

**CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT No 2)
INSTRUMENT 2001**

Powers exercised

- A. The Financial Services Authority alters the Conduct of Business sourcebook in the exercise of the powers listed in Schedule 4 to the Conduct of Business sourcebook (Powers exercised).
- B. The provisions of the Financial Services and Markets Act 2000 (the "Act") relevant to making rules and identified in paragraph A are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force immediately.

Amendment of the Conduct of Business sourcebook

- D. The Conduct of Business sourcebook is amended as set out in Annex 1 to this instrument.
- E. The transitional rules in the Conduct of Business sourcebook are amended as set out in Annex 2 to this instrument.

Citation

- F. This instrument may be cited as the Conduct of Business Sourcebook (Amendment No 2) Instrument 2001.

By order of the Board
18 October 2001

ANNEX 1

Amendments to the Conduct of Business sourcebook

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

COB 6.8 Insurance contracts: life and general

COB 6.8.1

Amend as shown below:

COB 6.8 applies to a *firm* which *effects* or *carries out pure protection contracts, life policies or general insurance contracts.*

COB 6.8.2G

Amend as shown below:

- (1) *Principle 7* (Communications with clients) requires a *firm* to pay due regard to the information needs of its *customers*. This section reinforces *Principle 7* by requiring certain information to be provided to a *customer* before a *pure protection contract* or *general insurance contract* is entered into. Certain information must also be provided on ~~an ongoing~~ a continuing basis to a *customer* with a *pure protection contract* or life policy. (COB 6.1 to COB 6.5 deal with pre-sale information for life policies).
- (2) This section implements certain requirements of the *Third Life and Non-Life Directives*.
- (3) For *general insurance contracts*, *firms* may find it helpful to take account of the requirements issued by the General Insurance Standards Council ("GISC") ~~code for private customers~~. The provisions in this section relating to *general insurance contracts* are broadly in line with ~~not intended to exceed the~~ those requirements ~~of that code~~.

COB 6.8.5R

Amend the heading of the table as shown below:

~~Provision of information for pure protection in contracts.~~

COB 6.8.6R

Amend the heading as shown below:

Pure protection contracts and life policies: Information to be provided during the term of the contract.

COB 6.8.6R

Amend as shown below:

COB 6.8.7R and COB 6.8.8R apply to a *long-term insurer* if the policyholder is in the *United Kingdom* at the time of signing the application for the *pure protection contract or life policy*.

COB 6.8.7R

Amend as shown below:

If during the term of a *pure protection contract or life policy* entered into on or after 1 July 1994 there is any proposed change in the information ~~provided under~~ referred to in COB 6.8.5R items (1) to (10), the *long-term insurer* must inform the policyholder of the effect of the change before the change is made.

COB 6.8.8R

Amend as shown below:

If a *pure protection contract or life policy* entered into on or after 1 July 1994 provides for the payment of bonuses and the amounts of bonus are unspecified, the *long-term insurer* must, at least once a year coincident with or immediately following the first contract anniversary, either:

- (1) notify the policyholder of the amount of any bonus which has become payable under the contract, and which has not previously been notified under this rule; or
- (2) give the policyholder sufficient information to enable him to determine the amount of any such bonus.

COB 6.8.12R

Amend as shown below:

Before entering into a *general insurance contract* with a *customer*, covering a risk situated in the *United Kingdom*, a *firm* must, subject to COB 6.8.13R, provide the *customer* with:

- (1) details of its complaints procedure; and
- (2) a statement whether the firm or customer is entitled to choose the law applicable to the contract and, if so, the law which the firm proposes to choose.

COB 6.8.15R

Amend the heading as shown below:

Provision of information: general

COB 6.8.15R(2)

Amend as shown below:

If the contract is being made by telephone, the *firm* may give the information orally to the *customer*. If the *customer* ~~has~~ enters into ~~committed~~ to the contract, a written version of the required information must be sent to the

customer within five *business days* of the ~~oral explanation~~ contract being entered into.

COB 6.8.17R

Amend as shown below:

Where a *pure protection contract*, *life policy* or *general insurance contract* is *effected* jointly, the information required by COB 6.8.3R, COB 6.8.7R, COB 6.8.8R or COB 6.8.12R may be sent to the first named *customer*.

COB 6.8.18R

Amend as shown below:

A *firm* must make an adequate record of information provided to a *customer* under COB 6.8 and retain that record for a minimum period after the information is provided of:

- (1) six years in the case of a *pure protection contract* or *life policy*; or
- (2) three years in the case of a *general insurance contract*.

ANNEX 2

Amendments to the Conduct of Business Transitional Rules

COB Table TR1: COB Transitional Provisions:

1. In column (2) of paragraphs 1.2 and 1.3 delete "ETPs 1 to 8" and substitute with "ETPs 1 to 9".
2. Insert the following additional paragraphs into the table as shown:

1.15	<i>ETP9</i>	R	<p><u>Group business disapplication for ex-IMRO firms</u></p> <p>(1) This paragraph applies to a <i>pre-N2 firm</i> which immediately before <i>commencement</i> was a member of <i>IMRO</i>.</p> <p>(2) <i>COB 1.3.1R</i> applies to a <i>pre-N2 firm</i> in (1) as if it provided as follows:</p> <p>"<i>COB</i> applies to <i>firms</i> with respect to the carrying on of:</p> <p>(1) all <i>regulated activities</i> except:</p> <p style="padding-left: 40px;">(a) to the extent that a provision of <i>COB</i> provides for a narrower application; and</p> <p style="padding-left: 40px;">(b) activities which fall within article 69 of the <i>Regulated Activities Order (Groups and joint enterprises)</i>, notwithstanding, in respect of article 69, article 4 (4) of that Order (Specified activities: general: investment firms); and</p> <p>(2) <i>unregulated activities</i> to the extent specified in any provision of <i>COB</i>."</p>	<i>commencement</i> to 30 June 2002	<i>commencement</i>
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1.16	<i>ETP9</i>	G	<p>The purpose of <i>ETP 9</i> is to carry forward for ex-<i>IMRO firms</i> the former regulatory treatment of intra-group investment business, which is carried on in conjunction with investment business for third parties. The effect of that treatment was that under the <i>IMRO</i> rulebook the rules did not apply to the business done for group companies which fell within the group business exemption in paragraph 18 of Schedule 1 to the Financial Services Act 1986. Effectively it was only the non-group third party element of the ex-<i>IMRO firm's</i> investment business that was subject to <i>IMRO's</i> rules. <i>COB</i> would not have carried forward this group business disapplication for such <i>firms</i>, were it not for the introduction of <i>ETP 9</i>.</p> <p>Note that during the <i>transitional period</i> the <i>FSA</i> will be consulting on its proposals how this issue should be treated in <i>COB</i> after 30 June 2002.</p>	<i>commencement</i> to 30 June 2002	<i>commencement</i>
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COB Table TR2: COB provisions to which transitional relief attaches

1. Insert the following additional section into the table as shown:

COB Rule	Rule Heading	Label		
		ETP	TTP	TSP
Chapter 1 Application and general provisions				
1.3 General application: what?				
1.3.1R		ETP9		