GENERAL PROVISIONS AND GLOSSARY INSTRUMENT 2001

A. The Financial Services Authority makes the provisions in Annex A ("GEN"), other than GEN 2.1.8R, and Annex B (the "Glossary") to this instrument in the exercise of the powers listed in Schedule 4 to GEN (Powers exercised).

B. This instrument shall come into force immediately, except for GEN 2.1.8R which shall come into force as and when made and brought into force by Financial Ombudsman Service Ltd.

C. The provisions relevant to making rules and listed in Schedule 4 to GEN (Powers exercised) are specified for the purpose of section 153(2) of the Financial Services and Markets Act 2000 (Rule-making instruments).

D. This instrument may be cited as the General Provisions and Glossary Instrument 2001.

E. Annex A to this instrument may be cited as the General provisions (or GEN).

F. Annex B to this instrument may be cited as the Glossary.

By order of the Board
21 June 2001
ANNEX

PART 1
General provisions
Contents

Transitional provisions

Text of GEN:

1 Provisions which apply to all authorised persons

2 Interpreting the Handbook

3 FSA fees: general provisions *

Schedule 1: Record keeping requirements

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Schedule 3: Fees and other required payments

Schedule 4: Powers exercised

Schedule 5: Rights of action for damages

Schedule 6: Rules that can be waived

Derivations

Destinations

[* This chapter of GEN will be added later]
Table Transitional Provisions applying across the Handbook

(1) The purpose of these transitional provisions is to assist a smooth transition at commencement. They comprise various technical provisions that will apply across the whole Handbook and achieve results that most people would probably expect to apply in any event.

(2) These transitional provisions consist of general transitional provisions, which apply at a high level of generality, and more specific transitional provisions in relation to record keeping and notification rules.

(3) The more specific transitional provisions relating to record keeping and notification rules override the general transitional provisions. Both the general and the more specific transitional provisions do not apply if the context requires otherwise and are subject to any more specific transitional provision elsewhere in the Handbook relating to the matter. For example, COB contains transitional provisions relating to various matters which are limited in duration and which override these transitional provisions in relation to those matters.

(4) Definitions for these transitional provisions, additional to those in the Glossary, are provided at paragraph 17 of the table.
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<td>Material to which the transitional provision applies</td>
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<td>Transitional provision: dates in force</td>
<td>Handbook provision: coming into force</td>
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<td>1</td>
<td>Every rule in the Handbook, unless the context otherwise requires and subject to any more specific transitional provision relating to the matter</td>
<td>Acts under pre-commencement provisions</td>
<td>From commencement of the relevant rule in the Handbook</td>
<td>See schedule of Transitional provisions of the relevant rule</td>
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<td>2</td>
<td>Paragraph 1</td>
<td>For example, a firm may rely on action to establish the best price, taken shortly before commencement for the purposes of an applicable SRO best execution rule, for the purposes of compliance with COB 7.5.5R(1) (Providing best execution), even if the transaction is executed after commencement.</td>
<td>As paragraph 1</td>
<td>As paragraph 1</td>
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<td>3</td>
<td>As paragraph 1</td>
<td>Achieving compliance before commencement</td>
<td>As paragraph 1</td>
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<td>4</td>
<td>Paragraph 3</td>
<td>For example, a firm may allocate responsibility for apportionment and oversight for the purposes of SYSC 2.1.3R (Apportionment of responsibilities) before commencement, so as to be in compliance at commencement.</td>
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<td>5</td>
<td>As paragraph 1</td>
<td><strong>Series of events</strong></td>
<td>As paragraph 1</td>
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<td>If the application of any provision in the <em>Handbook</em> is dependent on the occurrence of a series of events, some of which occur before, and some of which occur after, <em>commencement</em>, the provision applies with respect to the events that occur after <em>commencement</em>.</td>
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<td>6</td>
<td>Paragraph 5</td>
<td><strong>Deemed references to pre-commencement provisions</strong></td>
<td>As paragraph 1</td>
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<td>For example, a <em>firm</em> which executes an aggregated order shortly before <em>commencement</em> must comply with COB 7.7.9R (Requirement for fair allocation) if the allocation occurs after <em>commencement</em>. Transitional provisions in COB may permit the <em>firm</em> to comply with the rules of its previous regulator if it wishes, as an alternative to COB 7.7.9R.</td>
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<td><strong>Deemed references to pre-commencement provisions</strong></td>
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<td>Any reference (express or implied) in a provision in the <em>Handbook</em> to a provision of or made under the <em>Act</em> is to be read (so far as the context permits and according to the context) as being or including, in relation to times, circumstances and purposes before <em>commencement</em>, a reference to any substantially similar pre-commencement provision applicable to the <em>firm</em>.</td>
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<td>8</td>
<td>Paragraph 7</td>
<td>G</td>
<td>For example, SUP 11.6.4R(1) requires certain firms to notify the FSA when a change in control, previously notified under SUP 11.4.2R, has taken place. Such a firm must notify a change in control that takes place after commencement, even if previously notified under a pre-commencement provision rather than under SUP 11.4.2R (and SUP 11.6.4R(1) is to be read as referring to that pre-commencement provision). Another example is SUP 3.10.6R, which requires an auditor’s report on client assets to be provided not more than 53 weeks after the period covered by the previous report on such matters. For the first report after commencement, the period runs from that covered by the report under any substantially similar pre-commencement provision (because of an implied reference to that provision).</td>
<td>As paragraph 1</td>
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<td>Material to which the transitional provision applies</td>
<td>Time starting before commencement</td>
<td>Transient provision</td>
<td>Transitional provision: dates in force</td>
<td>Handbook provision: coming into force</td>
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<td>9</td>
<td>As paragraph 1</td>
<td>R</td>
<td>If, at commencement, time has begun to run for any purpose under any pre-commencement provision applicable to a firm, then:</td>
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<td>(1) time will be regarded as having started to run, for the purposes of any substantially similar provision in the Handbook, when it started to run for that other purpose; and</td>
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<td>(2) the firm will be relieved of its obligation to comply with the relevant pre-commencement provision if and to the extent that it complies with the substantially similar provision as extended by this transitional provision.</td>
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<td>10</td>
<td>Paragraph 9</td>
<td>G</td>
<td>For example, a UK bank was required to submit Form LE2 within 10 business days after its quarter end by the FSA’s Guide to Banking Supervisory Policy. If the quarter end fell five days before commencement, the UK bank must still submit the report within 10 business days, but in accordance with SUP 16.7.8R (Financial reports: banks).</td>
<td>As paragraph 1</td>
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<td>Material to which the transitional provision applies</td>
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| 11 | Every rule in the Handbook requiring a record to be made or retained (see schedule 1), unless the context otherwise requires and subject to any more specific transitional provision relating to the matter | **Record keeping**

