where an average scale of *commission equivalent* is used, the percentage reduction in payment in respect of the individual *representative* may be applied to the average payment in order to calculate the reduced payment.
17. The *firm* should review the *commission equivalent* scales if at any time it becomes aware that the *commission equivalent* figures have become misleading. A review should take place at least annually.

18. When an identical *commission equivalent* scale applies to all *representatives* (although they might earn differing percentages of it), the same average amount of *commission equivalent* (and the value of other benefits and services) in respect of identical transactions may be disclosed, regardless of the percentage of the scale paid to each individual *representative*. Averaging may be used for *representatives* on the same scale and *employees of firms* in the same *immediate group*, but not *appointed representatives*.

Payments to associates

19. Where a *firm* pays *commission equivalent* to a another *firm* in the same *immediate group*, or an *appointed representative* which is an *associate* of the *firm*, it should ensure that the calculation of the sum to be disclosed is the higher of:
- (a) all payments, benefits and services provided to the *firm* or *appointed representative*, from whatever source, plus an additional allowance for profit of 15% - unless the *firm* can demonstrate that another figure (higher or lower) is more appropriate; and
 - (b) the cash payments actually paid by the *firm*, plus the value of services provided.

...

- 6.2.9** R (1) *COB 6.2.7R* does not apply to a *product provider* when its *life policy* is sold on the *personal recommendation* of, or arranged to be sold by, ~~an independent intermediary or marketing group associate~~ another firm.

...

...

- 6.2.11** G An adequate oral explanation of the information required by *COB 6.2.9R (2)* should include the following:

...

- (4) where it is the case, the fact that *commission* or *commission equivalent* will be paid to the ~~adviser~~ *representative*; and

...

...

6.2.19** R (1) *COB 6.2.16R and COB 6.2.18R do not apply to a product provider when the variation to its life policy is effected on the personal recommendation of or arranged to be sold by an independent intermediary or marketing group associate another firm.*

...

...

Provision of key features: Schemes

6.2.22 R When a firm sells, personally recommends or arranges for the sale of a scheme to a private customer:

the firm must, unless COB 6.2.24R (exceptions) or COB 6.4.27R to COB 6.4.31R (telephone sales and other exemptions) applies, provide the private customer with appropriate key features for the scheme before he completes an application for the scheme holding; or

6.2.23** G ...

(3) An adequate oral explanation of the information required by COB 6.2.22R should include the following:

...

(e) where it is the case, that commission or remuneration will be paid to the ~~adviser or representative~~; and

...

...

6.2.25** R *COB 6.2.22R does not apply to a product provider when the scheme holding is sold on the personal recommendation of, or arranged to be sold by, an independent intermediary or marketing group associate another firm.*

...

~~Commission and remuneration~~ commission equivalent for life policies, schemes and stakeholder pension schemes

6.5.38 R

(2) (a) the amount or value in cash terms of the ~~commission or remuneration~~ equivalent, and an indication of the timing of these payments; and

- (b) a statement that *commission* or ~~remuneration~~ *equivalent* is paid for out of ‘the deductions or charges, if more appropriate’ and, if applicable, that the amount will depend on the size of the premium or contribution and the length of the *life policy, scheme* or *stakeholder pension scheme* term.

6.5.39 G ~~The information given under In-COB 6.5.38 R (2) may include the name of the adviser representative to whom the commission or remuneration equivalent is to be paid may be given.~~

...

6.5.46 R The post-sale confirmation to be given to *private customers* in accordance with *COB 6.3.3 R* must include:

- (1) the information required by *COB 6.5.15 R - COB 6.5.19 R* (an Example), *COB 6.5.23 R* to *COB 6.5.28 R* (Tables and Deductions Summary) and *COB 6.5.38 R* (Commission and ~~Remuneration~~ *commission equivalent*);
- (2) ~~where the investment has been recommended to a private customer by a representative, a statement under the heading ‘adviser’s status’ that: ‘the person who advised you about this policy represents only [Name of firm, or, if appropriate, marketing group associate.]’~~

...

6.6.7 R ~~An independent intermediary~~ A *firm* must, in addition to complying with other rules in this section, ensure that a *projection* given to a particular *customer* is relevant to that *customer’s* circumstances.

...

6.7.1 R *COB 6.7* applies to:

- (1) a *product provider*;
- (2) an *insurer* which provides *pure protection contracts*;
- (3) ~~An independent intermediary~~ a *firm* when acting as an *EIS manager, ISA manager* or *plan manager*, or when selling on to a *customer units* which the *firm* has bought or redeemed as *principal* for that purpose;

...

6.7.16 R Table Notes to cancellable investment agreements - life

This table belongs to *COB 6.7.15 R*

...

2. Multiple agreements: Where a *customer* enters into a set of *investment agreements* at the same time (for example, the different components held within a *maxi-ISA* and with the same *firm*) (~~or another person in the same marketing group as that firm~~), and that set ...

...

6.7.17 R Table Cancellable investment agreements - non-life

This table belongs to *COB* 6.7.7 R (1) and *COB* 6.7.14 R (1)

...

Column 1

Column 2

...

...

C. Subscriptions (see notes 1 and 2 in *COB* 6.7.18R) which can be invested only in units (whether or not held within an *ISA*, *PEP* or *pension contract*) to an *AUT* or *ICVC* purchased from the:

2. The agreement is entered into with the *firm* (~~and where relevant with any independent intermediary firm which arranged the transaction~~) as an *execution-only transaction* (unless note 4 in *COB* 6.7.18R applies).

(a) the operator; or

(b) its ~~marketing group~~ associate acting as an *ISA manager* or *plan manager*.

...

...

6.7.18 R Table Notes to cancellable investment agreements - non-life

This Table belongs to *COB* 6.7.17 R

...

2. Multiple agreements: Where a *customer* enters into a set of *investment agreements* at the same time (for example, the different components held within a *maxi-ISA* and with the same *firm*) (~~or another person in the same marketing group as that firm~~), and that set ...

...

11.3 ~~Polarisation~~ Packaged products
(Title)

...

Sch 1 Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...
<i>COB 5.1.4R(3)</i>	Adoption of a packaged product	Decision to adopt	On making the decision to adopt	Throughout the period the adoption remains in effect and for 6 years thereafter
<u>COB 4.3.9 R</u>	<u>Fees and commission statement</u>	<u>Fees and commission statement</u>	<u>At the time a firm sets its fees and commission statements</u>	<u>6 years from the date on which the record is superseded by a more up-to-date record</u>
<u>COB 5.1.6CR</u>	<u>The scope and range (or ranges) of advice each of the firm's appointed representatives is permitted to give</u>	<u>The scope of advice and range (or ranges) of packaged products in respect of which an appointed representative is permitted to advise.</u>	<u>At the time the appointed representative is appointed and on each change to the permitted scope and range (or ranges) of advice</u>	<u>6 years from the date on which the record is superseded by a more up-to-date record</u>

<u>COB 5.1.6FR</u>	<u>Range of packaged products</u>	<u>Range of packaged products</u>	<u>When the range changes</u>	<u>6 years from the date on which the record is superseded by a more up-to-date record</u>
...

Annex C

Amendments to the Insurance: Conduct of Business sourcebook

In this Annex underlining indicates new text and strikethrough indicates text to be deleted

ICOB Transitional Rules

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
...					
8	<i>ICOB</i> 4.2.4G(1)	G	Until 31 May 2005, the reference in <i>ICOB</i> 4.2.4G (1) to the <i>initial disclosure document</i> set out in <i>ICOB</i> 4 Ann 1G <u>and the combined initial disclosure document set out in <i>ICOB</i> 4 Ann 2R</u> includes an <i>initial disclosure document</i> which complies with <i>ICOB</i> 4 Ann 1G and a <i>combined initial disclosure document</i> which complies with <i>ICOB</i> 4 Ann <u>2R</u> in the Insurance: Conduct of Business Sourcebook Instrument 2004 (FSA 2004/06).	14 January 2005 – 31 May 2005	Already in force

ICOB 4 Annex 1 G: Initial disclosure document (“IDD”)

...

The following notes do not form part of the IDD

...

Section 6: Ownership

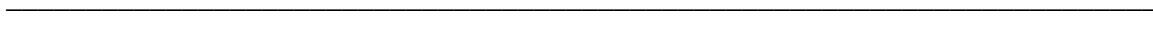
Note 22 – the *insurance intermediary* should omit this section where there is no relevant ownership arrangements under the following notes or the *firm* is an *insurer* selling its own *non-investment insurance contracts*. If this section is omitted the other sections should be renumbered accordingly. Where the information is provided by an appointed representative, it must cover holdings in or held by that appointed representative, as appropriate.

...

ICOB 4 Annex 2 R: Combined initial disclosure document (“CIDD”)**

This Annex belongs to *ICOB 4.2.7R(1)*.

