

HANDBOOK ADMINISTRATION (NO 4) INSTRUMENT 2006**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions listed in Schedule 4 to the General Provisions (Powers exercised) of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

- C. This instrument comes into force as follows:
- (1) the amendments in Annex I come into force on 22 December 2006;
 - (2) Annex B, Parts 1 and 3, come into force on 31 December 2006 and Part 2 comes into force on 1 January 2007;
 - (3) the amendments in Annex D come into force on 31 December 2006;
 - (4) Annex J Part 2A comes into force on 31 December 2006. Parts 1B and 2B and Annex L come into force on 1 January 2007;
 - (5) the amendments in Annexes A, C, E, G, and H come into force on 1 January 2007;
 - (6) the amendments in Annex F come into force on 6 January 2007; and
 - (7) the amendments in Annexes K and L come into force on 6 April 2007.

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
General Prudential sourcebook (GENPRU)	Annex B
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex C
Prudential sourcebook for Insurers (INSPRU)	Annex D
Prudential sourcebook for UCITS Firms (UPRU)	Annex E
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex F
Collective Investment Schemes sourcebook (CIS)	Annex G
New Collective Investment Schemes sourcebook (COLL)	Annex H

Amendments to FSA Instruments

- E. The General Prudential sourcebook Instrument 2006 (FSA 2006/40) is amended in accordance with Annex I to this instrument.

- F. The CRD (Consequential Amendments) Instrument 2006 (FSA 2006/53) is amended as follows:
- (1) Annex A, Amendments to the Glossary; and
 - (2) Annex L, Amendments to the Supervision manual are amended in accordance with Annex J to this instrument.
- G. Annex G of the Home Reversion and Home Purchase Activities (Consequential Amendments to the Handbook) Instrument 2006 (FSA 2006/37) is amended in accordance with Annex K to this instrument.
- H. Annex A of the Mortgages: Conduct of Business Sourcebook (Home Reversion and Home Purchase Activities) Instrument 2006 (FSA 2006/45) is amended in accordance with Annex L to this instrument.

Citation

- I. This instrument may be cited as the Handbook Administration (No 4) Instrument 2006.

By order of the Board
21 December 2006

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position in the Glossary.

CAD

Capital Adequacy Directive

*Capital Requirements
Regulations 2006*

the Capital Requirements Regulations 2006 (SI 2006/3221).

Annex B

Amendments to the General Prudential sourcebook (GENPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text. The changes detailed in Part 1 and Part 3 to this Annex take effect on 31 December 2006 and those detailed in Part 2 take effect on 1 January 2007.

Part 1

Amend GENPRU TP 8 (Miscellaneous capital resources definitions for BIPRU firms) as follows:

...

Specific issues of TONS and other securities

8.4 R ...

8.5 R The issues of *securities* referred to in *GENPRU* TP 8.4R are as follows:

(1) ...

...

(5) Lloyds TSB ~~\$850m~~ \$1000m 6.90% perpetual capital securities; and

(6) ...

Amend GENPRU 1.2 as follows:

...

1.2.30 R A *firm* must have in place sound, effective and complete processes, strategies and systems:

(1) ...

that enable it to identify and manage the major sources of risks referred to in (1), including the major sources of risk in each of the

(2) following categories ~~where they are relevant to the *firm* given the nature and scale of its business~~ where they are relevant to the *firm* given the nature and scale of its business:

(a) ...

...

1.2.81 G ...

~~1.8.82~~ G ...

1.2.82

1.2.83 G ...

Amend GENPRU 1.3 as follows:

- 1.3.6 G In particular, unless an exception applies, *GENPRU* 1.3.4R should be applied for the purposes of *GENPRU*, *BIPRU* and *INSPRU* to determine how to account for:
- ...
- (4) assets transferred or received under a ~~sale and repurchase~~ sale and repurchase or *stock lending* transaction; and
- (5) ...
- ...
- 1.3.43 R *GENPRU* 1.3.13R and *GENPRU* 1.3.41R do not apply to *shares* in, and ~~debts~~ debts due from a *related undertaking* that is: ...
- ...
- 1.3.44 G The effect of *GENPRU* 1.3.43R is that *shares* in, and ~~debts~~ debts due from, *related undertakings* of the types referred to are not valued on a mark to market basis by *insurers*. As a result, ~~debts~~ debts due from these *undertakings*, and ...
- 1.3.45 R Except where the contrary is expressly stated in *GENPRU*, whenever a ~~rule~~ rule in *GENPRU* or *INSPRU* refers to *shares* held in, and ~~debts~~ debts due from, an *undertaking* referred to in *GENPRU* 1.3.43R(1) or *GENPRU* 1.3.43R(3), a *firm* must value the *shares* held in accordance with *GENPRU* 1.3.47R.
- 1.3.46 R In relation to *shares* in, and ~~debts~~ debts due from, an *undertaking* referred to in *GENPRU* 1.3.43R(1), ...

Part 2

Amend GENPRU 2.2 as follows:

Limits on the use of different kinds of capital: Combined tier two and tier three limits (BIPRU firm only)

- 2.2.49 R For the purpose of meeting the requirements in *GENPRU* 2.2.47R(1) to (3) and subject to *GENPRU* 2.2.50R, a *BIPRU firm* must not include any item in either:
- (1) its *tier two capital resources* falling within *GENPRU* 2.2.47R(6) (excess *tier two capital*) ; or
- (2) its *upper tier three capital resources*;
- to the extent that the sum of (1) and (2) would exceed 250% of the amount resulting from the following calculation:
- (3) calculate the amount at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions); and
- (4) deduct from (3) those parts of the *firm's tier one capital* used to meet the requirements in *GENPRU* 2.2.44R(1) and (2) as established by *GENPRU* 2.2.48R.

...