A firm will not contravene a rule in the Handbook requiring a record to be made or retained to the extent that the firm:

(1) made a record of the matter before commencement in accordance with the rule or with a substantially similar pre-commencement provision applicable to the firm; and

(2) retains that record as if the rule was in force when the record was made. | From commencement of the relevant rule in the Handbook | See schedule of Transitional provisions of the relevant rule |
| 12 | Paragraph 11 | **G**

This transitional provision makes specific provision, in relation to record keeping, for the matters covered by paragraphs 1 and 3. It is included for clarity and overrides those general transitional provisions. | As paragraph 11 | As paragraph 11 |
| 13 | As paragraph 11 | **R**

A firm must retain a record in accordance with a rule in the Handbook requiring a record of that sort to be retained, if the firm was required to make and retain that record before commencement under a substantially similar pre-commencement provision applicable to the firm. | As paragraph 11 | As paragraph 11 |
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<td>14</td>
<td>Paragraph 13</td>
<td>G</td>
<td>This transitional provision makes specific provision, in relation to records, for the matters covered by paragraphs 7 and 9. It is included for clarity and overrides those general transitional provisions.</td>
<td>As paragraph 11</td>
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<td>15</td>
<td>Every notification rule in the Handbook (see schedule 2), unless the context otherwise requires and subject to any more specific transitional provision relating to the matter</td>
<td>R</td>
<td><strong>Notification</strong>&lt;br&gt; A firm (or its auditor, appointed actuary or appropriate actuary) will not contravene a notification rule in the Handbook to the extent that notice of the relevant matter was given to the firm’s previous regulator before commencement in accordance with:&lt;br&gt;&lt;br&gt;(1) the notification rule; or&lt;br&gt;&lt;br&gt;(2) a substantially similar pre-commencement provision applicable to the firm.</td>
<td>From commencement of the relevant rule in the Handbook</td>
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<td>16</td>
<td>Paragraph 15</td>
<td>G</td>
<td>This transitional provision makes specific provision, in relation to notifications, for the matters covered by paragraphs 1 and 3. It is included for clarity and overrides those general transitional provisions.</td>
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<td>17</td>
<td>Paragraphs 1 to 16</td>
<td><strong>R</strong> Definitions</td>
<td>As paragraph 1</td>
<td>As paragraph 1</td>
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<td>In these transitional provisions:</td>
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<td>(1) &quot;pre-commencement provision&quot; means a provision repealed or revoked by or under the Act or a rule or guidance of the firm’s previous regulator, including (where the context permits) any relevant provision which it replaced before commencement;</td>
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<td>(2) &quot;substantially similar&quot; means substantially similar in purpose and effect; and</td>
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<td>(3) a reference to a &quot;provision&quot; in the Handbook means every type of provision, including rules, guidance, provisions in codes, and so on.</td>
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<td>18</td>
<td>Paragraphs 19 to 22</td>
<td><strong>G</strong> Application for provisions which are not rules</td>
<td>As paragraphs 19 to 22</td>
<td>As paragraphs 19 to 22</td>
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<td>The purpose of paragraphs 19 to 22 is to ensure that the transitional provisions in paragraphs 1 to 10 apply throughout the Handbook.</td>
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<td>Handbook provision: coming into force</td>
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<td><strong>19</strong></td>
<td>Statements of Principle unless the context otherwise requires and subject to any more specific transitional provision relating to the matter</td>
<td>The provisions in paragraphs 1 to 10 apply to every approved person as if the rules in those paragraphs were part of the Statements of Principle.</td>
<td>From commencement of the relevant Statement of Principle</td>
<td>See schedule of Transitional provisions for APER</td>
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<td><strong>20</strong></td>