This specimen covers services in relation to *packaged products, non-investment insurance contracts* and *regulated mortgage contracts* (including *regulated lifetime mortgage contracts* and home reversion schemes). If the *firm* is only providing services in relation to two types of these products, the parts of the CIDD that are not relevant must be omitted. *Firms* must omit the notes and square brackets that appear in the following CIDD. The CIDD must contain the keyfacts logo, headings and text in the order shown and in accordance with the notes. **[Note 1]**



[Note 5]
[123 Any Street
Some Town
ST21 7QB]

[Note 3] [Note 4]

1 The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. It requires us to give you this document. Use this information to decide if our services are right for you.

2 Whose products do we offer? [Note 6] [Note 7]

Investment

- We offer products from the whole market. **[Note 6A]**
- We [can] **[Note 8]** only offer products from a limited number of companies.

Ask us for a list of the companies and products we offer. **[Note 12]**

- We [can] **[Note 8]** only offer [a] ~~[a limited range of the]~~ product[s] from [a single group of companies] [name of single company]. **[Note 10(1)] [Note 13]**

[or] **[Note 10(2)]**

We only offer our own products.

Ask us for a list of the companies and products we offer. **[Note 12]**

- ~~[We will advise you about group personal pensions.]~~

Insurance

- We offer products from a range of insurers [for] [list the types of *non-investment insurance contracts*].
- We [can] **[Note 8]** only offer products from a limited number of insurers [for] [list the types of *non-investment insurance contracts*].

Ask us for a list of the insurers we offer insurance from. **[Note 12]**

- We [can] **[Note 8]** only offer [a] product[s] from [a single insurer] [name of single *insurance undertaking*] [for] [list the types of *non-investment insurance contracts*]. **[Note 9] [Note 10(1)] [Note 13]**

[or] **[Note 10(2)]**

We only offer our own products for [list the types of *non-investment insurance contracts*].

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- We offer mortgages from the whole market.
- We [can] **[Note 8]** only offer mortgages from a limited number of lenders.

Ask us for a list of the lenders we offer mortgages from. **[Note 11]**

- We [can] **[Note 8]** only offer [a limited range of the] [a] mortgage[s] from [a single lender] [name of single lender]. **[Note 10(1)][Note 13]**

[or] **[Note 10(2)]**

We only offer our own mortgages.

3 Which service will we provide you with? [Note 6]

Investment

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.
- We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances but we will not:
- Conduct a full assessment of your needs;
 - Offer advice on whether a non-stakeholder product may be more suitable

[Note 6A]

Insurance

- We will advise and make a recommendation for you after we have assessed your needs [for] [list the types of *non-investment insurance contracts*].
- You will not receive advice or a recommendation from us [for] [list the types of *non-investment insurance contracts*]. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

4 What will you have to pay us for our services?

Investment

- Before we provide you with advice, we will give you our keyfacts guide 'about the cost of our services'. **[Note 15]**
- We will tell you how we get paid, and the amount, before we carry out any business for you.

Insurance [Note 16]

- A fee [of £ []] [for] [list the types of services provided for *non-investment insurance contracts*].
- No fee [for] [list the types of services provided for *non-investment insurance contracts*].

You will receive a quotation which will tell you about any other fees relating to any particular insurance policy.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- No fee. [We will be paid by commission from the [lender/company].] **[Note 17]**
- A fee of £[] payable at the outset and £[] payable when you apply for a [lifetime] mortgage [or home reversion scheme]. [We will also be paid commission from the [lender/company].] **[Note 17] [Note 18]**

You will receive a keyfacts illustration when considering a particular [lifetime] mortgage, [or further information about a particular home reversion scheme] which will tell you about any fees relating to it. **[Note 14]**

Refund of fees [Note 19] [Note 14]

If we charge you a fee, and your [lifetime] mortgage [or home reversion scheme] does not go ahead, you will receive:

[Note 20]

- A full refund [if the [lender/company] rejects your application]. **[Note 21]**
- A refund of £ [] [if your application falls through]. **[Note 21]** **[Note 22]**
- No refund [if you decide not to proceed]. **[Note 21]**

5 Who regulates us? [Note 23]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] **[Note 24]** **[Note 25]** is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. **[Note 26]**

Our permitted business is []. **[Note 27]**

[or] **[Note 28]**

[Name of *appointed representative*] **[Note 3]** **[Note 4]** is an appointed representative of [name of *firm*] [address of *firm*] **[Note 24]** **[Note 25]** which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] **[Note 27]**

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

[Home reversion schemes are not regulated by the FSA.] **[Note 14]**

6 Loans and ownership [Note 29]

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.] **[Note 29]****[Note 30]****[Note 31]****[Note 32]****[Note 33]****[Note 34]**

7 What to do if you have a complaint [Note 23]

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 35]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 36] [Note 36A] [Note 37] [The Financial Ombudsman Service does not consider complaints about home reversion schemes.] [Note 14]

8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 23] [Note 38] [Note 38A]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Investment

Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

Insurance

Insurance advising and arranging is covered for 100% of the first £2,000 and 90% of the remainder of the claim, without any upper limit.

[or] [Note 39] [Note 39A]

For compulsory classes of insurance, insurance advising and arranging is covered for 100% of the claim, without any upper limit.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

Mortgage advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. [Home reversion schemes are not covered by the Financial Services Compensation Scheme.] [Note 14]

Further information about compensation scheme arrangements is available from the FSCS.

9 — Group personal pensions [Notes 40, 41 and 42]

This meeting has been arranged so that we can provide you with [information about] [advice upon whether or not you should join] the Group Personal Pension scheme which your employer has established. You should be aware that we cannot advise upon or recommend any other specific investment products during this meeting.

[Note 403] Message from the Financial Services Authority

Think carefully about this information before deciding whether you want to go ahead.

If you are at all unsure about which lifetime mortgage or home reversion scheme is right for you, you should ask your adviser to make a recommendation.

Please remember that home reversion schemes are not regulated by the FSA.

The following notes do not form part of the CIDD.

Note 1 – subject to this, a *firm* may use its own house style and brand.

Note 2 – the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *customers*. ~~ICOB 4.2.6R sets out the requirements on the use of the key facts logo.~~ The keyfacts logo and the text 'about our services' must be used and positioned as shown in the CIDD. The logo may be re-sized, but it must be reasonably prominent and its proportions must not be distorted. When reproducing the logo, firms may use colour providing this does not diminish the prominence of the logo. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 3 – insert the *firm's* or *appointed representative's* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included.

Note 4 – if an individual who is employed or engaged by an *appointed representative* provides the information, the individual should not put his or her own name on the CIDD.

Note 5 – insert the head office or if more appropriate the principal place of business from which the *firm* or *appointed representative* expects to conduct business (this can include a *branch*) with *customers*. (An *appointed representative* must not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer?

Note 6 – for services in relation to *packaged products* and *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes the *firm* must select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *customer*. For services in relation to *non-investment insurance contracts*, the *firm* must select more than one box if the scope of the service or the type of service it provides to a particular *customer* varies by type of contract. For example, if it deals with a single *insurance undertaking* for motor insurance and a range of *insurance undertakings* for household insurance or if it provides *advice* on some types of contract but not others. In the case where more than one box is selected, the *firm* should specify which box relates to which type of *non-investment insurance contract*, by adding text to

the CIDD. This needs to be done only in relation to the service it is offering to a particular *customer*.

Note 6A – if a *firm* indicates that it will be providing *basic advice on stakeholder products* then the first box in section 2 must not be ticked as the *firm* will not be doing so on the basis of *advice on investments* from the whole market.

Note 7 - if the CIDD is provided by an *appointed representative*, the service described must be that offered by the *appointed representative*, in accordance with COB 5, ICOB 4.2.8R note 1(e) and MCOB 4.3.10R.

Note 8 – insert “can” if the *firm*'s range of products is determined by any contractual obligation. This does not apply where a *product provider, insurer, lender* or company is selling its own products.

Note 9 – if the *insurance intermediary* deals with a different *insurance undertaking* for different types of *non-investment insurance contracts*, it should identify all the *insurance undertakings* and specify the type of contract to which they relate on the CIDD. This only needs to be done in relation to the service it is offering a particular *customer*. For example, “we can only offer products from ABC Insurance for motor insurance and XYZ Insurance for household insurance”.

Note 10 – if the *firm* selects this box, it will be offering the products of one provider to the *customer* for a particular product type. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. In the case of *non-investment insurance contracts*, where the *firm* is providing a service in relation to different types of insurance, this box covers the situation where it is offering a particular type of insurance from a single *insurance undertaking*. If the *firm* does not select this box, then the text must follow that set out in note 13 below.

