

**RETAIL DISTRIBUTION REVIEW (HOLLOWAY SICKNESS POLICIES)
INSTRUMENT 2011**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 149 (Evidential provisions);
 - (c) section 156 (General supplementary powers); and
 - (d) section 157(1) (Guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2012.

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
Training and Competence sourcebook (TC)	Annex B
Conduct of Business sourcebook (COBS)	Annex C

Citation

- E. This instrument may be cited as the Retail Distribution Review (Holloway Sickness Policies) Instrument 2011.

By order of the Board
23 June 2011

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

Holloway policy special application conditions

conditions that will be met by a *firm* where:

- (a) in the case of a *firm* which underwrites *Holloway sickness policies*:
 - (i) all of the *Holloway sickness policies* underwritten by the *firm* show a projected maturity value of not more than 20% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of *COBS* 13.1.1R(2); except that no more than 5% of the *Holloway sickness policies* underwritten by the *firm* may show a projected maturity value of between 20% and 25% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of *COBS* 13.1.1R(2); and
 - (ii) the *firm* conducts a regular assessment to determine whether its *Holloway sickness policies* meet the conditions in (i) and, if such an assessment indicates that the conditions in (i) may no longer be met, takes any steps necessary to ensure that its *Holloway sickness policies* will meet the conditions in (i) within three months of the relevant assessment having been carried out;
 - (iii) the assessment in (ii) is carried out at least annually and on a more frequent basis if a change is made to the projection rates or pricing of the relevant *Holloway sickness policies*;
- (b) in the case of an intermediary who makes a *personal recommendation* to a *retail client* in relation to a *Holloway sickness policy*, the intermediary has received a written notification from the *firm* which underwrites the policy confirming that the conditions

in (a) have been met.

Amend the following definition as shown.

retail investment adviser an *employee* who carries on activities 2, 3, 4, 6, 12 and 13 in TC Appendix 1.1.1R (other than in relation to a *Holloway sickness policy* where the *Holloway policy special application conditions* are met).

Annex B

Amendments to the Training and Competence sourcebook (TC)

In this Annex, underlining indicates new text.

App 1.1	Activities and Products/Sectors to which TC applies subject to TC Appendices 2 and 3		
App 1.1.1R			
Activity	Products/Sectors	Is there an appropriate qualification requirement?	
...			
Advising	...		
	6	<i>Friendly Society tax-exempt policies (other than <u>Holloway sickness policies where the <u>Holloway policy special application conditions</u> are met</u>)</i>	Yes
	...		
...			

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text.

6.1A Adviser charging and remuneration

Application – Who? What?

...

6.1A.2A R This section does not apply to a *firm* when it makes a *personal recommendation to a retail client in relation to a Holloway sickness policy*, provided that the *Holloway policy special application conditions* are met.

...

6.1B Retail investment product provider requirements relating to adviser charging and remuneration

Application – Who? What?

...

6.1B.2A R This section does not apply to a *firm* in circumstances where a *retail client* receives a *personal recommendation in relation to the firm's Holloway sickness policy*, provided that the *Holloway policy special application conditions* are met.

...

6.2A Describing advice services

Application – Who? What?

...

6.2A.1A R This section does not apply to a *firm* when it makes a *personal recommendation to a retail client in relation to a Holloway sickness policy*, provided that the *Holloway policy special application conditions* are met.