<td>Code of Practice for Approved Persons and Code of Market Conduct unless the context otherwise requires and subject to any more specific transitional provision relating to the matter</td>
<td>The provisions paragraphs 1 to 10 apply to every approved person and every person to whom the Code of Market Conduct applies as if the rules in those paragraphs were part of the Code of Practice for Approved Persons and the Code of Market Conduct respectively.</td>
<td>From commencement of the relevant provision of the Code</td>
<td>See schedule of Transitional provisions for APER and MAR</td>
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<td>21</td>
<td>Directions and requirements in the Handbook (that is, provisions with the status letter &quot;D&quot; in the margin or heading) unless the context otherwise requires and subject to any more specific transitional provision relating to the matter</td>
<td>The provisions in paragraphs 1 to 10 apply to every person to whom a direction or requirement in the Handbook applies as if the rules in those paragraphs were part of that direction or requirement.</td>
<td>From commencement of the relevant direction or requirement</td>
<td>See schedule of Transitional provisions of the relevant direction or requirement</td>
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<td>22</td>
<td>Guidance (and other provisions with the status letter &quot;G&quot; in the margin or heading) in the Handbook unless the context otherwise requires and subject to any more specific transitional provision relating to the matter</td>
<td>The provisions in paragraphs 1 to 10 are also relevant to every person to whom any other guidance (or other provision with the status letter &quot;G&quot; in the margin or heading) in the Handbook is relevant as if the rules in those paragraphs were part of that guidance (or other provision).</td>
<td>From commencement of the relevant provision</td>
<td>See schedule of Transitional provisions of the relevant provision</td>
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### Table

Transitional provisions applying to GEN only

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<td>1</td>
<td><strong>GEN 2.2.7R</strong></td>
<td><strong>R</strong></td>
<td><strong>GEN 2.2.7R has effect as if it started with the words &quot;Unless the context indicates otherwise,&quot;.</strong></td>
<td>From 21 June 2001 until six months after commencement</td>
<td>21 June 2001</td>
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Chapter 1

Provisions which apply to all authorised persons
1.1 Application

1.1.1 R

(1) This chapter applies to every firm.

(2) For a UCITS qualifier, this chapter applies only with respect to the communication and approval of financial promotions to which COB 3 (Financial promotion) applies and to the maintenance of facilities to which CIS 17.5 (Facilities in the United Kingdom) applies.

1.1.2 G

GEN 1.1.1 R (2) reflects section 266 of the Act (Disapplication of rules).
1.2 Referring to approval by the FSA

1.2.1 The purpose of GEN 1.2.2 R is to prevent clients being misled about the extent to which the FSA has approved a firm’s affairs.

1.2.2 (1) Unless required to do so under the regulatory system, a firm must ensure that neither it nor anyone acting on its behalf claims, in a public statement or to a client, expressly or by implication, that its affairs, or any aspect of them, have the approval of the FSA.

(2) Paragraph (1) does not apply to statements that explain, in a way that is fair, clear and not misleading, that:

(a) the firm is an authorised person;

(b) the firm has permission to carry on a specific activity;

(c) an authorisation order has been made in relation to an AUT or ICVC;

(d) a recognised scheme has that status;

(e) the firm’s approved persons have been approved by the FSA for the purposes of section 59 of the Act (Approval for particular arrangements);

(f) the firm has been given express written approval by the FSA in respect of a specific aspect of the firm’s affairs.

(3) Paragraph (1) applies with respect to the carrying on of both regulated activities and unregulated activities.

1.2.3 GEN 1.2.1 R (2)(f) is confined to written approval because of the need for clarity as to the scope of any approval given by the FSA.
1.3  Emergency

1.3.1  The FSA recognises that there may be occasions when, because of a particular emergency, a firm may be unable to comply with a particular rule. The purpose of GEN 1.3.2 R is to provide appropriate relief from the consequences of contravention of a rule in those circumstances.