- (1) Insert the name of the provider, namely the *product provider* for *packaged products*, the *insurance undertaking(s)* for *non-investment insurance contracts*, the lender for *regulated mortgage contracts* and *regulated lifetime mortgage contracts* and the company for home reversion schemes. For example: "We can only offer products from [name of *product provider*]". For *non-investment insurance contracts* the type of insurance offered should also be included. For example: "We only offer XYZ's household insurance and ABC's motor insurance." If the provider has only one product, the *firm* must amend the text to the singular – for example: "We can only offer a mortgage from [name of lender]". If the *firm* does not offer all of the ~~*packaged products*~~ or mortgages or home reversion schemes generally available from that provider, it must insert the words "a limited range of" as shown in the specimen.
- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part's trading name, it should use this alternative text.

Note 11 – for services provided in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes, this sentence is required only where a firm selects this service option. It may also be omitted if a the firm chooses to list all of the ~~companies~~ lenders it offers mortgages from instead of the text "a limited number of lenders", in the previous line, so long as the *firm* offers all of the products generally available from each ~~provider~~ lender.

Note 12 – this sentence is required only where a firm selects this service option. For services provided in relation to *packaged products*, the list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *customer*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOB 4.2.14R*.

Note 13 – if the *firm* does not select this box, it must alter the wording to say "a single group of companies" for *packaged products*, "a single insurer" for *non-investment insurance contracts*, "a single lender" for *regulated mortgage contracts* or *regulated lifetime mortgage contracts* and "a single company" for home reversion schemes. For example: "We only offer the products from a single group of companies" should replace the text in the specimen CIDD.

Note 14 – change “mortgage” to “lifetime mortgage” where the *firm* sells only *regulated lifetime mortgage contracts*. *Firms* must insert the text relating to home reversion schemes and change “mortgage” to “product” and “lender” to “company” if they advise or give personalised information on home reversion schemes in addition to *advising* or giving personalised information on *regulated lifetime mortgage contracts*.

Section 4: What will you have to pay us for our services?

Note 15 – *firms* are only required to provide a *private customer* with an appropriate "keyfacts guide to the costs of services" (i.e. a menu) if they propose to give that *customer advice* on *packaged products*. Where a *firm* is not required to provide that *customer* with a menu because the *firm* does not intend to give him advice on *packaged products*, ~~the firm may omit the part of section 4 of the CIDD that relates to packaged products~~ then it should tick the second box in section 4.

Note 16 – if the *customer* will be charged a *fee* for *insurance mediation activities* in connection with *non-investment insurance contracts*, insert a plain language description of what each *fee* is for and when each *fee* is payable. This should include any *fees* for *advising on* or *arranging a non-investment insurance contract* and any *fees* over the life of the contract, for example, for mid-term adjustments. If a *firm* does not charge a *fee* the text in the first box should be abbreviated to 'A fee'. If the firm is offering more than one type of service in connection with non-investment insurance contracts, the firm may aggregate the fees over all the services provided, and (if that is the case) identify the services for which there is no fee.

Note 17 – if the *firm* receives commission instead of, or in addition to, *fees* from the *customer* for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes, it must insert a plain language

explanation of this (see specimen for a plain language example). If the firm will pay over to the customer any commission the firm receives, it may refer to that fact here.

Note 18 – insert a plain language description of when any *fees* are payable for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes. This description could include, for example, a cash amount, a percentage of the loan or reversion amount or the amount per hour, as appropriate. However, where a cash amount is not disclosed, one or more examples of the cash amount must be included. If a *firm* offers more than one pricing option, it may illustrate each with a separate box. If a firm does not charge a *fee*, the text for the second box should be abbreviated to 'A fee'.

Note 19 – omit this part of the CIDD on 'Refund of fees' if the *firm* has indicated that there will be "No fee" for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes or that any fee will be payable only if the product completes.

Note 20 – *firms* may select as many boxes as appropriate.

Note 21 – insert a short, plain language description of the circumstances in which the *fee* for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes is refundable or not refundable as described.

Note 22 – a *firm* may delete this line if it does not offer a partial refund for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes in any circumstances.

Section 5: Who regulates us?

Note 23 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *customer*, provided the *customer* with its *terms of business* which contains that information including the *firm's permitted business*. This section may be omitted for services relating to *non-investment insurance contracts* if the *firm* provides the information covered by this section where it is required by *ICOB 4.2.8R* to the *customer* by some other means. This section may be omitted for services relating to *regulated mortgage contracts* (including *regulated lifetime mortgage contracts*) and home reversion schemes in accordance with *MCOB 4.4.1R(3)*. If this section is omitted, the other sections of the CIDD must be renumbered accordingly.

Note 24 – if the *firm's* address on the *FSA Register* differs from that given on the CIDD under note 5, the address on the *FSA Register* must be given in this section. If the address is the same as that given under note 5 it should be repeated in this section.

Note 25 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it must include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 26 - an *incoming EEA firm* will need to modify this section if it chooses to use this CIDD (see *GEN 4 Ann 1R(2)*).

Note 27 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 28 – where the information is provided by an *appointed representative*, the *appointed representative* must use this text instead. The *appointed representative* must give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *customer*.

Section 6: Loans and ownership

Note 29 – omit this section where there are no relevant loan or ownership arrangements under the following notes or if the *firm* is an *insurer* selling its own *non-investment insurance contracts*. If this section is omitted the other sections of the CIDD must be renumbered accordingly. If the *firm* is not providing services in relation to *packaged products*, the heading of this section must be changed to 'Ownership'. Where the information is provided by an *appointed representative*, it must cover loans made to or by that *appointed representative* or holdings in, or held by, that *appointed representative* as appropriate.

Notes 30, 31 and 32 apply only to a *firm* *advising on, dealing in, or arranging* in relation to *packaged products* ~~for private customers~~.

Note 30 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider of *packaged products* or by the parent of the provider.

Note 31 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider of *packaged products* which is held by the *firm*.

Note 32 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Notes 33 and 34 apply to an *insurance intermediary* that is not an *insurer* providing services in relation to *non-investment insurance contracts*.

Note 33 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *insurance intermediary* which is held by an *insurance undertaking* or by the parent of an *insurance undertaking*.

Note 34 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of an *insurance undertaking* which is held by the *insurance intermediary*.

Section 7: What to do if you have a complaint

Note 35 – if different to the address in note 5, give the address and telephone number which is to be used by *customers* wishing to complain.

Note 36 – this text may be omitted for *non-investment insurance contracts* if the *insurance intermediary* is aware that a *commercial customer* would not be an *eligible complainant*.

Note 36A – if the CIDD is provided by an *authorised professional firm* which is exclusively carrying on *non-mainstream regulated activities*, the *authorised professional firm* should delete this sentence and refer to the alternative complaints handling arrangements. It should also omit the information required under note 14.

Note 37 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it must make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 38 – when an *incoming EEA firm* provides the CIDD, it must modify this section as appropriate.

Note 38A - when a *firm* which is not a *participant firm* provides the CIDD, it must answer this question 'No' and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained. It should also omit the information required under note 14.

Note 39 – where the *insurance intermediary* provides a service in relation to a compulsory class of insurance, such as *employers' liability insurance*, it must use this alternative text.

Note 39A – where the *insurance intermediary* provides a service in relation to a contract which covers both a compulsory class of insurance and a class of insurance which is not compulsory, it should indicate the level of compensation that applies to each class.

Section 9: Group personal pensions

~~**Note 40** – *firms* should only include section 9 if they intend to give information about, or advise on, the opportunity for *employees* to join a *group personal pension scheme* established by their employer. In all other cases it should be omitted entirely.~~

~~**Note 41** – the words in square brackets should be omitted or included, as appropriate, depending upon whether the *firm* is *advising employees* whether or not to join a *group*~~

personal pension scheme, or merely providing them with factual information about the scheme.

Note 42—although *firms* must not use the occasion of a meeting to discuss a *group personal pension scheme* as an opportunity to give advice on other *designated investments*, this does not preclude the provision of *advice on non-investment insurance contracts, regulated mortgage contracts or regulated lifetime mortgage contracts*. A *firm* may also, when giving advice on a *group personal pension scheme*, suggest that a further meeting be arranged to discuss *designated investments* and if so must provide a further appropriate IDD or CIDD.

Lifetime mortgage warning

Note 403 - This warning box should be added when the *firm* sells *regulated lifetime mortgage contracts* or home reversion schemes or both.

Annex D

Amendments to the Mortgages: Conduct of Business sourcebook

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

MCOB 4 Annex 2 R: Combined initial disclosure document (“CIDD”)**

This Annex belongs to MCOB 4.4.1R(1).

This specimen covers services in relation to *packaged products, non-investment insurance contracts* and *regulated mortgage contracts* (including *regulated lifetime mortgage contracts* and home reversion schemes). If the *firm* is only providing services in relation to two types of these products, the parts of the CIDD that are not relevant must be omitted. *Firms* must omit the notes and square brackets that appear in the following CIDD. The CIDD must contain the keyfacts logo, headings and text in the order shown and in accordance with the notes. **[Note 1]**



about our services **[Note 2]**



[Note 5]
[123 Any Street
Some Town
ST21 7QB]

[Note 3] [Note 4]

1 The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. It requires us to give you this document. Use this information to decide if our services are right for you.