Example of how the capital resources calculation for BIPRU firms works

- 2.2.51 G *GENPRU 2.2.52G to GENPRU 2.2.59G illustrate how to calculate a BIPRU firm's capital resources and how the capital resources gearing rules work. In this example the BIPRU firm has a combined credit, operational and counterparty risk requirement of £100 (of which £10 is due to counterparty risk) and a market risk requirement of £90, making a total capital requirement of £190. Its capital resources are as set out in the table in GENPRU 2.2.52G.*
- 2.2.55 G The combined credit, operational and counterparty risk capital requirement is deducted after stage N of the *capital resources table* and the market risk requirement following stage T of the *capital resources table*. These calculations are shown in the table in GENPRU 2.2.56G.
- 2.2.56 G Table: Example of how capital resources of a BIPRU firm are measured against its capital resources requirement

This table belongs to GENPRU 2.2.55G

Description of the stage of the capital resources calculation	Stage in the <i>capital resources table</i>	Amount (£)
Total <i>tier one capital and tier two capital</i> after deductions	Stage N	140
<u>Credit, operational and counterparty risk</u> requirement		(100)
<i>Tier one capital and tier two capital</i> available to meet market risk requirement		40
<i>Tier three capital</i>	Stage Q	50
Total capital available to meet market risk requirement		90
Market risk requirement		(90)
Market risk requirement met subject to meeting gearing limit set out in GENPRU 2.2.49R – see GENPRU 2.2.57G		

- 2.2.57 G The gearing limit in *GENPRU 2.2.49* (Combined tier two and tier three limits) requires that the *upper tier three capital* used to meet the market risk requirement does not exceed 250% of the relevant tier one capital ~~used to meet market risk~~.
- 2.2.58 G In this example it is assumed that the maximum possible amount of *tier one capital* is carried forward to meet the market risk requirement. There are other options as to the allocation of *tier one capital* and *tier two capital* to the credit, operational and counterparty risk requirement.

In order to calculate the relevant tier one capital for the upper tier three gearing limit in accordance with *GENPRU 2.2.49R* it is first necessary to allocate tier one capital and tier two capital to the individual credit, operational and counterparty risk requirements. This allocation process underlies the calculation of the overall amount referred to in *GENPRU 2.2.48R*. The calculation in *GENPRU 2.2.49R* (3) and (4) then focuses on the tier one element of this earlier calculation.

In this worked example, if it is assumed that the counterparty risk requirement has been met by tier one capital, the relevant tier one capital for gearing is £50. This is because the deductions of £20 and the credit and operational risk requirements of £90 have been met by tier two capital in the first instance. However, the total sum of deductions and credit and operational risk requirements exceed the tier two capital amount of £80 by £30. Hence the £80 of tier one capital has been reduced by £30 to leave £50.

In practical terms, the same result is achieved for the relevant tier one capital for gearing by taking the amount carried forward to meet market risk of £40 and adding back the £10 in respect of the counterparty risk requirement. Again, there are other options as to the allocation to credit, operational and counterparty risk of the constituent elements of Stage N of the capital resources table. Therefore in this example the various tiers of capital resources are applied to meet the market risk requirement

The outcome of these calculations can be summarised as follows:

- (1) The relevant tier one capital ~~used to meet market risk~~ for the gearing calculation is £50~~40~~;
- (2) 250% of the relevant tier one capital ~~used to meet market risk~~ is £12500;
and
- (3) the *upper tier three capital* used to meet market risk is £50.

- 2.2.59 G The 250% gearing limit is met as the limit of £12500 is greater than the *upper tier three capital* of £50 used in this example.

...

Part 3

Amend *GENPRU 2.2* as follows:

- 2.2.64 R The conditions that an item of capital of a *firm* must comply with under *GENPRU* 2.2.62R(3) (2) are as follows: ...
- ...
- Step-ups and redeemable tier one instruments
- 2.2.76 R In relation to an *innovative tier one instrument* or a *PIBS* which is redeemable and which satisfies ~~any of~~ the following conditions:
- (1) it is or may become subject to a *step-up*; ~~or~~ and
- (2) a reasonable *person* would think that:
- (a) the *firm* is likely to redeem it before the tenth anniversary of its date of issue; or
- (b) the *firm* is likely to have an economic incentive to redeem it before the tenth anniversary of its date of issue;
- the redemption date in *GENPRU* 2.2.70R(2)(a) is amended by replacing "fifth anniversary" with "tenth anniversary".
- ...
- 2.2.229 R A loan is also *connected lending of a capital nature* if:
- (1) it funds directly or indirectly a loan to a connected party of the *bank* falling into *GENPRU* ~~2.2.229R~~ 2.2.228R or an investment in the capital of a connected party of the *bank*; and
- (2) ...

Amend *GENPRU* 2 Annex 7R as follows:

2 Annex 7R Admissible assets in insurance

- ...
- 1 Investments that are, or amounts arising from the disposal of:
- ...
- (f) an *approved derivative* or *quasi-derivative* transaction that satisfies the conditions in *INSPRU* 3.2.5R or an *approved stock lending transaction* ~~transaction~~ transaction that satisfies the conditions in *INSPRU* 3.2.36R.
- 2 Debts and claims:
- ...
- (c) debts owed by *policyholders* and ~~*intermediaries*~~ intermediaries arising out of direct and *reinsurance* operations (except where overdue for more than 3 months and other than *commission* prepaid to agents or ~~*intermediaries*~~ intermediaries);

Annex C

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

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

Amend BIPRU TP 10 (Pre CRD capital requirements applying on a consolidated basis during 2007) as follows:

...

- 10.14 R (1) ...
- (2) The list in *BIPRU* 8 Ann 6R (List of equivalent third country regulators) does not apply and instead:
- (a) if the *UK consolidation group* or *non-EEA sub-group* is a banking group or building society group as defined in *BIPRU* TP 1.7R (Classification of groups for certain consolidation rules), the lists in ~~Appendix~~ Appendices C and D of chapter CS of *IPRU(BANK)* ~~applies~~ apply; and
- (b) if the *UK consolidation group* or *non-EEA sub-group* is an investment firm group as defined in *BIPRU* TP 1.7R, the list in ~~Appendix 57~~ 59 of chapter 10 of *IPRU(INV)* applies.
- (3) ...
- ...