1.3.2

(1) If any emergency arises which:

(a) could not have been avoided by the firm taking all reasonable steps;

(b) makes it impracticable for a firm to comply with a particular rule; and

(c) is outside the control of the firm, its associates and agents (and of its and their employees);

the firm will not be in contravention of that rule to the extent that, in consequence of the emergency, compliance with that rule is impracticable.

(2) Paragraph (1) applies only for so long as:

(a) the consequences of the emergency continue; and

(b) the firm can demonstrate that it is taking all practicable steps to deal with those consequences, to comply with the rule, and to mitigate losses and potential losses to its clients.

(3) A firm must notify the FSA as soon as practicable of the emergency and of the steps it is taking and proposes to take to deal with the consequences of the emergency.

1.3.3  A firm should continue to keep the FSA informed of the steps it is taking under GEN 1.3.2 R (3), in order to comply with its obligations under Principle 11 (Relations with regulators).

1.3.4  In the context of GEN 1.3.2 R, an action is not practicable if it involves a firm going to unreasonable lengths.

1.3.5  GEN 1.3.2 R operates on the FSA’s rules. It does not affect the FSA’s powers to take action against a firm in an emergency, based on contravention of other requirements and standards under the regulatory system. For example, the FSA may exercise its own-initiative power in appropriate cases to vary a firm’s Part IV...
permission based on a failure or potential failure to satisfy the threshold conditions (see ■ SUP 7 (Applying the FSA’s requirements to individual firms) and ■ ENF 4 (Variation of Part IV permission on the FSA’s own initiative)).
Chapter 2

Interpreting the Handbook
2: Interpreting the Handbook

2.1 Application and purpose

Application

2.1.1 The purpose of GEN 2.1.2 R, GEN 2.1.3 P, GEN 2.1.4 E, GEN 2.1.5 D and GEN 2.1.6 G is to ensure that GEN 2 applies throughout the Handbook.

2.1.2 This chapter applies to every person to whom any rule in the Handbook applies.

2.1.3 This chapter applies to every approved person as if the rules in this chapter were part of the Statements of Principle.

2.1.4 This chapter applies to every approved person and every person to whom the Code of Market Conduct applies as if the rules in this chapter were part of the Code of Practice for Approved Persons and the Code of Market Conduct respectively.

2.1.5 This chapter applies to every person to whom a direction or requirement in the Handbook (that is, a provision with the status letter “D” in the margin or heading) applies as if the rules in this chapter were part of that direction or requirement.

2.1.6 This chapter is also relevant to every person to whom any other guidance (or other provision with the status letter “G” in the margin or heading) in the Handbook is relevant as if the rules in this chapter were part of that guidance (or other provision).

2.1.7 Where this chapter refers to a “provision” in the Handbook, this means every type of provision, including rules, guidance, provisions in codes, and so on.

2.1.8 This chapter applies to all rules made by FOS Ltd.

2.1.9 The effect of GEN 2.1.8 R is that this chapter applies with respect to those provisions in DISP 2 (Jurisdiction of the Financial Ombudsman Service), DISP 3 (Complaint handling procedures of the Financial Ombudsman Service), DISP 4 (Standard terms) and DISP 5 (Financial Ombudsman Service Funding Rules) made by FOS Ltd.
2.1.10

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The purpose of GEN 2 is to facilitate interpretation of the Handbook, in conjunction with the Reader’s Guide.
2: Interpreting the Handbook

2.2 Interpreting the Handbook

Purposive interpretation

2.2.1 Every provision in the Handbook must be interpreted in the light of its purpose.

2.2.2 The purpose of any provision in the Handbook is to be gathered first and foremost from the text of the provision in question and its context among other relevant provisions. The guidance given on the purpose of a provision is intended as an explanation to assist readers of the Handbook. As such, guidance may assist the reader in assessing the purpose of the provision, but it should not be taken as a complete or definitive explanation of a provision’s purpose.

Evidential provisions

2.2.3 Any rule in the Handbook which has the status letter “E” in the margin or heading:

1. is to be taken also to provide that contravention of the rule does not give rise to any of the consequences provided for by provisions of the Act other than section 149 (Evidential provisions); and

2. incorporates the status letter “E” in the margin or heading as part of the rule.

2.2.4 The rules to which section 149 of the Act applies (“evidential provisions”) are identified in the Handbook by the status letter “E” in the margin or heading.

1. Other provisions in the Handbook, although also identified by the status letter “E” in the margin or heading, are actually not rules but provisions in codes and GEN 2.2.3 R does not apply to them. These code provisions are GEN 2.1.4 E, and those provisions in the Code of Practice for Approved Persons APER 3 and APER 4 and the Code of Market Conduct MAR 1) with the status letter “E”.

2.2.5 Paragraphs 18 to 31 of the Reader’s Guide contain an explanation of the significance of the status letters R, D, P, C, E and G, and include further information on evidential provisions.
2.2.6 Expressions with defined meanings appear in italics in the Handbook.