2 Whose products do we offer? **[Note 6]** **[Note 7]**

Investment

- We offer products from the whole market. **[Note 6A]**
- We [can] **[Note 8]** only offer products from a limited number of companies.

Ask us for a list of the companies and products we offer. **[Note 12]**

We [can] [**Note 8**] only offer [a] ~~[a limited range of the]~~ product[s] from [a single group of companies] [name of single company]. [**Note 10(1)**] [**Note 13**]

[or] [**Note 10(2)**]

We only offer our own products.

Ask us for a list of the companies and products we offer. [**Note 12**]

~~[We will advise you about group personal pensions.]~~

Insurance

We offer products from a range of insurers [for] [list the types of *non-investment insurance contracts*].

We [can] [**Note 8**] only offer products from a limited number of insurers [for] [list the types of *non-investment insurance contracts*].

Ask us for a list of the insurers we offer insurance from. [**Note 12**]

We [can] [**Note 8**] only offer [a] product[s] from [a single insurer] [name of single *insurance undertaking*] [for] [list the types of *non-investment insurance contracts*]. [**Note 9**] [**Note 10(1)**] [**Note 13**]

[or] [**Note 10(2)**]

We only offer our own products for [list the types of *non-investment insurance contracts*].

[Lifetime] Mortgages [and home reversion schemes] [**Note 14**]

We offer mortgages from the whole market.

We [can] [**Note 8**] only offer mortgages from a limited number of lenders.

Ask us for a list of the lenders we offer mortgages from. [**Note 11**]

We [can] [**Note 8**] only offer [a limited range of the] [a] mortgage[s] from [a single lender] [name of single lender]. [**Note 10(1)**][**Note 13**]

[or] [**Note 10(2)**]

We only offer our own mortgages.

3 Which service will we provide you with? [**Note 6**]

Investment

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.
- We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances but we will not:
- Conduct a full assessment of your needs;
 - Offer advice on whether a non-stakeholder product may be more suitable

[Note 6A]

Insurance

- We will advise and make a recommendation for you after we have assessed your needs [for] [list the types of *non-investment insurance contracts*].
- You will not receive advice or a recommendation from us [for] [list the types of *non-investment insurance contracts*]. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

4 What will you have to pay us for our services?

Investment

- Before we provide you with advice, we will give you our keyfacts guide 'about the cost of our services'. **[Note 15]**

- We will tell you how we get paid, and the amount, before we carry out any business for you.

Insurance [Note 16]

- A fee [of £ []] [for] [list the types of services provided for non-investment insurance contracts].
- No fee [for] [list the types of services provided for non-investment insurance contracts].

You will receive a quotation which will tell you about any other fees relating to any particular insurance policy.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- No fee. [We will be paid by commission from the [lender/company].] [Note 17]
- A fee of £[] payable at the outset and £[] payable when you apply for a [lifetime] mortgage [or home reversion scheme]. [We will also be paid commission from the [lender/company].] [Note 17] [Note 18]

You will receive a keyfacts illustration when considering a particular [lifetime] mortgage, [or further information about a particular home reversion scheme] which will tell you about any fees relating to it. [Note 14]

Refund of fees [Note 19] [Note 14]

If we charge you a fee, and your [lifetime] mortgage [or home reversion scheme] does not go ahead, you will receive:

[Note 20]

- A full refund [if the [lender/company] rejects your application]. [Note 21]
- A refund of £ [] [if your application falls through]. [Note 21] [Note 22]
- No refund [if you decide not to proceed]. [Note 21]

5 Who regulates us? [Note 23]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 24] [Note 25] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 26]

Our permitted business is []. [Note 27]

[or] [Note 28]

[Name of *appointed representative*] [Note 3] [Note 4] is an appointed representative of [name of *firm*] [address of *firm*] [Note 24] [Note 25] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] [Note 27]

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

[Home reversion schemes are not regulated by the FSA.] [Note 14]

6 Loans and ownership [Note 29]

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.]
[Note 29][Note 30][Note 31][Note 32][Note 33][Note 34]

7 What to do if you have a complaint [Note 23]

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 35]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 36] [Note 36A] [Note 37] [The Financial Ombudsman Service does not consider complaints about home reversion schemes.] [Note 14]

8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 23] [Note 38] [Note 38A]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Investment

Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

Insurance

Insurance advising and arranging is covered for 100% of the first £2,000 and 90% of the remainder of the claim, without any upper limit.

[or] [Note 39] [Note 39A]

For compulsory classes of insurance, insurance advising and arranging is covered for 100% of the claim, without any upper limit.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

Mortgage advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. [Home reversion schemes are not covered by the Financial Services Compensation Scheme.] [Note 14]

Further information about compensation scheme arrangements is available from the FSCS.

9 — Group personal pensions [Notes 40, 41 and 42]

~~*This meeting has been arranged so that we can provide you with [information about] [advice upon whether or not you should join] the Group Personal Pension scheme which your employer has established. You should be aware that we cannot advise upon or recommend any other specific investment products during this meeting.*~~

[Note 40~~3~~] Message from the Financial Services Authority

Think carefully about this information before deciding whether you want to go ahead.

If you are at all unsure about which lifetime mortgage or home reversion scheme is right for you, you should ask your adviser to make a recommendation.

Please remember that home reversion schemes are not regulated by the FSA.

The following notes do not form part of the CIDD.

Note 1 – subject to this, a *firm* may use its own house style and brand.

Note 2 – the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *customers*. ~~ICOB 4.2.6R sets out the requirements on the use of the key facts logo.~~ The keyfacts logo and the text 'about our services' must be used and positioned as shown in the CIDD. The logo may be re-sized, but it must be reasonably prominent and its proportions must not be distorted. When reproducing the logo, firms may use colour providing this does not diminish the prominence of the logo. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 3 – insert the *firm's* or *appointed representative's* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included.

Note 4 – if an individual who is employed or engaged by an *appointed representative* provides the information, the individual should not put his or her own name on the CIDD.

Note 5 – insert the head office or if more appropriate the principal place of business from which the *firm* or *appointed representative* expects to conduct business (this can include a *branch*) with *customers*. (An *appointed representative* must not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer?

Note 6 – for services in relation to *packaged products* and *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes the *firm* must select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *customer*. For services in relation to *non-investment insurance contracts*, the *firm* must select more than one box if the scope of the service or the type of service it provides to a particular *customer* varies by type of contract. For example, if it deals with a single *insurance undertaking* for motor insurance and a range of *insurance undertakings* for household insurance or if it provides *advice* on some types of contract but not others. In the case where more than one box is selected, the *firm* should specify which box relates to which type of *non-investment insurance contract*, by adding text to the CIDD. This needs to be done only in relation to the service it is offering to a particular *customer*.

Note 6A – if a *firm* indicates that it will be providing *basic advice on stakeholder products* then the first box in section 2 must not be ticked as the *firm* will not be doing so on the basis of *advice on investments* from the whole market.

Note 7 - if the CIDD is provided by an *appointed representative*, the service described must be that offered by the *appointed representative*, in accordance with *COB 5*, *ICOB 4.2.8R* note 1(e) and *MCOB 4.3.10R*.

Note 8 – insert “can” if the *firm’s* range of products is determined by any contractual obligation. This does not apply where a *product provider, insurer, lender* or company is selling its own products.

Note 9 – if the *insurance intermediary* deals with a different *insurance undertaking* for different types of *non-investment insurance contracts*, it should identify all the *insurance undertakings* and specify the type of contract to which they relate on the CIDD. This only needs to be done in relation to the service it is offering a particular *customer*. For example, “we can only offer products from ABC Insurance for motor insurance and XYZ Insurance for household insurance”.

Note 10 – if the *firm* selects this box, it will be offering the products of one provider to the *customer* for a particular product type. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. In the case of *non-investment insurance contracts*, where the *firm* is providing a service in relation to different types of insurance, this box covers the situation where it is offering a particular type of insurance from a single *insurance undertaking*. If the *firm* does not select this box, then the text must follow that set out in note 13 below.

- (1) Insert the name of the provider, namely the *product provider* for *packaged products*, the *insurance undertaking(s)* for *non-investment insurance contracts*, the lender for *regulated mortgage contracts* and *regulated lifetime mortgage contracts* and the company for home reversion schemes. For example: "We can only offer products from [name of *product provider*]". For *non-investment insurance contracts* the type of insurance offered should also be included. For example: "We only offer XYZ's household insurance and ABC's motor insurance." If the provider has only one product, the *firm* must amend the text to the singular – for example: "We can only offer a mortgage from [name of lender]". If the *firm* does not offer all of the ~~*packaged products*~~ or mortgages or home reversion schemes generally available from that provider, it must insert the words "a limited range of" as shown in the specimen.
- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part’s trading name, it should use this alternative text.