Amend BIPRU 1.2 (Definition of the trading book) as follows:

...

- 1.2.22 R ...
- ~~1.1.23~~ R ...
- 1.2.23
- 1.2.24 R

Amend BIPRU 1.3 (Applications for advanced approaches) as follows:

...

- 1.3.2 G (2) A *firm* should apply for a *waiver* if it wants to:
- ...
- (e) apply the treatment in *BIPRU* 10.89 (~~Exemption from limits in *BIPRU* 10.5 for concentration risk counterparty~~ Wider integrated groups waiver).

...

- 1.3.13 D Subject to *BIPRU* 1.3.14D to ~~*BIPRU* 1.3.21D~~ 1.3.20D, if a *firm*...

...

BIPRU Annex 1D

Application form to apply the advanced management approach

~~[link to be added]~~ http://www.fsa.gov.uk/pubs/international/app_pack_ama.pdf

BIPRU Annex 2D

Application form to apply the IRB approach

~~[link to be added]~~ http://www.fsa.gov.uk/pubs/international/app_pack_irb.pdf

BIPRU Annex 3D

Application form to apply the CCR internal model method approach

~~[link to be added]~~ http://www.fsa.gov.uk/pubs/international/app_pack_imm.pdf

Amend BIPRU 2.2.47G as follows:

- 2.2.47 G In considering if there are any systems and control weaknesses and their effect on the adequacy of the *CRR*, a *firm* should be able to demonstrate to the *FSA* that all the issues identified in *SYSC 3.2* (~~Areas covered by systems and controls~~) have been considered and that appropriate plans and procedures exist to deal adequately with adverse scenarios.

Amend BIPRU 2.3.4G as follows:

- 2.3.4 G *BIPRU 2.3* sets out more detail on how the systems and controls requirements in *SYSC 3* (~~Systems and controls~~) and *GENPRU 1.2.30R* (Processes, strategies and systems for risks) and the requirements about stress and scenario testing in *GENPRU 1.2.36R* apply to interest rate risk in the *non-trading book*.

Amend BIPRU 2.3.8G as follows:

- 2.3.8 G A *firm* should, under *BIPRU 2.3.8R(2)* ~~2.3.8R(2)~~ *2.3.7R(2)*, apply a 200 basis point shock ...

Amend BIPRU 3.2.9R as follows:

- 3.2.9 R A *firm* must assign each *exposure* to one of the following *exposure* classes:
...
(7) claims or contingent claims on ~~corporates~~ corporates;
...
(14) short-term claims on *institutions* and ~~corporates~~ corporates;
...

Amend BIPRU 3.4 as follows:

- ...
3.4.82 G (1) ...
(2) ...

~~(2)~~
(3) ...

...
3.4.100 G The application of *BIPRU* 3.4.96R and *BIPRU* 3.4.99R may be illustrated on the basis of a £110,000 loan on a property valued at £100,000, where £80,000 of the loan is secured and £30,000 of the exposure is unsecured and provisions of £20,000 are taken:
(1) Option 1 ...:
...
(c) the *risk weight* to be applied to the unsecured *exposure* of £30,000 is ~~50%~~150%;

Amend *BIPRU* 3.6.1R as follows:

3.6.1 R The use of *ECAI* credit assessments for the calculation of a *firm's risk weighted exposure amounts* must be consistent and in accordance with *BIPRU* 3.56. Credit assessments must not be used selectively.

Amend *BIPRU* 4.2.7 as follows:

4.2.7	G	(1)	This paragraph provides <i>guidance</i> on <i>BIPRU</i> 4.2.2R and in particular <i>BIPRU</i> 4.2.2R(2).
		(2)	The <i>IRB approach</i> as applicable to a <i>firm</i> should be an integral part of its business and risk management processes and procedures to the extent that credit risk is relevant to them. It should also have a substantial influence on its decision-making and actions. In particular, the FSA would expect a firm to have regard to the following areas
		(a)	particular regard should be had to the use of the <i>IRB approach</i> in: (i) credit approval; (ii) individual and portfolio limit setting; (iii) reporting of credit risk information; and (iv) provisioning; and (v) the setting and use of the significant criteria by reference to which other decisions to incur or maintain credit risk are taken or by reference to which credit risk is otherwise assessed;
		(b)	other relevant aspects include assessment of : (v i) assessment of economic capital; (v ii) internal capital allocation so far as related to credit risk; (v iii) risk appetite; (i xv) strategy and acquisitions; (x v) profitability and performance; and (x vi) performance-related remuneration;
			...

Remove underlining and amend *BIPRU* 4.3.97G as follows:

- 4.3.97 G If a firm excludes *defaulted exposures* that have been cured (as referred to in *BIPRU 4.3.71R*) or restructured (as referred to in *BIPRU 4.3.63R(5)*) from estimates of *LGD* in accordance with *BIPRU 4.3.100G*, it may also exclude cures from estimates of *PD* for these ~~exposures~~ exposures.

Amend *BIPRU 4.4.67R(6)* as follows:

- Calculations: maturity
- 4.4.67 R ...
- (6) Notwithstanding (7), a firm that uses a *CCR internal model method* model to calculate a ~~one-sided credit valuation adjustment~~ one-sided credit valuation adjustment (*CVA*) may use the effective credit duration estimated by the model as *M* if permitted to do so by its *CCR internal model method permission*.
- ...

Amend *BIPRU 4.4.85R(1)(b)* as follows:

- 4.4.85 R To be eligible for the treatment set out in *BIPRU 4.4.79R*, credit protection deriving from a guarantee or credit derivative must meet the following conditions:
- (1) the underlying obligation must be to:
- (a) ...
- (b) an *exposure* to a regional government, local authority or *public sector entity* which is not treated as an *exposure* to a central government or a ~~central bank~~ central bank according to *BIPRU 4.4.2R*; or
- ...