2.2.7 In the Handbook (except IPRU):

1. an expression in italics which is defined in the Glossary has the meaning given there; and

2. an expression in italics which relates to an expression defined in the Glossary must be interpreted accordingly.

2.2.8 Examples of related expressions are:

1. “advice on investments” and “advise on investments”, which should be interpreted by reference to “advising on investments”;

2. “closely linked”, which should be interpreted by reference to “close links”;

3. “controls” and “controlled”, which should be interpreted by reference to “control”; and

4. “effect”, as for example in “effect a life policy”, which should be interpreted by reference to “effecting contracts of insurance”.

2.2.9 Unless the context otherwise requires, where italics have not been used, an expression bears its natural meaning (subject to the Interpretation Act 1978; see GEN 2.2.11 R to GEN 2.2.12 G).

2.2.10 The Interim Prudential sourcebooks (IPRU) have individual arrangements for defined terms and each contains rules or guidance on its own arrangements. In respect of those sourcebooks, reliance should not be placed on the definitions which appear in the Glossary unless otherwise indicated.

Application of the Interpretation Act 1978

2.2.11 The Interpretation Act 1978 applies to the Handbook.

2.2.12 The application of the Interpretation Act 1978 to the Handbook has the effect, in particular, that:

1. expressions in the Handbook used in the Act have the meanings which they bear in the Act, unless the contrary intention appears;

2. where reference is made in the Handbook to an enactment, it is a reference to that enactment as amended, and includes a reference to that provision as extended or applied by or under any other enactment, unless the contrary intention appears; and

3. unless the contrary intention appears:

(a) words in the Handbook importing the masculine gender include the feminine and words importing the feminine gender include the masculine;
(b) words in the Handbook in the singular include the plural and words in the plural include the singular.

Cross-references in the Handbook

2.2.13 R
A reference in the Handbook to another provision in the Handbook is a reference to that provision as amended from time to time.

References to writing

2.2.14 R
If a provision in the Handbook refers to a communication, notice, agreement or other document “in writing” then, unless the contrary intention appears, it means in legible form and capable of being reproduced on paper, irrespective of the medium used. Expressions related to writing must be interpreted accordingly.

2.2.15 G
GEN 2.2.14 R means that, for example, electronic media may be used to make communications which are required by a provision of the Handbook to be “in writing”, unless a contrary intention appears, or the use of electronic media would contravene some other requirement such as the requirement to treat customers fairly under Principle 6. COB 1.8 (Application to electronic media) contains further guidance in respect of electronic communication with or for customers. ■

GEN 2.2.14 R does not, however, affect any other legal requirement which may apply in relation to the form or manner of executing a document or agreement.

2.2.16 G
“Document” is a defined term in the Glossary, the definition of which includes information recorded in any form, including electronic form.

Activities covered by general rules

2.2.17 R
A general rule (that is a rule made under section 138 of the Act (General rule-making power)) is to be interpreted as:

(1) applying to a firm with respect to the carrying on of all regulated activities, except to the extent that a contrary intention appears; and

(2) not applying to a firm with respect to the carrying on of unregulated activities, unless and then only to the extent that a contrary intention appears.

Continuity of authorised partnerships and unincorporated associations

2.2.18 R
(1) If a firm, which is a partnership or unincorporated association, is dissolved, any firm which succeeds to the business of the dissolved firm is to be regarded as the same firm for the purposes of the Handbook.
(2) For the purposes of (1), a firm is to be regarded as succeeding to the business of another firm only if:

(a) the members of the resulting firm are substantially the same as those of the former firm; and

(b) succession is to the whole or substantially the whole of the business of the former firm.

(3) In (1), “partnership” does not include a partnership which is constituted under the law of any place outside the United Kingdom and is a body corporate.

2.2.19

In principle, it is possible to view a change of partners in a partnership, or a change in the membership of the unincorporated association, as the formation of a new partnership or association. GEN 2.2.18 R reflects section 32 of the Act (Partnerships and unincorporated associations), which provides for the continuing authorisation of partnerships and unincorporated associations following a change in partners or members. GEN 2.2.18 R ensures a similar effect in relation to the status of the partnership or unincorporated associations as a “firm” or “authorised person” for the purposes of the Handbook. This continuity does not apply if a limited liability partnership succeeds to the business of a dissolved partnership; authorisation of the limited liability partnership would need to be applied for.

Definition of designated investment exchange

2.2.20

In the Glossary, the definition of designated investment exchange lists certain investment exchanges. Further information on designated investment exchanges, including guidance on the addition of an investment exchange to the list, is set out in GEN 2.Ann 1 G.
Designated investment exchanges

G

1 Table Further information on designated investment exchanges appears on the next page.
Introduction

1. A designated investment exchange is an exchange appearing in the list of such exchanges in the Glossary.

Benefits of designation

2. Under certain rules, firms may treat transactions effected on a designated investment exchange in the same way as transactions on RIEs (for example, see COB 5 Ann 1 E, COB 9.1.35 R and COB 7.11).