Note 11 – for services provided in relation to *regulated mortgage contracts, regulated lifetime mortgage contracts* and home reversion schemes, this sentence is required only where a *firm* selects this service option. It may also be omitted if a ~~the~~ *firm* chooses to list all of the ~~companies~~ lenders it offers mortgages from instead of the text "a limited number of lenders", in the previous line, so long as the *firm* offers all of the products generally available from each ~~provider~~ lender.

Note 12 – this sentence is required only where a *firm* selects this service option. For services provided in relation to *packaged products*, the list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *customer*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOB 4.2.14R*.

Note 13 – if the *firm* does not select this box, it must alter the wording to say "a single group of companies" for *packaged products*, "a single insurer" for *non-investment insurance contracts*, "a single lender" for *regulated mortgage contracts* or *regulated lifetime mortgage contracts* and "a single company" for home reversion schemes. For example: "We only offer the products from a single group of companies" should replace the text in the specimen CIDD.

Note 14 – change “mortgage” to “lifetime mortgage” where the *firm* sells only *regulated lifetime mortgage contracts*. *Firms* must insert the text relating to home reversion schemes and change “mortgage” to “product” and “lender” to “company” if they advise or give personalised information on home reversion schemes in addition to *advising* or giving personalised information on *regulated lifetime mortgage contracts*.

Section 4: What will you have to pay us for our services?

Note 15 – *firms* are only required to provide a *private customer* with an appropriate "keyfacts guide to the costs of services" (i.e. a menu) if they propose to give that *customer advice* on *packaged products*. Where a *firm* is not required to provide that *customer* with a menu because the *firm* does not intend to give him advice on packaged products, ~~the firm may omit the part of section 4 of the CIDD that relates to packaged products~~ then it should tick the second box in section 4.

Note 16 – if the *customer* will be charged a *fee* for *insurance mediation activities* in connection with *non-investment insurance contracts*, insert a plain language description of what each *fee* is for and when each *fee* is payable. This should include any *fees* for *advising on* or *arranging a non-investment insurance contract* and any *fees* over the life of the contract, for example, for mid-term adjustments. If a *firm* does not charge a *fee* the text in the first box should be abbreviated to 'A fee'. If the firm is offering more than one type of service in connection with non-investment insurance contracts, the firm may aggregate the fees over all the services provided, and (if that is the case) identify the services for which there is no fee.

Note 17 – if the *firm* receives commission instead of, or in addition to, *fees* from the *customer* for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes, it must insert a plain language explanation of this (see specimen for a plain language example). If the firm will pay over to the customer any commission the firm receives, it may refer to that fact here.

Note 18 – insert a plain language description of when any *fees* are payable for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes. This description could include, for example, a cash amount, a percentage of the loan or reversion amount or the amount per hour, as appropriate. However, where a cash amount is not disclosed, one or more examples of the cash amount must be included. If a *firm* offers more than one pricing option, it may illustrate each with a separate box. If a *firm* does not charge a *fee*, the text for the second box should be abbreviated to 'A fee'.

Note 19 – omit this part of the CIDD on ‘Refund of fees’ if the *firm* has indicated that there will be “No fee” for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes or that any fee will be payable only if the product completes.

Note 20 – *firms* may select as many boxes as appropriate.

Note 21 – insert a short, plain language description of the circumstances in which the *fee* for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes is refundable or not refundable as described.

Note 22 – a *firm* may delete this line if it does not offer a partial refund for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes in any circumstances.

Section 5: Who regulates us?

Note 23 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *customer*, provided the *customer* with its *terms of business* which contains that information including the *firm’s permitted business*. This section may be omitted for services relating to *non-investment insurance contracts* if the *firm* provides the information covered by this section where it is required by *ICOB 4.2.8R* to the *customer* by some other means. This section may be omitted for services relating to *regulated mortgage contracts* (including *regulated lifetime mortgage contracts*) and home reversion schemes in accordance with *MCOB 4.4.1R(3)*. If this section is omitted, the other sections of the CIDD must be renumbered accordingly.

Note 24 – if the *firm’s* address on the *FSA Register* differs from that given on the CIDD under note 5, the address on the *FSA Register* must be given in this section. If the address is the same as that given under note 5 it should be repeated in this section.

Note 25 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it must include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 26 - an *incoming EEA firm* will need to modify this section if it chooses to use this CIDD (see *GEN 4 Ann 1R(2)*).

Note 27 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 28 – where the information is provided by an *appointed representative*, the *appointed representative* must use this text instead. The *appointed representative* must give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *customer*.

Section 6: Loans and ownership

Note 29 – omit this section where there are no relevant loan or ownership arrangements under the following notes or if the *firm* is an *insurer* selling its own *non-investment insurance contracts*. If this section is omitted the other sections of the CIDD must be renumbered accordingly. If the *firm* is not providing services in relation to *packaged products*, the heading of this section must be changed to 'Ownership'. Where the information is provided by an appointed representative, it must cover loans made to or by that appointed representative or holdings in, or held by, that appointed representative as appropriate.

Notes 30, 31 and 32 apply only to a *firm* *advising on, dealing in, or arranging* in relation to *packaged products* ~~for private customers~~.

Note 30 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider of *packaged products* or by the parent of the provider.

Note 31 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider of *packaged products* which is held by the *firm*.

Note 32 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Notes 33 and 34 apply to an *insurance intermediary* that is not an *insurer* providing services in relation to *non-investment insurance contracts*.

Note 33 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *insurance intermediary* which is held by an *insurance undertaking* or by the parent of an *insurance undertaking*.

Note 34 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of an *insurance undertaking* which is held by the *insurance intermediary*.

Section 7: What to do if you have a complaint

Note 35 – if different to the address in note 5, give the address and telephone number which is to be used by *customers* wishing to complain.

Note 36 – this text may be omitted for *non-investment insurance contracts* if the *insurance intermediary* is aware that a *commercial customer* would not be an *eligible complainant*.

Note 36A – if the CIDD is provided by an authorised professional firm which is exclusively carrying on non-mainstream regulated activities, the authorised professional

firm should delete this sentence and refer to the alternative complaints handling arrangements. It should also omit the information required under note 14.

Note 37 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it must make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 38 – when an *incoming EEA firm* provides the CIDD, it must modify this section as appropriate.

Note 38A - when a *firm* which is not a *participant firm* provides the CIDD, it must answer this question 'No' and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained. It should also omit the information required under note 14.

Note 39 – where the *insurance intermediary* provides a service in relation to a compulsory class of insurance, such as *employers' liability insurance*, it must use this alternative text.

Note 39A – where the *insurance intermediary* provides a service in relation to a contract which covers both a compulsory class of insurance and a class of insurance which is not compulsory, it should indicate the level of compensation that applies to each class.

Section 9: Group personal pensions

~~**Note 40** – *firms* should only include section 9 if they intend to give information about, or advise on, the opportunity for *employees* to join a *group personal pension scheme* established by their employer. In all other cases it should be omitted entirely.~~

~~**Note 41** – the words in square brackets should be omitted or included, as appropriate, depending upon whether the *firm* is *advising employees* whether or not to join a *group personal pension scheme*, or merely providing them with factual information about the scheme.~~

~~**Note 42** – although *firms* must not use the occasion of a meeting to discuss a *group personal pension scheme* as an opportunity to give *advice on other designated investments*, this does not preclude the provision of *advice on non investment insurance contracts, regulated mortgage contracts or regulated lifetime mortgage contracts*. A *firm* may also, when giving *advice on a group personal pension scheme*, suggest that a further meeting be arranged to discuss *designated investments* and if so must provide a further appropriate IDD or CIDD.~~

Lifetime mortgage warning

Note 403 - This warning box should be added when the *firm* sells *regulated lifetime mortgage contracts* or home reversion schemes or both.

Annex E

Amendments to the Client Assets sourcebook

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

Money that is not client money: ‘opt outs’ for any business (including ISD business) other than insurance mediation activity

- 4.1.8 G The ‘opt out’ provisions provide a *firm* with the option of allowing an *intermediate customer* or *market counterparty* to choose whether their *money* is subject to the *client money rules* (unless the *firm* is conducting *insurance mediation activity*).
- 4.1.9 R Subject to CASS 4.1.11R, *money* is not *client money* when a *firm* (other than a sole trader) holds that *money* on behalf of, or receives it from, a *market counterparty* or an *intermediate customer*, other than in the course of *insurance mediation activity*, and the *firm* has obtained written acknowledgement from the *market counterparty* or *intermediate customer* that:
- (1) ...
- ‘Opt-outs’ for non-ISD or non-IMD business
- 4.1.10 G For a *firm* whose business is not governed by the *ISD* or the *IMD*, it is possible to ‘opt out’ on a one-way basis. ...
- 4.1.11 R *Money* is not *client money* if a *firm*, in respect of designated investment business which is not a *core investment service*, a *non-core investment service*, ~~or~~ a *listed activity* or *insurance mediation activity* :
- (1) ...

