Conduct of Business Sourcebook

Chapter 1
Application

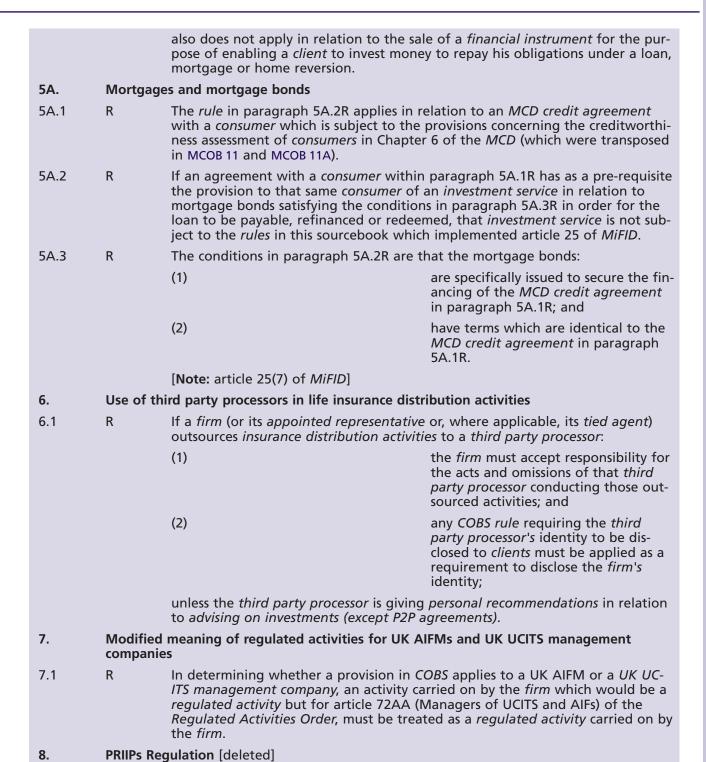
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Application (see COBS 1.1.2R)

Part 1: What?

Modifications to the general application of COBS according to activities						
1. Eligible counterparty business						
1.1	R The COBS provisions shown below do not apply to eligible counternates except, where the eligible counterparty business is in scope of those provisions which implemented the IDD continue to apply.					
		COBS provision	Description			
		COBS 2 (other than COBS 2.1.1AR, COBS 2.2A and COBS 2.4)	Conduct of business obligations			
		COBS 4 (other than COBS 4.2, COBS 4.4.1 R, COBS 4.5A.9UK and COBS 4.71AUK)	Communicating with clients including financial promotions			
		COBS 6.1	Information about the firm, its services and remuneration (non-MiFID and non insurance distribution provisions)			
		COBS 6.1ZA.16R	Information about costs and charges of different services or products (Mi-FID provisions)			
		COBS 6.1ZA.22R	Compensation information (MiFID provisions)			
		COBS 8	Client agreements (non-MiFID provisions)			
		COBS 8A (other than COBS 8A.1.5UK to COBS 8A.1.8G)	Client agreements (MiFID provisions)			
		COBS 10	Appropriateness (for non-MiFID and non-insurance-based investment products non-advised services) (non-MiFID and non-insurance-based investment products provisions)			
		COBS 10A	Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)			
		COBS 11.2A, COBS 11.2B and COBS 11.3	Best execution, quality of execution and client order handling			
		COBS 12.2.18UK	Labelling of non-independent research			
		COBS 14.3	Information about designated investments (non-MiFID provisions)			
		COBS 16	Reporting information to clients (non-MiFID provisions)			
	[Note: paragraphs 1 and 2 of article 30(1) of MiFID]					
2.	2. Transactions between an MTF operator and its users					