Criteria for inclusion in the list of designated investment exchanges

3. Before adding an investment exchange to the list of designated investment exchanges in the Handbook, the FSA will comply with all the requirements imposed by the Act in relation to the exercise of its rule–making powers. This will include consulting on the proposed amendment to the list.

4. In considering compatibility of the proposed addition with the regulatory objectives, the FSA will determine whether the investment exchange provides an appropriate degree of protection for consumers having regard in particular to:

   (1) the relevant law and practice, including the regulatory framework in which the investment exchange operates, in the country or territory in which the investment exchange’s head office is situated and any other relevant country or territory; and

   (2) the rules and practices of the investment exchange.

5. Only investment exchanges which do not carry on a regulated activity in the United Kingdom and are not regulated markets may be added to the list. This is because an investment exchange carrying on a regulated activity in the United Kingdom will need to apply for recognition as an RIE, or authorisation, and because a regulated market is usually treated in the same way as an RIE in the rules.

Applications to be added to the list of designated investment exchanges

6. An application to be added to the list should be in writing and delivered to the FSA by:

   (1) post to:
       The Financial Services Authority
       25 The North Colonnade
       Canary Wharf
       London
       E14 5HS; or

   (2) leaving the application at that address.

7. In support of the application, an investment exchange should provide information on the questions set out in the table below.
### Table: Designated investment exchange questionnaire

<table>
<thead>
<tr>
<th></th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In what way are members subject to formal supervision by the exchange or another supervisory or regulatory body? Describe how capital resources of members are monitored on an ongoing basis and how this is related to business done.</td>
</tr>
<tr>
<td>2</td>
<td>What powers does the exchange or any other supervisory or regulatory body have to intervene in a member’s business in the event of misconduct, financial difficulties or otherwise?</td>
</tr>
<tr>
<td>3</td>
<td>What are the clearing arrangements of the exchange? How does the exchange ensure performance of a contract between its members? If relevant, what type of contract guarantee is available?</td>
</tr>
<tr>
<td>4</td>
<td>How is price information in respect of contracts effected on the exchange disseminated to investors, particularly those investors in the United Kingdom?</td>
</tr>
<tr>
<td>5</td>
<td>What are the exchange’s arrangements for reporting and recording of transactions effected on the exchange? Please describe.</td>
</tr>
<tr>
<td>6</td>
<td>Does the exchange, or any other supervisory or regulatory body, require members to segregate the money and assets of the member’s <em>clients</em> from the money and assets of the member? If so, please describe in outline how this operates. If not, are investors protected in any other way in the event of the insolvency of a member or the exchange?</td>
</tr>
<tr>
<td>7</td>
<td>Does the exchange have procedures for the investigation of complaints? Please describe what they are.</td>
</tr>
<tr>
<td>8</td>
<td>Does the exchange classify the different contracts traded on it in terms of liquidity? Is it possible to identify certain contracts which are more liquid than others and in which a ready market might be considered to exist?</td>
</tr>
</tbody>
</table>
Handbook Modules

Schedule 1
Record keeping requirements

6
1 There are no record keeping requirements in GEN.
## Handbook Modules

### Schedule 2

**Notification requirements**

6

1. The aim of the guidance in the following table is to give the reader a quick over-all view of the relevant requirements for notification and reporting.

2. It is not a complete statement of those requirements and should not be relied on as if it were.

3. **Table:** Notifications requirements

<table>
<thead>
<tr>
<th><strong>Handbook reference</strong></th>
<th><strong>Matter to be notified</strong></th>
<th><strong>Contents of notification</strong></th>
<th><strong>Trigger event</strong></th>
<th><strong>Time allowed</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>GEN 1.3.2R</td>
<td>An emergency which makes it impracticable for a <em>firm</em> to comply with a particular <em>rule.</em></td>
<td>Notification of the emergency and of the steps the <em>firm</em> is taking and proposes to take to deal with its consequences</td>
<td>An emergency which makes it impracticable for a <em>firm</em> to comply with a particular <em>rule.</em></td>
<td>Notification as soon as practicable</td>
</tr>
</tbody>
</table>
Handbook Modules

Schedule 3
Fees and other required payments

6
1 There are no requirements for fees or other payments in GEN. GEN 3 (FSA fees: general provisions contains general provisions relating to the payment of fees.
Handbook Modules