Annex F

Amendments to the Training and Competence sourcebook

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

- 2.4.3 G In *TC 2.4.2 R (2)* an adequate level of application of knowledge and skills includes:
- (1) specific knowledge of the *firm's* relevant systems and procedures, and of the kinds of *designated investment business* and *regulated mortgage activities* carried on by the *firm* ~~and any other members of its marketing group~~; and
- ...

Annex G

Amendments to the Authorisation manual

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

Appendix 1: Financial promotion and related activities

1.10.10 G Article 8(3) of the *Financial Promotion Order* also has the effect in broad terms that *financial promotions* made during a visit, call or dialogue will be solicited only if they relate to *controlled activities* or *controlled investments* of the kind to which the recipient envisaged that they would relate. ... For example, a *person* may ask for a visit from a ~~representative~~ representative of an investment product company with a view to receiving advice on an appropriate pension product. ...

5 Ann 3 G

...

2 Table

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
... <i>COB</i>	<i>COB</i> applies.	Where the activity: (1) (a) would fall within the <i>overseas persons</i> exclusions in article 72 of the <i>Regulated Activities Order</i> ; or

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
		<p>(b) would not be regarded as carried on in the <i>United Kingdom</i>; or</p> <p>(c) is not carried on with or for a <i>client</i> in the <i>United Kingdom</i>;</p> <p>then only the following apply:</p> <p>(d) <i>COB</i> 3 (Financial promotion), but see the territorial scope in <i>COB</i> 3.3 (Where?);</p> <p>(e) <i>COB</i> 5.5.7R (Overseas business); and</p> <p>(f) certain parts of <i>COB</i> 6 (Product disclosure and the customer's right to cancel or withdraw) but only in relation to <i>long-term insurance business</i> carried on with a <i>customer</i> habitually resident in the <i>United Kingdom</i> or if the <i>State of the risk</i> is the <i>United Kingdom</i> (see <i>COB</i> 1.4.7R and <i>COB</i> 1.4.8R); and</p> <p>(g) (i) <u><i>COB</i> 4.3.19R to 4.3.25R save that the <i>firm</i> must also comply with those <i>rules</i> as if they also applied to a <i>firm</i> carrying out the activities in <i>COB</i> 4.3.19R (1) with or on behalf of all</u></p>

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
		<p><i>private customers;</i></p> <p><u>(ii) COB 5.2.12R to 5.2.14R; and</u></p> <p><u>(iii) COB 5.3.18R (1) and 5.3.18AR to 5.3.18CR;</u></p> <p><u>but only in relation to activities passported under the IMD (see COB 1.4.12R (3));</u></p> <p>(2)...</p>

Annex H

Amendments to the Supervision manual

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

...

12.2.5 G [deleted]

What is a “network”?

12.2.6 G ~~An independent intermediary~~ A firm is referred to as a ‘network’ if it appoints five or more *appointed representatives* or if it appoints less than five *appointed representatives* which have, between them, twenty-six or more ~~financial advisers~~ representatives. However, a network does not include:

(a) a product provider;

(b) a firm which markets the packaged products of a product provider in the same group as the firm and which does so other than by selecting products from the whole market;

(c) an insurer in relation to a non-investment insurance contract; or

(d) a mortgage lender.

...

Introducers, and representatives and financial advisers: what do these terms mean and what is the relationship with an appointed representative?

12.2.12 G A firm or its *appointed representative* may appoint or employ individuals to act as introducers, or representatives ~~or financial advisers~~ in respect of *designated investment business*.

12.2.13 G (1) An *introducer* is an individual appointed by a ~~provider~~ *firm* or by an *appointed representative* of such a *firm* to carry out, in the course of *designated investment business*, either or both of the following activities:

- ...
- 12.2.14 G (1) A *representative* is an individual who is appointed by a *provider firm* or an *appointed representative*...
- ...
- (2) If a *provider firm* appoints an *appointed representative* who is an individual in (1), that *appointed representative* will also be a *representative*...
- 12.2.15 G (1) ~~A *financial adviser* is an individual appointed by an *independent intermediary* or by its *appointed representative* to provide any or all of the following services:~~
- (a) ~~*advising on investments which are designated investments;*~~
- (b) ~~*arranging (bringing about) deals in investments or executing transactions involving, in each case, designated investments with or for clients;*~~
- (c) ~~*managing investments;*~~
- (d) ~~*receiving or holding client money or other client assets;*~~
- (e) ~~*safeguarding and administering investments.*~~
- (2) ~~Many of the activities for which an *appointed representative* can be appointed (see SUP 12.2.7G) are also within (1). If an *independent intermediary* appoints an *appointed representative* which is an individual in business on his own account, to perform such activities, that *appointed representative* will also be a financial adviser. The individual may need to be approved to perform the *sole trader function* and other relevant *controlled functions* (see SUP 12.6.8G and SUP 12.6.9G). Further, in these circumstances, in addition to complying with the requirements of SUP 12 and other regulatory requirements, the *firm* should ensure that the rules for financial advisers in COB 5 are complied with. [deleted]~~
- ...
- 12.5.6 G (1) If the *appointed representative* is appointed to give *advice on investments to private customers* concerning *packaged products*, the *firm* should also satisfy itself that:
- (a) the contract requires compliance with the *rules* in COB 5.1 (~~*Polarisation and status disclosure*~~ Advising on packaged products); and.
- ...

- (2) The contractual requirements in SUP 12.5.5R should extend to:
- (a) the activities of the *appointed representative*, if the *appointed representative* ~~is a representative, introducer or financial adviser~~ is an individual; ~~or and~~
 - (b) the activities of the *employees* of, ~~or representatives, and introducers and financial advisers~~ appointed by, the *appointed representative*.

...

SUP 20 Ann 1R

Activity groups, tariff bases and valuation dates applicable

...

Part 2

This table indicates the tariff base for each fee block. The tariff base is the means by which we measure the 'amount of business' conducted by a *firm*.

SUP Table

4	Activity group	Tariff-base
	A.1	MODIFIED ELIGIBLE LIABILITIES
	...	
	A.4	<p>ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES</p> <p>...</p> <p>Notes:</p> <p>(1) Business conducted through a marketing associate <u>an associated company</u> should be excluded in reporting the <i>product provider's premium income</i>.</p> <p>....</p>

Annex I

Amendments to the Dispute Resolution: Complaints sourcebook

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

Transitional provisions, Table 1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
...					
<u>17</u>	<u>DISP</u> <u>1.4.18R –</u> <u>DISP</u> <u>1.4.20G</u>	<u>R</u>	<u>A firm must apply DISP as it applied before amendment by the Depolarisation Instrument to complaints received before 14 January 2005.</u>	<u>From 14 January 2005.</u>	<u>14 January 2005</u>
...					

Purpose

1.1.12

G The purpose of this chapter is to set out the *rules* relating to the internal handling of complaints by *firms*, including the procedures which a *firm* must put in place, the time limits within which a *firm* must deal with a complaint, the referral of complaints, the records of a complaint which a *firm* must make and retain ...

Requirement to have internal complaint handling procedures

1.2.1

R A *firm*, A, must have in place and operate appropriate and effective internal complaint handling procedures (which must be written down) for:

(1) handling any expression of dissatisfaction, whether oral or written, and whether justified or not, from or on behalf of an *eligible complainant* about ~~that firm's~~ A's provision of, or failure to provide, a financial service; and

(2) referring to another firm, B, expressions of dissatisfaction about B's services, if A markets (or has marketed) B's financial services or if A's financial services are marketed by B.

...

1.2.4 G The internal complaints handling procedures should provide for:

...

(2) responding to complaints;

(2A) referring complaints to other firms;

(3) the appropriate investigation of complaints; and

...

1.2.6 G (1) *DISP* 1.2.1R does not prevent the use of a third party administrator for the purposes of handling complaints.

(2) It is acceptable for two or more firms to set up arrangements, such as a one-stop shop for complaints handling under a service level agreement, provided that this still secures for complainants an equivalent standard of service and, if appropriate, redress. Any such arrangements should be made clear to an eligible complainant.

...

Internal complaint handling procedures: additional requirements

1.3.3. R *DISP* 1.4 - *DISP* 1.5 do not apply:

(1) where the *firm* has taken reasonable steps to determine, and has determined, that the complaint:

(a) ...

(b) does not relate to an activity of that *firm* (or of any other firm with whom that firm has some connection in marketing financial services) which comes under the jurisdiction of the *Financial Ombudsman Service*; or

(c) ...

...

Written acknowledgement within five business days

1.4.1

R A firm must send a written acknowledgement of a complaint to the complainant within five business days of its receipt, ...