Amend *BIPRU 4.10.36R(3)* as follows:

- 4.10.36 R (3) $LG D^* = LG D \times (E^*/E)$ where:
- (a) ...
- (b) *E* is the *exposure* value as calculated under ~~*BIPRU 4.5.X*~~ ~~*[provision implementing paragraph 34 of Part 3 of Annex VIII of the Banking Consolidation Directive]*~~; and
- (c) *E** is as calculated under ~~*BIPRU 5.X-5.4.28R(3)*~~ ~~*[provision implementing paragraph 34 of Part 3 of Annex VIII of the Banking Consolidation Directive]*~~ (Calculation of adjusted values under the financial collateral comprehensive method).

Amend *BIPRU 4.10.41R* as follows:

- 4.10.41 R The requirements in *BIPRU 4.10.40R(2)* and ~~*BIPRU 4.10.42R*~~ ~~*-BIPRU 4.10.48R*~~ do not apply for guarantees provided by *institutions* and central governments and ~~central banks~~ central banks if the firm has received approval under *BIPRU 4.2* to apply the *standardised approach* for *exposures* to such entities. In this case the requirements of *BIPRU 5* (credit risk mitigation) apply.

Amend BIPRU 5.4 as follows:

- ...
- 5.4.39 R (1) ...
(2) ...
(3) For other *capital market-driven transactions*, the liquidation period is 10 business days.
- ...
- 5.4.51 R ... and 10 *business days* for other *capital market-driven transactions*.
- ...
- 5.4.66 R ...

Amend BIPRU 5.6.2R as follows:

- 5.6.2 R For master netting agreements covering *repurchase transactions* and/or *securities or commodities lending or borrowing transactions* and/or other *capital market-driven transactions* to be recognised for the purposes of *BIPRU 5*, they must: ...

Amend BIPRU 5.6 (Master netting agreements) as follows:

- 5.6.16 R ... The internal model used for the *master netting agreement internal models approach* must provide estimates of the potential change in value of the unsecured *exposure* amount ...
- 5.6.17 R A *firm* may also use the internal model used for the *master netting agreement internal models approach* for *margin lending transactions* ...
- ...
- 5.6.19 R ...
(11) The internal model used for the *master netting agreement internal models approach* must meet the requirements set out in *BIPRU 13.6.65R* to *BIPRU 13.6.67R*.
- ...
- 5.6.26 G No changes should be made to the internal model used for the *master netting agreement internal models approach* unless ...

Amend BIPRU 6.2.8G as follows:

- 6.2.8 G A *firm* may apply to the *FSA* for a *waiver* from *BIPRU 6.2.7R* where it can demonstrate good cause for changing to the standardised approach ...

Amend BIPRU 6.3 as follows:

- ...
- 6.3.2 R (1) ...
...
(3) If, for any given observation, the sum of a *firm's* net interest income

and net non-interest income; is negative ...

6.3.3 G If a *firm* has: ...

Amend BIPRU 6.5 as follows:

...
6.5.11 G (1) ...
...
(6) is clearly documented; ...

...
6.5.27 R (1) ...
(2) The insurance policy must have an initial term of no less than one year. ...

Amend BIPRU 8.3 (Scope and basic consolidation requirements for non-EEA sub-groups) as follows:

8.3.7 G A *firm* will not be a member of a *non-EEA sub-group* unless it is also a member of a *UK consolidation group*...

...
8.3.9 G If more than one *BIPRU firm* is a direct or indirect *parent undertaking* in accordance with *BIPRU 8.3.7G(2)(a)* then the *sub-groups* of each of them are all potential *non-EEA sub-groups*...

...
8.3.15 G If more than one *financial holding company* is a direct or indirect *parent undertaking* in accordance with *BIPRU 8.3.12G(2)(a)* then the *sub-groups* of each of them are all potential *non-EEA sub-groups*.

...
8.3.18 G ...
(1) one potential *non-EEA sub-group* is contained within a wider potential *non-EEA sub-group*; and
(2) ...

Amend BIPRU 8.6.10R(3) as follows:

Treatment of minority interests
8.6.10 R (1) ...
...
(3) A *firm* must include the minority interest in the tier of capital in which that *undertaking* would have to include the capital referred to in (2) if it were a *firm* calculating its *capital resources* on a solo basis under whichever method applies to the group under *BIPRU 8.6.6R* to *BIPRU 8.6.98R*.
(4) ...

Amend BIPRU 8.8.7G as follows:

8.8.7 G *BIPRU 8.7.226R* deals with the combination of the *advanced measurement*

approach with other approaches to *operational risk* on a group level.

Amend BIPRU 8 Annex 6R as follows:

Non-EEA regulators' requirements deemed CRD-equivalent for individual risks
Part 1 (Non-EEA banking regulators' requirements deemed CRD-equivalent for individual risks)

Regime regulators	Market risk	Credit risk	Operational risk
...			
<u>Korea</u> ...			
...			
<u>Jersey</u>	<u>Y</u>	<u>Y</u>	<u>Y</u>
<u>Guernsey</u>	<u>N</u>	<u>Y</u>	<u>Y</u>
<u>Isle of Man</u>	<u>N</u>	<u>Y</u>	<u>Y</u>
Note 1: ...			

Part 2 (Non-EEA investment firm regulators' requirements deemed CRD-equivalent for individual risks)

Regime regulators	Market risk	Credit risk	Operational risk
...			
<u>USA</u>			
Securities and Exchange Commission (SEC): Net Capital rule only	Y Note 3	* <u>Y</u>	N
Commodities and Futures Trading Commission	Y	N	N
Note 1: ...			

Amend BIPRU 9.4.1R as follows:

9.4.1 R The *originator* of a *traditional securitisation* may exclude ~~securitised exposures~~ *exposures* from the calculation of *risk weighted exposure amounts* and *expected loss* amounts if significant credit risk associated with the *securitised exposures* has been transferred to third parties and the transfer complies with the conditions in *BIPRU 9.4.2R-BIPRU 9.4.10R*.