Schedule 4
Powers exercised

6

1 The following powers and related provisions in or under the Act have been exercised by the FSA to make rules in GEN:

(1) Section 59 (Approval for particular arrangements)
(2) Section 118(8) (Market abuse)
(3) Section 136(2) (Funding of the legal assistance scheme)
(4) Section 138 (General rule-making power)
(5) Section 139 (Miscellaneous ancillary matters)
(6) Section 140 (Restrictions on managers of authorised unit trust schemes)
(7) Section 141 (Insurance business rules)
(8) Section 142(2) (Insurance business: regulations supplementing Authority’s rules)
(9) Section 143 (Endorsements of codes etc)
(10) Section 144 (Price stabilising rules)
(11) Section 145 (Financial promotion rules)
(12) Section 146 (Money laundering rules)
(13) Section 147 (Control of information rules)
(14) Section 149 (Evidential provisions)
(15) Section 150(2) (Actions for damages)
(16) Section 156 (General supplementary powers)
(17) Section 213 (The compensation scheme)
(18) Section 214 (General)
(19) Section 215 (Rights of the scheme in relevant person’s insolvency)
(20) Section 216 (Continuity of long-term insurance policies)
(21) Section 217 (Insurers in financial difficulties)
(22) Section 218(2)(b) (Annual report)

(23) Section 223(1) (Management expenses)

(24) Section 226 (Compulsory jurisdiction)

(25) Section 229 (Awards)

(26) Section 234 (Industry funding)

(27) Section 238(5) (Restrictions on promotion)

(28) Section 239 (Single property schemes)

(29) Section 247 (Trust scheme rules)

(30) Section 248 (Scheme particulars rules)

(31) Section 278 (Rules as to scheme particulars)

(32) Section 283(1) (Facilities and information in the United Kingdom)

(33) Section 293 (Notification requirements)

(34) Section 295(3) (Notification: overseas investment exchanges and overseas clearing houses)

(35) Section 322 (Rules applicable to former underwriting members)

(36) Section 332(1) (Rules in relation to persons to whom the general prohibition does not apply)

(37) Section 340 (Appointment)

(38) Paragraph 17 of Schedule 1 (The Financial Services Authority: Fees)

(39) Paragraph 19 of Schedule 3 (EEA Passport Rights: Establishment)

(40) Paragraph 20 of Schedule 3 (EEA Passport Rights: Services)

(41) Paragraph 7(3) of Schedule 17 (The Ombudsman Scheme: Annual reports)

(42) Paragraph 13 of Schedule 17 (Authority’s procedural rules)

(43) Regulation 6(1) of the OEIC Regulations (FSA rules).

The following powers and related provisions in the Act have been exercised by the FSA to issue the parts of the codes in GEN:

(1) Section 64(2) (Conduct: statements and codes)

(2) Section 119 (The Code)

(3) Section 120 (Provisions included in the Authority’s code by reference to the City Code).

The following powers in the Act have been exercised by the FSA to issue the parts of the statements in GEN:
(1) Section 64(1) (Conduct: statements and codes)
(2) Section 69 (Statement of policy)
(3) Section 124 (Statement of policy)
(4) Section 169(9) (Investigations etc in support of overseas regulator)
(5) Section 210 (Statements of policy)
(6) Section 395(5) (The Authority’s procedures).

4 The following powers and related provisions in or under the Act have been exercised by the FSA in GEN to direct, require or specify:

(1) Section 51 (Applications under this Part)
(2) Section 60 (Applications for approval)
(3) Section 148(3) (Modification or waiver of rules)
(4) Section 182 (Notification)
(5) Section 242 (Applications for authorisation of unit trust schemes)
(6) Section 250(4) and (5) (Modification or waiver of rules)
(7) Section 270(6)(b) (Schemes authorised in designated countries or territories)
(8) Section 274 (Application for recognition of individual schemes)
(9) Section 287 (Application by an investment exchange)
(10) Section 288 (Application by a clearing house)
(11) Section 294(2) (Modification or waiver of rules)
(12) Section 316 (Direction by Authority)
(13) Section 317 (The core provisions)
(14) Section 318 (Exercise of powers through Council)
(15) Regulation 7(3) and (4) of the OEIC Regulations (Modification or waiver of FSA rules)
(16) Regulation 12 of the OEIC Regulations (Authorisation).

5 The following power in the Act has been exercised by the FSA to make the part of the complaints scheme in GEN:

Paragraph 7 of Schedule 1 (Arrangements for the investigation of complaints).

6 The following power in the Act has been exercised by the FSA to give the other guidance in GEN:

Section 157(1) (Guidance).
7 In this Schedule, references to GEN include the Glossary.
### Handbook Modules

#### Schedule 5

**Rights of action for damages**

1. The table below sets out the rules in GEN contravention of which by an authorised person may be actionable under section 150 of the Act (Actions for damages) by a person who suffers loss as a result of the contravention.

2. If a “Yes” appears in the column headed “For private person?”, the rule may be actionable by a “private person” under section 150 (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001 No 2256)). A “Yes” in the column headed “Removed” indicates that the FSA has removed the right of action under section 150(2) of the Act. If so, a reference to the rule in which it is removed is also given.

