

## CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT) INSTRUMENT 2022

### Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (The FCA’s general rule-making power);
    - (b) section 137R (The FCA’s financial promotion rule-making power);
    - (c) section 137T (General supplementary powers);
    - (d) section 139A (Power of the FCA to give guidance);
    - (e) section 247 (Trust scheme rules);
    - (f) section 261I (Contractual scheme rules); and
    - (g) regulation 6 (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228);
  - (2) regulation 3 of the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc) (EU Exit) Regulations 2018; and
  - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions sourcebook (GEN) of the FCA’s Handbook.
- B. The rule-making provisions referred to above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

### Commencement

- C. This instrument comes into force on 27 May 2022.

### Amendments to the Handbook

- D. The Conduct of Business sourcebook (COBS) is amended in accordance with the Annex to this instrument.

### Citation

- E. This instrument may be cited as the Conduct of Business Sourcebook (Amendment) Instrument 2022.

By order of the Board  
26 May 2022

## Annex

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

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

#### 18 Specialist Regimes

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#### 18 Research and inducements for collective portfolio managers

##### Annex 1

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| 3   | Acceptable minor non-monetary benefits |  |  |
| 3.1 | R                                      | A <i>firm</i> must not accept a non-monetary benefit unless it is a minor non-monetary benefit which is reasonable, proportionate and of a scale that is unlikely to influence the <i>firm's</i> behaviour in any way that is detrimental to the interests of the <i>fund</i> , and which consists of: |  |
|     |  | (1)  | information or documentation relating to a <i>financial instrument</i> that is generic in nature; or   |
|     |  | (2)  | written material from a third party that:  |
|     |  | (a)  | is either:   |
|     |  | (i)  | commissioned and paid for by a corporate <i>issuer</i> or potential <i>issuer</i> to promote a new issuance by the company; or                   |
|     |  | (ii)   | produced on an ongoing basis, where the third party is contractually engaged and paid by the <i>issuer</i> ;                                     |
|     |  | (b)  | clearly discloses the relationship between the third party and the <i>issuer</i> ; and   |
|     |  | (c)  | is made available at the same time to any <i>firm</i> wishing to receive it, or to the general public; or  |
|     |  | (3)  | participation in conferences, seminars and other training events on the benefits and features of a specific <i>financial instrument</i> ; or     |
|     |  | (4)  | hospitality of a reasonable de minimis value, such as food and drink during a business meeting or another training event mentioned under (3); or |

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|--|--|------|--|
|  |  | (5)  | research relating to an issue of <i>shares, debentures, warrants or certificates representing certain securities</i> by an <i>issuer</i> , which is:   |
|  |  | (a)  | produced by a <i>person</i> that is providing underwriting or placing services to the <i>issuer</i> on that issue;   |
|  |  | (b)  | made available to prospective investors in the issue; and  |
|  |  | (c)  | disseminated before the issue is completed; or   |
|  |  | (6)  | free sample <i>research</i> provided for a limited trial period where:   |
|  |  | (a)  | the trial period lasts no longer than three months;  |
|  |  | (b)  | the trial period is not commenced with a provider within 12 <i>months</i> from the termination of an arrangement for the provision of <i>research</i> (including a previous trial period) with that provider;  |
|  |  | (c)  | the research provider offering the free trial has no existing relationship with the recipient <i>firm</i> for the provision of <i>research</i> or <i>execution</i> services; and   |
|  |  | (d)  | the recipient <i>firm</i> keeps records of the dates of any trial periods, and sufficient records to demonstrate compliance with the conditions in (a) to (c) above.   |
|  |  | (7)  | <u>research on listed or unlisted companies with a market capitalisation below £200m, provided that it is offered on a rebundled basis or provided for free. The market capitalisation is to be calculated with reference to the average closing price of the shares of the company at the end of each month to 31 October for the preceding 24 months. For companies newly admitted to trading, determination of the threshold should be based on the market capitalisation at the close of day one trading and apply until the date of the next re-assessment (i.e., 31 October). For these purposes, firms may reasonably rely on the assessment of a third party that the research is on a company with a market capitalisation below £200m;</u> |
|  |  | (8)  | <u>third party research that is received by a firm providing investment services or ancillary services to clients where it relates to fixed income, currency or commodity instruments;</u>   |
|  |  | (9)  | <u>research received from a research provider where the research provider is not engaged in execution services and is not part of a financial services group that includes an investment firm that offers execution or brokerage services;</u>   |
|  |  | (10) | <u>written material that is made openly available from a third party to any firm wishing to receive it or to the general public. “Openly available” in this context means that there are no conditions or</u>  |

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|            |          | <u>barriers to accessing the written material other than those which are necessary to comply with relevant regulatory obligations, for example requiring a log-in, sign-up or submission of user information by a firm or a member of the public in order to access that material; or</u>   |
|            | (11)     | <u>corporate access services which relate to listed or unlisted companies with a market capitalisation below £200m in accordance with paragraph 3.1 R(7).</u>   |
| ...        |          |   |
| <u>3.4</u> | <u>G</u> | <u>In relation to paragraph 3.1R(8) above, since the particular features of the fixed income, currency and commodity markets, whereby portfolio managers and independent investment advisers transact with counterparties based on competitive pricing processes, the pricing of transactions in fixed income, currency and commodity instruments will typically not take into account research services.</u> |