Amend BIPRU 9.7.3G as follows:

9.7.3 G The *guidance* in *BIPRU 3.3* (Recognition of ratings agencies) applies for the purposes of *BIPRU 9* as it does to *exposure risk weighting* in *BIPRU 3*, save that the reference in *BIPRU 3.3* to the ~~Regulation 3~~ regulation 22 of the ~~EC/ES/ Capital Requirements Regulations 2006~~ should be read as a reference to ~~Regulation 4~~ regulation 23 of the ~~EC/ES/ Capital Requirements Regulations 2006~~ for the purposes of *BIPRU 9*.

Amend BIPRU 9.9.1R as follows:

9.9.1 R ...

[Note: BCD Article 96(1) (part) and Annex ~~XI~~ IX, Part 4 point 1]

Amend BIPRU 9.12.20R(9) as follows:

The ABCP internal assessment approach

9.12.20 R ...

(9) In developing its internal assessment methodology the *firm* must take into consideration relevant published ratings methodologies of the *eligible ECAIs* that rate the commercial paper of the ~~ABCP programme~~ *ABCP programme*. This consideration must be documented by the *firm* and updated regularly, as outlined in (15).

...

Amend BIPRU 13.4.2R as follows:

13.4.2 R A *firm* must obtain the current replacement cost of all contracts with positive values by attaching ~~current market values~~ current market values to contracts (marking to market).

Amend BIPRU 13.5 (CCR standardised method) as follows:

...

13.5.12 R For interest rate *risk positions* from money deposits received from the counterparty as collateral, from *payment legs* and from underlying debt instruments, to which according to the table in ~~BIPRU 7.2.XR~~ 7.2.44R a capital charge of 1.60% or less applies, ...

...

13.5.18 R (1) For interest rate *risk positions* from money deposits that are posted with a counterparty as collateral when that counterparty does not have debt obligations of low *specific risk* outstanding and from underlying debt instruments, to which according to the table in ~~BIPRU 7.2.XR~~ 7.2.44R a capital charge of more than 1.60% applies, there is one *hedging set* for each issuer.

(2) ...

...

13.5.22 R This table belongs to *BIPRU 13.5.21R*

<i>Hedging set</i> categories	CCR Multiplier (CCRM)
(1)
(2)

(3)	Interest Rates for <i>risk positions</i> from a debt instrument or reference debt instrument to which a capital charge of more than 1.60% applies under <i>BIPRU 7.2.XR 7.2.44R</i>
(4)

...
13.5.27 R A *firm* may only recognise collateral for this method if it is collateral that is eligible under *BIPRU 5.X.XR [Annex VIII, Part 1, point 11] 5.4.8R* and *BIPRU 14.2.12R* to *BIPRU 14.2.13R*.

Amend BIPRU 13.6 (CCR internal model method) as follows:

...
13.6.29 R A *firm* must calculate *EE* or *peak exposure* measures based on a ~~distribution of exposures~~ distribution of exposures that accounts for the possible non-normality of the ~~distribution of exposures~~ distribution of exposures.

...
13.6.38 R ...
(2) ...
(~~4~~3) ...

...
13.6.51 R The ~~distribution of exposures~~ distribution of exposures generated by the model used to calculate *effective EPE* must be closely integrated into the day-to-day *CCR* management process of the *firm*. The model's output must accordingly play an essential role in the credit approval, *CCR* management, internal capital allocation, and corporate governance of the *firm*.

13.6.52 R A *firm* must have a track record in the use of models that generate a ~~distribution of exposures~~ distribution of exposures to *CCR*. Thus, the *firm* must be able to demonstrate that it has been using a model to calculate the ~~distribution of exposures~~ distribution of exposures upon which the *EPE* calculation is based that meets, broadly, the minimum requirements set out in *BIPRU 13.6* for at least one year prior to the date of its *CCR internal model method permission*.

13.6.53 R (1) A *firm* must ensure that the model used to generate a ~~distribution of exposures~~ distribution of exposures to *CCR* is part of a *CCR* management framework that includes the identification, measurement, management, approval and internal reporting of *CCR*. This framework must include the measurement of usage of credit lines (aggregating *CCR exposures* with other credit *exposures*) and internal capital allocation.
(2) ...
...
(4) The use test is satisfied if a *firm* uses other *CCR* measures, such as *peak exposure* or *PFE* (see *BIPRU 13.6.47R*), based on the ~~distribution of exposures~~ distribution of exposures generated by the same model to compute *EPE*.

Amend BIPRU 13.8.7R as follows:

- 13.8.7 R Notwithstanding *BIPRU* 13.8.2R, a *firm* must determine the *exposure* value of a credit risk *exposure* outstanding with a *central counterparty* in accordance with ~~*BIPRU* 13.8.10R~~ 13.8.8R, provided that the *central counterparty's counterparty credit risk exposures* with all participants in its arrangements are fully collateralised on a daily basis.

Amend BIPRU 14.1 as follows:

- 14.1.2 G ...
- Purpose
- ~~14.1.2~~ G *BIPRU* 14 implements: ...
- 14.1.3

Delete BIPRU 14.2.19R as follows:

- 14.2.19 R ~~For the purposes of *BIPRU* 14.2.18R(1), for such a *firm*, the value adjustments referred to in *BIPRU* 14.2.18R(1) must not be included in *capital resources* other than in accordance with *BIPRU* 14.2.18R(1).~~
[deleted]

Amend BIPRU 14.3.4 as follows:

- 14.3.4 R A *firm* must multiply the price difference calculated under *BIPRU* 14.3.23R by the appropriate factor in column A of the Table in *BIPRU* 14.3.4R in order to calculate its capital requirement for the purposes of *BIPRU* 14.3.