...

Referring complaints

1.4.18

R (1) A firm which has reasonable grounds to be satisfied that another firm may be solely responsible for the fault alleged in a complaint may refer the complaint to that other firm, but if it does so it must:

(a) refer the complaint promptly and in any event within five business days of the date on which it became satisfied that such other firm may be responsible for the subject matter of the complaint;

(b) make the referral using a durable medium; and

(c) inform the complainant of the referral by way of a final response and include the other firm's contact details.

(2) A firm which has reasonable grounds to be satisfied that another firm may be jointly responsible for the fault alleged in a complaint, may refer the complaint to that other firm but if it does so it must:

(a) refer the complaint promptly and in any event with five business days of the date on which it became satisfied that such other firm may be jointly responsible for the subject matter of the complaint;

(b) make the referral on a durable medium;

(c) at the same time inform the complainant of the referral and include the other firm's contact details; and

(d) comply with the obligations in DISP as to the investigation of that part of the complaint that is the firm's responsibility and, as soon as possible, inform the complainant of the outcome by a final response.

Dealing with a referred complaint

1.4.19

R When a firm receives a complaint referred to it under DISP 1.4.18R, the complaint is treated for the purposes of DISP as if made directly to that firm, and as if received by it when the referral was received.

1.4.20 G On receiving a complaint referred by another *firm*, the standard time limits will apply from the date on which the *firm* receives the referral. In particular, *DISP* 1.4.1R requires the *firm* to send a written acknowledgement to the complainant within five *business days*. A *firm* should copy this acknowledgement to the *firm* which made the referral.

...

1.5.2 G The records required by *DISP* 1.5.1R are for the purposes of monitoring by the *FSA* and also to ensure that the *firm* is able to cooperate, as necessary, with the *Financial Ombudsman Service*. They should include:

...

(2) ...; ~~and~~

(3) any correspondence between the *firm* and the complainant including details of any redress offered by the *firm*; ~~and~~

(4) documentation relating to the referral of a complaint under *DISP* 1.4.18R.

...

Appendix 2 Handling Mortgage Endowment Complaints

2.6.15 G *Product providers* with windfall benefits in the form of *policy* augmentations should tell:

(1) their own relevant *customers* (mortgage endowment complainants);
and

(2) ~~independent financial advisers~~ other *firms* with such *customers* (and any other interested parties);

that they have excluded windfall augmentation benefits from values used or to be used for loss and redress. ~~Firms~~Firms should provide this information to the *Financial Services Compensation Scheme* when providing them with a value to be used for loss or redress. Should their own relevant *customers*, ~~independent financial advisers~~ other *firms* with such *customers* (and any other interested parties) and the *Financial Services Compensation Scheme* request it, the *firm* should provide the value of these benefits and a description of the method used to exclude them.

Annex J

Amendments to the Credit Unions sourcebook

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

Transitional provisions, Table 1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
...					
<u>5</u>	<u>CRED</u> <u>17.4.4 R –</u> <u>CRED</u> <u>17.4.6G</u>	<u>R</u>	<u>A credit union must apply CRED as it applied before amendment by the Depolarisation Instrument with respect to complaints received by a credit union before 14 January 2005</u>	<u>From 14 January 2005</u>	<u>14 January 2005</u>

...

17.1.5 G The purpose of this chapter is to set out the *rules* relating to the internal handling of complaints by a *credit union*, including:

...

(2A) the referral of complaints;

...

...

17.2.1 R *A credit union* must establish, maintain and implement appropriate and effective internal complaint handling procedures (which must be written down) for:

- (1) handling any expression of dissatisfaction whether oral or written, and whether justified or not, from or on behalf of an *eligible complainant* about that *credit union's* provision of, or failure to provide, a financial services activity; and
- (2) referring to another *firm*, A, expressions of dissatisfaction about A's services, if the *credit union* markets (or has marketed) A's financial services or if the *credit union's* financial services are marketed by A.

...

17.2.4 G The internal complaint handling procedures should provide for:

...

- (2A) referring complaints to other *firms*;
- (3) the appropriate investigation of complaints; and

...

17.2.6 G (1) A *credit union* is not prevented from using a third party administrator (for example, an outside organisation) for the purposes of handling complaints.

- (2) It is acceptable for two or more *credit unions* to set up arrangements, such as a one-stop shop for complaints handling under a service level agreement, provided that this still secures for complainants an equivalent standard of service and, if appropriate, redress. Any such arrangements should be made clear to an *eligible complainant*.

...

17.4.1 R The additional requirements in *CRED* 17.5 - *CRED* 17.7 (on time-limits, record-keeping; reporting and co-operation with *Ombudsman*) do not apply:

- (1) where the *credit union* has taken reasonable steps to determine, and has determined, that the complaint:
 - (a) is not made by, or on behalf of, an *eligible complainant*; or
 - (b) does not relate to an activity of that *credit union* (or of any other *firm* with whom that *credit union* has some connection in marketing financial services) which comes under the jurisdiction of the *Financial Ombudsman Service*; or

...

...

Referring complaints

17.4.4 R (1) A *credit union* which has reasonable grounds to be satisfied that another *firm* may be solely responsible for the fault alleged in a complaint may refer the complaint to that other *firm* but if it does so it must:

- (a) refer the complaint promptly and in any event within five business days of the date on which it became satisfied that such other firm may be responsible for the subject matter of the complaint;
 - (b) make the referral using a durable medium; and
 - (c) inform the complainant of the referral by way of a final response and include the other firm's contact details.
- (2) A credit union which has reasonable grounds to be satisfied that another firm may be jointly responsible for the fault alleged in a complaint, may refer the complaint to that other firm but if it does so it must:
- (a) refer the complaint promptly and in any event within five business days of the date on which it became satisfied that such other firm may be jointly responsible for the subject matter of the complaint;
 - (b) make the referral using a durable medium;
 - (c) at the same time inform the complainant of the referral and include the other firm's contact details; and
 - (d) comply with the obligations in CRED as to the investigation of that part of the complaint that is the credit union's responsibility and, as soon as possible, inform the complainant of the outcome by a final response.

Dealing with a referred complaint

- 17.4.5 R When a firm receives a complaint referred to it under CRED 17.4.4R, the complaint is treated for the purposes of CRED as if made directly to that firm, and as if received by it when the referral was received.
- 17.4.6 G On receiving a complaint referred by a firm, the standard time limits will apply from the date on which the credit union receives the referral. In particular, CRED 17.5.1 R requires the credit union to send a written acknowledgement to the complainant within five business days. A credit union should copy this acknowledgement to the firm which made the referral.

...

17.5.1 R A *credit union* must send a written acknowledgement of a complaint to the complainant within five ~~business days~~ *business days* of its receipt, giving the name or job title of the person handling the complaint within the *credit union* (together with details of the *credit union*'s internal complaint handling procedures).

...

17.6.2 G The records required are for the purposes of monitoring by the *FSA* and also to ensure that the *credit union* is able to cooperate, as necessary, with the *Financial Ombudsman Service*. These should include:

- (1) the name of the complainant;
- (2) the substance of the complaint;
- (3) any correspondence between the *credit union* and the complainant including details of any redress offered by the *credit union*; and
- (4) documentation relating to the referral of a complaint under *CRED* 17.4.4R.

Annex K

Amendments to the Professional Firms sourcebook

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

5.3.2 G *COB* 1.2.1R (4) provides that *COB* does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, except for:

- (1) *COB* 2.1 (Clear, fair and not misleading communication), ... ; and
- (2) (where these are *insurance mediation activities*) the *IMD implementation provisions* and *COB* 4.3.19R to 4.3.25R as if they also applied to a *firm* carrying out the activities in *COB* 4.3.19 R (1)(a)-(c) with or on behalf of *private customers*, unless:
 - (a) the *designated professional body* of the *firm* has made rules which implement some or all of articles 12 and 13 of the *IMD*;
 - (b) those rules have been approved by the *FSA* under section 332(5) of the *Act*; and
 - (c) the *firm* is subject to the rules in the form in which they were approved;

in which case they are disappplied to the extent that articles 12 and 13 of the *IMD* are implemented by the rules of the *designated professional body*.

- (3) *COB* 1.2.1AG provides that the effect of *COB* 1.2.1R(4)(d) is that if the relevant *designated professional body* of an *authorised professional firm* does not make rules implementing articles 12 and 13 of the *IMD* applicable to *authorised professional firms*, those *firms* will need to comply with the *IMD implementation provisions* and *COB* 4.3.19R to 4.3.25R as if they also applied to a *firm* carrying out the activities in *COB* 4.3.19 R (1)(a)-(c) with or on behalf of *private customers*.