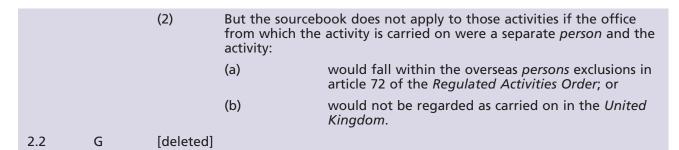
2.1	R	The COBS provisions (applicable to MiFID business) shown below do not to a transaction between an operator of an MTF and a member or parti in relation to the use of the MTF.		
		COBS provision	Description	
		COBS 2 (other than COBS 2.4)	Conduct of business obligations	
		COBS 4 (other than COBS 4.4.1R)	Communicating with clients, including financial promotions	
		COBS 6.1ZA	Information about the firm and compensation information (MiFID provisions)	
		COBS 8A	Client agreements (MiFID provisions)	
		COBS 10A	Appropriateness (for non-advised services) (MiFID provisions)	
		COBS 11.2A, COBS 11.2B, COBS 11.3 and COBS 11.4	Best execution, quality of execution, client order handling and client limit orders	
		COBS 14.3A	Information about financial instruments (MiFID provisions)	
		COBS 16A	Reporting information to clients (Mi-FID provisions)	
		[Note: article 19(4) of MiFID]		
3.	Transacti	ions concluded on an MTF		
3.1	R	under the rules governing an MTF betw MTF. However, the member or particip	do not apply to transactions concluded ween members or participants of the pant must comply with those provisions clients behalf, it is executing their orders	
		[Note: article 19(4) of MiFID]		
3A.	Operator	ors of OTFs		
3A.1	G	A <i>firm</i> which <i>operates an organised trading facility</i> should refer to MAR 5A.3.9R which specifies how the provisions in this sourcebook apply to that activity.		
4.	Transacti	tions concluded on a regulated market		
4.1	R	In relation to transactions concluded on a <i>regulated market</i> , members and participants of the <i>regulated market</i> are not required to apply to each other the <i>COBS</i> provisions in paragraph 2.1R. However, the member or participant must comply with those provisions in respect of its <i>clients</i> if, acting on its <i>clients</i> behalf, it is executing their orders on a <i>regulated market</i> .		
		[Note: article 53(4) of MiFID]		
5.	Consume	er credit products		
5.1	R	If a firm, in relation to its MiFID business, offers an investment service as part of a financial product that is subject to other provisions of EU-derived law related to credit institutions and consumer credits with respect to information requirements, that service is not subject to the rules in this sourcebook that implemented articles 24(3), (4) and (5) of MiFID.		
		[Note: article 24(6) of MiFID]		
5.2	G	This exclusion for consumer credit products is intended to apply on a narrow basis in relation to cases in which the <i>investment service</i> is a part of another financial product. It does not apply where the <i>investment service</i> is the essential or leading part of the financial product. It also does not apply where the service provided is a combination of an <i>investment service</i> and an <i>ancillary service</i> (for example, granting a credit for the execution of an order where the credit is instrumental to the buying or the selling of a <i>financial instrument</i> .) The exclusion		



Part 2: Where?

Modifications to the general application according to location

- 1. EEA territorial scope rule: compatibility with European law [deleted]
- 2. Business with UK clients from overseas establishments
- 2.1 R (1) This sourcebook applies to a *firm* which carries on business with a *client* in the *United Kingdom* from an establishment overseas.



Part 3: Guidance

- 1. The main extensions, modifications and restrictions to the general application
- 1.1 The general application of this sourcebook is modified in Parts 1 and 2 of Annex 1 and in certain chapters of the Handbook. The modification may be an extension of the general application. For example, COBS 4 (Communicating with clients, including financial promotions) has extended the general application.
- 1.2 G [deleted]
- 1.3 G Certain chapters of this sourcebook apply only to firms in relation to their MiFID, equivalent third country or optional exemption business and, in some of these chapters, specified insurance distribution activities (sometimes only in relation to insurance-based investment products) while others apply only to firms' designated investment business which is not MiFID, equivalent third country or optional exemption business or, in some of these chapters, certain insurance distribution activities.
- 1.4 G COBS 18 (Specialist regimes) contains specialist regimes which modify the application of the provisions in this sourcebook for particular types of firm and business. To the extent that they are in conflict, the rules in COBS 18 on the application of the provisions in this sourcebook should be understood as overriding any other provision (whether in COBS 1 or an individual chapter) on the application of COBS.
- 2. The Single Market Directives and other directives [deleted]
- 3. MiFID: effect on territorial scope [deleted]
- 4. Insurance Distribution Directive: effect on territorial scope [deleted]

- Solvency II Directive: effect on territorial scope [deleted] 5.
- 6. Distance Marketing Directive: effect on territorial scope [deleted]
- 7. Electronic Commerce Directive: effect on territorial scope [deleted]
- **Investor Compensation Directive** [deleted] 8.
- 9. UCITS Directive: effect on territorial scope [deleted]

- 10. AIFMD: effect on territorial scope [deleted]
- 11. SRD: effect on territorial scope[deleted]