Annex D

Amendments to the Prudential sourcebook for Insurers (INSPRU)

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

In the provisions of INSPRU specified in column (1) of the following Table, replace the reference to the provision in column (2) of the Table with a reference to the corresponding provision in column (3):

(1) Provision	(2) SYSC reference	(3) New reference
INSPRU 5.1.6G	SYSC 3A	SYSC 13
INSPRU 5.1.10G(1)	SYSC 3A.5.1G(3)	SYSC 13.5.1G(3)
INSPRU 5.1.16G	SYSC 3A.5.1G(2)	SYSC 13.5.1G(2)
INSPRU 5.1.22G(1)	SYSC 3A.6	SYSC 13.6
INSPRU 5.1.22G(2)	SYSC 3A.7	SYSC 13.7
INSPRU 5.1.22G(3)	SYSC 3A.9 SYSC 3A.10	SYSC 13.9 SYSC 13.10
INSPRU 7.1.30G	SYSC 3A	SYSC 13

Amend INSPRU 1.3.39BG as follows:

- 1.3.39B G In determining current market yields for the purpose of ~~INSPRU 1.3.3R(4)~~ 1.3.37R(4), a *firm* is required to have regard to IFRS 4 as if it were being applied to determine the value under that standard for the first time, that is, without reference to existing practices. Paragraph 27 of the standard is likely to be of particular relevance. A *firm* should not include an allowance for future investment margins until they are earned. In particular, a *firm* should not include an allowance for capital growth in determining current market yields for equities and real estate investments.

Amend INSPRU 2.1.22R as follows:

- 2.1.22 R ...
(3) ...
(c) for a *counterparty* exposure to a *person*, or the aggregate exposure arising from the *counterparty* exposures to each member of a group of closely related *persons*, who do not fall into the categories of *counterparty* to whom (a) and (b) apply:
(i) ...
(ii) 1% for that part of the exposure arising from *shares* and other variable yield participations, bonds, ~~debt securities~~ securities and other *money market instruments* and capital market instruments from the same *counterparty* that are not dealt in on a *regulated market*, or any beneficial interest in a *collective investment scheme* which is not a *UCITS scheme*, a *non-UCITS retail scheme* or a recognised

scheme; the limit for that part of the exposure arising from *debt securities* (other than hybrid securities) issued by the same *regulated institution* is increased to 5%;

(iii) ...

Annex E

Amendments to the Prudential sourcebook for UCITS Firms (UPRU)

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

Transitional provision for UPRU

(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
1.	This sourcebook	R	An <i>operator</i> of a <i>UCITS scheme</i> ... its activities to those specified under <i>CIS</i> 16.5.1R (1) <u>to (3)</u> or <i>COLL</i> 6.9.9R (1) to (3), as appropriate.	From 01/01/07 to 12/02/07	01/01/07

Annex F

**Amendments to the Interim Prudential sourcebook for Investment Businesses
(IPRU(INV))**

In this Annex, underlining indicates new text.

...

Annex D

...

3.2 FORM OF DEED OF TERMINATION

THIS DEED OF TERMINATION is made on the day of 20.....

BETWEEN -

- (1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the **Lender**”).
- (2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the **Borrower**”).
- (3) **The Financial Services Authority Limited** (registered in England number 1920623) whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS (“**the FSA**”).

...

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

.....

Signed
Director

Signed
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]

(as such partners and as individuals)

Signed
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

Executed as a deed by [full name of Borrower]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by [full names of individual
partners of Borrower]
(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

The Common Seal of THE FINANCIAL SERVICES AUTHORITY LIMITED was hereunto affixed in the presence of

Signed
Authorised Signatory

Signed.....
Authorised Signatory

3.3 FORM OF DEED OF VARIATION

THIS DEED OF VARIATION is made on the day of 20.....

BETWEEN -

- (1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][*if an individual or partnership of*] * (“the **Lender**”).
- (2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][*if an individual or partnership of*] * (“the **Borrower**”).
- (3) **The Financial Services Authority Limited** (registered in England number 1920623) whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS (“**the FSA**”).

...

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]

(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

Executed as a deed by [full name of Borrower]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by [full names of individual
partners of Borrower]
(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

The Common Seal of THE FINANCIAL SERVICES AUTHORITY LIMITED was hereunto affixed in the presence of

Signed
Authorised Signatory

Signed.....
Authorised Signatory

...

10.3 FORM OF DEED OF TERMINATION

THIS DEED OF TERMINATION is made on the day of 20....

BETWEEN -

- (1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the **Lender**”).
- (2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the **Borrower**”).
- (3) **The Financial Services Authority Limited** (registered in England number 1920623) whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS (“**the FSA**”).

...

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]

(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

Executed as a deed by [full name of Borrower]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by [full names of individual partners of Borrower]
(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

The Common Seal of THE FINANCIAL SERVICES AUTHORITY LIMITED was hereunto affixed in the presence of

Signed
Authorised Signatory

Signed.....
Authorised Signatory

10.4 FORM OF DEED OF VARIATION

THIS DEED OF VARIATION is made on the day of 2.....

BETWEEN -

- (1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the **Lender**”).
- (2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the **Borrower**”).
- (3) **The Financial Services Authority Limited** (registered in England number 1920623) whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS (“the **FSA**”).

[...]

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]

(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

Executed as a deed by [full name of Borrower]

.....

Signed.....
Director

Signed.....
Director/Secretary

or

Signed as a deed by [full names of individual
partners of Borrower]
(as such partners and as individuals)

Signed.....
Partner

Signed.....
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed.....

in the presence of

Signed.....
Witness

The Common Seal of THE FINANCIAL
SERVICES AUTHORITY LIMITED
was hereunto affixed in the
presence of

Signed
Authorised Signatory

Signed.....
Authorised Signatory

Annex G

Amendments to the Collective Investment Schemes sourcebook (CIS)

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

CIS TP 1 Transitional Provisions

(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
...					
21	<i>CIS 16.5.1 R (4) to CIS 16.5.1 R (6)</i>	G	A UK <u>UCITS</u> <i>investment firm</i> will not be able to act as such and exercise an <i>EEA right</i> under the <i>UCITS</i> <i>Directive</i> unless it complies with the Prudential sourcebook for UCITS Firms <u><i>BIPRU</i></u> .		
...					