Annex L

Amendments to the Glossary of definitions

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

<i>adopted packaged product</i>	<p>(in relation to a firm) a stakeholder pension scheme which is a packaged product:</p> <p>(a) not produced by the firm or in the firm's marketing group, but by another producer (whether a firm or not); and</p> <p>(b) on which the firm is able to advise as a result of a decision taken under COB 5.1.4R(1).</p>
<i>adviser</i>	<p>an individual who is:</p> <p>(a) <u>a financial adviser</u>; or</p> <p>(b) a representative; or</p> <p>(c) <u>an appointed representative</u>.</p>
<i>branded fund</i>	<p>a life policy or a regulated collective investment scheme other than a broker fund which is available as an investment only or mainly to the clients of a particular <u>independent intermediary firm other than a provider firm</u>.</p>
<i>broker fund adviser</i>	<p>an independent intermediary firm <u>who</u> 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 the long-term insurer, overseas long-term insurer or operator will take into account the advice of that <u>independent intermediary firm</u> or <u>his</u> <u>its</u> associate:</p> <p>(a) ... into which cash contributions of that <u>independent intermediary's firm's</u> customers have been made;</p> <p>(b) ... into which the cash contributions of <u>that independent intermediary's firm's</u> customers have been made;</p> <p>in this definition <i>associate</i> includes any authorised person in respect of whose services the first <u>independent intermediary firm</u> receives any benefit or reward ...</p>
<u><i>combined initial disclosure document</i></u>	<p><u>information about the scope and nature of the services offered by a firm in relation to a combination of two or more of the following:</u></p> <p>(a) <u>packaged products</u>;</p> <p>(b) <u>non-investment insurance contracts</u>;</p>

- (c) regulated mortgage contracts; or
 - (d) regulated lifetime mortgage contracts;
- commission** 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*); ~~or~~
 - (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*.

Note that this definition of commission amends that which has been made by the Board in Instrument 2004/01 and which is due to come into force on 14 January 2005.

fee Any payment or remuneration offered or made by a *client* to a *firm* in connection with *designated investment business* or with any other business of the *firm*, including (where applicable) any *mark up or mark down*.

fees and commission statement a statement which a *firm* is required to maintain in accordance with COB 4.3.11R.

~~*financial adviser*~~ ~~an individual appointed by an independent intermediary or by its appointed representative to provide any or all of the following services:~~

- ~~(a) giving advice on investments to clients;~~
- ~~(b) arranging (bringing about) deals in investments or executing transactions involving, in each case, designated investments with or for clients;~~
- ~~(c) managing investments;~~
- ~~(d) receiving or holding client money or other clients' assets;~~
- ~~(e) safeguarding and administering investments~~

~~*independent advice*~~ ~~advice on investments, other than in the form of a direct offer financial promotion, given to a customer by an independent intermediary in relation to packaged products.~~

~~*independent intermediary*~~ a *firm* acting as an intermediary, but excluding:

- (a) a *firm* which is a member of a *marketing group*;
- (b) a *product provider* which sells its own *packaged products*.

IMD minimum implementation provisions

The following provisions in *COB*:

- (1) COB 4.3.19R to COB 4.3.25R;
- (2) COB 5.2.12R to COB 5.2.14R; and
- (3) COB 5.3.14R (1) and COB 5.3.18AR to COB 5.3.18CR.

initial disclosure document

information about the scope and nature of the services offered by a firm in relation to packaged products as required by COB 4.3.9R; or stakeholder products as required by COB 5A.2.1 (1) R.

inter-professional business

the business of a *firm*:

- (a) ...
- (b) but excluding the carrying on of the following activities:
 - (i) ...
 - (vi) (vi) activities relating to life policies;

introducer

an individual appointed by a *provider firm* or by an *appointed representative of such a firm*, 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

an *appointed representative* appointed by a *provider firm* whose scope of appointment is limited to:

- (a) *effecting introductions*; and
- (b) *distributing non-real time financial promotions*.

<i>introducing</i>	... <u>(in COB) the activity of effecting mere introductions carried on by a firm with permission for making arrangements with a view to deals in investments.</u>
<i>investment trust savings scheme</i>	(a) a dealing service (whether or not held within a pension contract) dedicated to the securities of a particular <u>one or more</u> investment trusts, or within a particular marketing group;
<i>marketing group</i>	... a group of persons who: (a) are allied together (either formally or informally) for purposes of marketing packaged products of the marketing group; and (b) each of which, if it holds itself out in the <i>United Kingdom</i> as marketing packaged products to private customers , does so only as an <i>investment manager</i> or in relation to packaged products of the marketing group.
<i>marketing group associate</i>	a firm other than a product provider which is a member of a marketing group.
<i>network</i>	an independent intermediary firm : (a) which has five or more <i>appointed representatives</i> ; or (b) whose <i>appointed representatives</i> (being fewer than five) have, between them, 26 or more financial advisers <u>representatives</u> ; <u>but not:</u> (i) <u>a product provider</u> ; or (ii) <u>a firm which markets the packaged products of a product provider which is in the same group as the firm and which does so other than by selecting products from the whole market</u> ; or (iii) <u>an insurer in relation to a non-investment insurance contract</u> ; or (iv) <u>a mortgage lender</u> .
<i>personal recommendation</i>	a recommendation <u>which is advice on investments</u> given to a specific person.
<i>provider firm</i>	a firm that is: (a) a product provider ; or (b) a marketing group associate .

range of packaged products, range

(in relation to a firm) the range of packaged products on which the firm gives advice on investments to private customers (see COB 5.1.6AR) or if appropriate the list of packaged products in which the firm deals.

Delete existing definition for 'representative' and replace with the following text, which is not underlined:

representative

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) *arranging (bringing about) deals in investments*;
 - (iii) *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*.

small personal investment firm

a *personal investment firm*:

- (a) which is not an *ISD investment firm*;
- (b) which is not a *network*; and
- (c) which has fewer than 26 ~~financial advisers or~~ *representatives*.

ADDENDUM

DEPOLARISATION INSTRUMENT 2004

In this Addendum, the underlining should have been in the Depolarisation Instrument 2004 where indicated. Where an entire section of text is being inserted, the place where the change will be made is indicated and the text is not underlined.

Annex L of this instrument is amended as follows:

commission 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*); ...

Insert in the correct alphabetical position the following new definition:

commission equivalent (equivalent) the cash payments, benefits and services listed in *COB 5.7.16E* which satisfy the criteria in *COB 5.7.5R(2)*.

Addendum

9 December 2004

SECOND ADDENDUM
DEPOLARISATION INSTRUMENT 2004

As a result of this Addendum, Paragraph C (1) of this instrument is amended to replace “Annexes A to F, H and J to M” with “Annexes A to F, H and J to L”. This revision is not shown underlined or struck through.

Elsewhere in this Addendum, underlining indicates new text and striking through indicates deleted text or revisions are explained in narrative.

Annex B of this instrument is amended as follows:

(i) COB 1.3.5G is shown as it should have appeared in the instrument:

1.3.5 G *Firms* are reminded that the definition of *inter-professional business* does not include:

...

(4) ...; ~~or~~

(5) ...; or

(6) *regulated activities relating to life policies.*

...

(ii) The text of COB 2.2.5AE which results following this instrument is further amended as follows:

Financial assistance and product providers

2.2.5A E ...

(2) ...

(a) ...

(b) ...;

unless all the conditions in (4) are satisfied. A product provider should also take reasonable steps to ensure that its associates do not

take any step which would result in it having a holding as in (a) or providing credit as in (b), having regard to (5).

(3) ...

(4) The conditions referred to in (2) and (3) are that:

...

(iii) The text in this instrument dealing with changes to COB 6.2.9R, COB 6.2.11G, COB 6.2.19R, COB 6.2.23G and COB 6.2.25R is deleted from the instrument.

Annex C of this instrument is amended as follows:

(iv) The following text amending ICOB 4 Annex 2R is that which should have appeared in the instrument:

ICOB 4 Annex 2R: Combined initial disclosure document ("CIDD")

...

4 What will you have to pay us for our services?

Investment

Before we provide you with advice, we will give you our keyfacts guide ~~to~~'about the cost of our services'. [Note 15]

...

Note 15 – *firms* are only required to provide a *private customer* with an appropriate "keyfacts guide ~~to~~ "about the costs of our services" (i.e. a menu) if they propose to give that *customer advice on investments on packaged products*.

...

Annex D of this instrument is amended as follows:

- (v) The following text amending MCOB 4 Annex 2R is that which should have appeared in the instrument:

...

MCOB 4 Annex 2R: Combined initial disclosure document ("CIDD")

...

4 What will you have to pay us for our services?

Investment

- Before we provide you with advice, we will give you our keyfacts guide ~~to~~ about the cost of our services'. [Note 15]

...

Note 15 – *firms* are only required to provide a *private customer* with an appropriate "keyfacts guide ~~to~~ about the costs of our services" (i.e. a menu) if they propose to give that *customer advice* on investments on packaged products.

...

Second Addendum

18 August 2005