Annex H

Amendments to the New Collective Investment Schemes sourcebook (COLL)

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

COLL TP 1 Transitional Provisions

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provisions	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
5	<i>COLL 6.9.9R</i> (2) <u>(4)</u> to (6) (Restrictions of business for UCITS management companies)	R	A <i>UCITS management company</i> must not carry on any of the activities specified in <i>COLL 6.9.9 (2)</i> <i>COLL 6.9.9 (3)</i> <i>COLL 6.9.9 (4)</i> <i>COLL 6.9.9 (5)</i> <i>COLL 6.9.9 (6)</i> <i>COLL 6.9.9R</i> (2) <u>(4)</u> to (6) (inclusive) unless ...	From 1 April 2004 to 12 February 2007	1 April 2004
6	<i>COLL 6.9.9 (2)</i> <i>COLL 6.9.9 (3)</i> <i>COLL 6.9.9 (4)</i> <i>COLL 6.9.9 (5)</i> <i>COLL 6.9.9 (6)</i> <i>COLL 6.9.9R</i> (2) <u>(4)</u> to (6) (Restrictions of business for UCITS management companies)	G	A <i>UK UCITS investment firm</i> will not be able to act as such and exercise an <i>EEA right</i> under the <i>UCITS Directive</i> unless it complies with <i>UPRU</i> <u><i>BIPRU</i></u> .		
...					

Annex I

Amendments to Annex A to the General Prudential Sourcebook Instrument 2006 (FSA 2006/40)

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

Amend the table in Annex A to the General Prudential Sourcebook Instrument as follows:

PRU provision: current location	Destination
...	...
8 Annex 1 R	GENPRU & <u>3</u> Annex 1 R
8 Annex 2 R	GENPRU & <u>3</u> Annex 2 R
8 Annex 3 G	GENPRU & <u>3</u> Annex 3 G
8 Annex 4 R	GENPRU & <u>3</u> Annex 4 R

Annex J

Amendments to the CRD (Consequential Amendments) Instrument 2006 (FSA 2006/53)

Annex A Amendments to the Glossary

Part 1B (New definitions taking effect on 1 January 2007)

<i>non-EA<u>EA</u> sub-group</i>	a group of <i>undertakings</i> identified as a <i>non-EEA sub-group</i> in <i>BIPRU</i> 8.3.1R (Main consolidation rule for non-EEA sub-groups); however where the provision in question refers to a <i>non-EA<u>EA</u> sub-group</i> in another <i>EEA State</i> it means a group of <i>undertakings</i> identified in Article 73(2) of the <i>Banking Consolidation Directive</i> (Non-EA <u>EA</u> sub-groups) required to be supervised on a consolidated basis under Article 73(2) of the <i>Banking Consolidation Directive</i> by a <i>competent authority</i> in that <i>EEA State</i> .
----------------------------------	--

Part 2A (Revised definitions taking effect on 31 December 2006)

- guaranteed fund* (1)
- (a) ...
 - (b) where the *firm* is required to calculate a *UK MCR* or an *EEA MCR* under ~~PRU 7.6~~ INSPRU 1.1, for the purposes of that section...
- insurance health risk and life protection reinsurance capital component* one of the components of the *long-term insurance capital requirement* as set out in ~~PRU 7.2.85R~~ INSPRU 1.1.85R to ~~PRU 7.2.86R~~ INSPRU 1.1.86R.

Part 2B (Revised definitions taking effect on 1 January 2007)

- commodity*
- (1) (except for the purpose of calculating *position risk requirements*) a physical asset (other than a financial instrument or cash) which is capable of delivery.
 - (2) (for the purpose of calculating *position risk requirements*) any of the following (but excluding gold):
 - (a) a commodity within the meaning of paragraph (1); and
 - (b) any:
 - (i) physical or energy product; or
 - (ii) of the items referred to in paragraph 10 of Section C of Annex I of the *MIFID* as an underlying with respect to the *derivatives* mentioned in that paragraph;
which is, or can be, traded on a secondary market.
- competent authority*
- (1) ...
 - ...
 - (3) (in relation to a group, and for the purposes of ~~PRU 8.1 SYSC 12~~ (Group risk systems and controls requirement), ~~GENPRU 8.4~~ (Cross sector groups), ~~PRU 8.5~~ (Third country groups), ~~PRU 8 Ann 1R~~ (Capital adequacy calculations for financial conglomerates) and ~~PRU 8 Ann 2R~~ (Prudential rules for third country groups), *BIPRU* and *INSPRU*, any national authority
...
- EEA firm*
- ...
 - (b) a *credit institution* (as defined in article ~~14~~(1) of the *Banking Consolidation Directive*)
 - (c) a financial institution (as defined in article ~~14~~(5) of the *Banking Consolidation Directive*) which is a subsidiary of the kind mentioned in article ~~19~~ 24 and which fulfils the conditions in articles ~~18~~ 23 and ~~19~~24;
- financial instrument*
- (1) (other than for the purposes of *BIPRU* and *GENPRU*) as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):
 - (a) ...

...

- (2) (for the purposes of *BIPRU* and *GENPRU*) an instrument listed in Section B of the Annex to the *ISD*.

Annex L

Amendments to the Supervision manual

Part 4: Consequential amendments taking effect on 1 January 2007

Amend SUP 10.12 as follows:

- 10.12.3 G In accordance with section 60 of the *Act* (Applications for approval), applications must be submitted by, or on behalf of, the *firm* itself, not by the *candidate*. Usually this will be the *firm* that is employing the *candidate* to perform the *controlled function*. Where a *firm* has outsourced the performance of a *controlled function*, the details of the outsourcing determine where responsibility lies and whom the *FSA* anticipates will submit *approved persons* forms. SUP 10.12.4 G describes some common situations. The *firm* which is outsourcing is referred to as "A" and the *person* to whom the performance of the function has been outsourced, or which makes the *arrangement* for the function to be performed, is referred to as "B". In each situation, A must take reasonable care to ensure that, in accordance with section 59(2) of the *Act*, no *person* performs a *controlled function* under an *arrangement* entered into by its contractor in relation to the carrying on by A of a *regulated activity*, without approval from the *FSA*. See also SYSC 3.2.4G and SYSC 8.1.1R and if applicable ~~IPRU (BANK) OS, IPRU (BSOC) OS,~~ and for *insurers* SYSC 13.9.

Amend SUP 15.3 as follows:

...

- 15.3.8 G (1) Compliance with *Principle 11* includes, but is not limited to, giving the *FSA* notice of:
- (a) ...
 - ...
 - (e) entering into, or significantly changing, a *material outsourcing* arrangement (a *bank* ~~should also see IPRU(BANK) OS 4.2, and~~ a *building society* should also see ~~IPRU(BSOC) 11 OS 4.2~~ SYSC 3.2.4G and SYSC 8, and an *insurer* should also see SYSC ~~3A.9~~13.9 for further details); or

...

Annex K

Amendments to Annex G of the Home Reversion and Home Purchase Activities (Consequential Amendments to the Handbook) Instrument 2006 (FSA 2006/37)

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

COB 4 Annex 5R: Combined initial disclosure document (“CIDD”)

..

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

...

[2] [**Islamic Home Purchase Plans**] [Note 13A] [Note 14]

...

We [can] [Note 8] only offer [a limited range of the] [an] Islamic home purchase plan[s] from [a single provider]. [Note 10(1) **an (3)**] [Note 13]

...

...

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

...

[Home Finance Products] [Note 14]

[1] [Mortgages] [Equity Release Products] [Note 14]

We will advise and make a recommendation for you [on [lifetime mortgages] [home reversions] [equity release products]] 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][lifetime mortgages] [home reversions] [equity release 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?

...

[Home Finance Products] [Note 14]

[1] [Mortgages] [Equity Release Products] [Note 14]

...

Refund of fees [Note 19] [Note 14]

If we charge you a fee, and your [lifetime] [mortgage] [home reversion plan] [equity release product] does not go ahead, you will receive: [Note 20]

...

Note 7A – the 'Compliance with Islamic law' subsection is optional unless the *firm* holds itself, its *regulated mortgage contract* or *home purchase plan* products or services out as compliant with Islamic law in the CIDD. ~~If a *firm* includes Section 1A then it must describe the section on the CIDD as section 2 and renumber subsequent sections accordingly.~~ If the statement does not apply to all of the *firm*'s home finance services then it must amend the statement to make clear to which services it applies.

...

Note 14 – in describing the services and products provided, *firms* must omit the text in brackets that do not apply and ensure that they describe accurately their activities with respect of the services and products that they offer, as follows:

...

(2) Describing the products in Section 2: In the text associated with boxes that are not ticked, a *firm* must delete references to 'home reversions' and 'lifetime mortgages' but leave references to 'equity release products'.

(23) Describing the products in Section 3:

a. If a *firm* advises or gives personalised information on *lifetime mortgages*, it must change "mortgage" to "lifetime mortgage" and use the text in brackets related to *lifetime mortgages*.

...

(34) Describing the provider: If a *firm* advises or gives personalised information on *home purchase plans* or *home reversion plans*, it must change "mortgage" to "product" and "lender" to "company" or "provider", as appropriate.

Note 41 - A *firm* must only include this paragraph if the services to which the CIDD relates include *home purchase activities* and do not include *regulated mortgage activities*. If the *firm* does not carry on *regulated mortgage activities*, it must include the second sentence and delete the third. If the *firm* carries on *regulated mortgage activities* (but the CIDD does not relate to these services) as well as *home purchase activities* it must omit the second sentence and include the third.

Annex L

Amendments to Annex A of the Mortgages: Conduct of Business Sourcebook (Home Reversion and Home Purchase Activities) Instrument 2006 (FSA 2006/45)

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

MCOB 8 Annex 1 Initial disclosure document (“IDD”)

...

2. Whose products do we offer? [Note 3] [Note 7] [Note 8]

...

We [can] [Note 9] only offer [a limited range of] [lifetime mortgages] [home reversion plans] [equity release products] from [a single lender/company] [name of single company]. [Note 11] [Note 11A]

[or]

We only offer our own [lifetime mortgages] [home reversion plans] [equity release products]. [Note 12]

...

...

3. Which service will we provide you with? [Note 3] [Note 7]

We will advise and make a recommendation for you on [lifetime mortgages] [home reversion plans] [equity release products] ~~for you~~ after we have assessed your needs.

...

Note 7 – *firms* must describe their scope of service by selecting and ticking, the box or boxes that describe the products and services that the firm expects to provide to the *customer*. ~~This means a firm will select either one or both boxes within this section.~~ *Firms* must not delete the boxes not selected (but see Note 8A). In the text associated with boxes that are not ticked;

- a. in Section 2 a firm must delete references to 'home reversions' and 'lifetime mortgages' but leave references to 'equity release products', omitting the square brackets. This is so that a *customer* can see other possible options, even if not available from the *firm* issuing the IDD; and
- b. in Section 3, a firm must use the words in square brackets that reflect the products it is offering in Section 2. If the firm advises or gives personalised information on products from both equity release market sectors, it must use the term 'equity release products'.

MCOB 9 Annex 2R

...

<h4>3. What is a home reversion plan?</h4>
--

...

When does a home reversion plan end?

- This depends on the terms of the plan but will usually include death or where you (or, in the case of a joint plan, the ~~surviving spouse~~ survivor) move out permanently, for example into long-term residential care. The property will be put up for sale by the provider and the value of any part you do not sell to the provider will be paid to you or your estate. See also "Cancelling a home reversion", below.

Moving home

- Not all home reversion plans can be transferred to a new property, if you should want to move home in the future. Section 5 will tell you if this plan cannot be transferred. ...

...