3. The column headed “For other person?” indicates whether the rule may be actionable by a person other than a private person (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of person by whom the rule may be actionable is given.

<table>
<thead>
<tr>
<th>Chapter/Appendix</th>
<th>Section/Annex</th>
<th>Paragraph</th>
<th>Right of action under section 150</th>
</tr>
</thead>
<tbody>
<tr>
<td>All rules in GEN with the status letter “E”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEN 2.1.8 R</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other rules in GEN</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **For private person?** No
- **Removed?** No
- **For other person?** No

- **For private person?** No
- **Removed?** No
- **For other person?** No

- **For private person?** Yes
- **Removed?** No
- **For other person?** No
Handbook Modules

Schedule 6
Rules that can be waived

6

1. GEN 1.2.2R (Referring to approval by the FSA) can be waived by the FSA under section 148 of the Act (Modification or waiver of rules).

2. GEN 2.1.8R is made by FOS Ltd and not by the FSA and cannot be waived by the FSA.

3. Every other rule in GEN can be waived by the FSA if, and to the extent that, the rules elsewhere in the Handbook which it modifies or to which it otherwise relates can be waived by the FSA.
General provisions

Derivations

G

There is no table of derivations for GEN.
General provisions

Destinations

G

There is no table of destinations for GEN.
ANNEX

PART 2
Glossary

G. Guidance on the Glossary

1. The rules and guidance for interpreting the Handbook are to be found in GEN 2 (Interpreting the Handbook).

2. The guidance in the following paragraphs reminds the reader of some practical points for interpreting Handbook text.

3. Each sourcebook or manual has a reference code of two or more letters, usually a contraction or abbreviation of its title (for example, GEN stands for the General provisions and COB for the Conduct of Business sourcebook). The meaning of each of these codes is given in the Glossary.

4. Expressions used in the Handbook which are defined in the Glossary appear in the text in italic type (GEN 2.2.7R(1) (Use of defined expressions)). An expression which is not shown in the text in italics has its natural meaning unless the context otherwise requires (GEN 2.2.9G).

5. An expression which appears in the text in italics, but is not itself defined in the Glossary, should be read in the same sense as the expression to which it relates (for example, "advice on investments" and "advise on investments" are related to "advising on investments", so the reader should refer to the definition of "advising on investments" for their meaning). (GEN 2.2.7R(2) and GEN 2.2.8G).

6. The words "in writing", unless the contrary intention appears, mean in legible form and capable of reproduction on paper; they include electronic communication (GEN 2.2.14R (References to writing)).

7. The Interpretation Act 1978 applies to the Handbook, so (unless the contrary intention appears):

   (1) the singular includes the plural, and the plural the singular (GEN 2.2.12G(3));

   (2) the masculine includes the feminine (GEN 2.2.12G(3));

   (3) a reference to a statutory provision is a reference to it as amended from time to time (GEN 2.2.12G(2)); under GEN 2.2.13R (Cross-references in the Handbook) the same applies to a provision in the Handbook.

8. Many of the defined expressions in the Glossary are used or defined in the Act or in a statutory instrument made under it. In these cases, the Glossary refers to the statutory provision which is the source of the Handbook definition. Where there is a short statutory definition, the Glossary sets out the definition in full. Where the statutory definition is long, the Glossary gives a summary of it, and states that it is a summary.
### Defined expression

<table>
<thead>
<tr>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>50% controller</strong></td>
</tr>
<tr>
<td><strong>accepted channel for dissemination of information</strong></td>
</tr>
<tr>
<td><strong>accepting deposits</strong></td>
</tr>
<tr>
<td><strong>accident</strong></td>
</tr>
<tr>
<td><strong>accounting reference date</strong></td>
</tr>
</tbody>
</table>
**authorised fund** is to end in each year.

**accrual interval** (in **CIS**) (in relation to a manager’s periodic charge) the interval specified in the trust deed over which the periodic charge accrues.

**accumulation share** a share in respect of which income is credited periodically to capital under **CIS** 9.2.4R (Annual allocation to accumulation shares or accumulation units) or **CIS** 9.2.6R (Interim allocations of income).

**accumulation unit** a unit in respect of which income is credited periodically to capital under **CIS** 9.2.4R (Annual allocation to accumulation shares or accumulation units) or **CIS** 9.2.6R (Interim allocations of income).

**ACD** **authorised corporate director**.

**Act** the Financial Services and Markets Act 2000.

**acting as the depositary or sole director of an open-ended investment company** the regulated activity, specified in article 51(1)(c) of the Regulated Activities Order (Establishing etc a collective investment scheme), of acting as the depositary or sole director of an open-ended investment company.

**acting as trustee of an authorised unit trust scheme** the regulated activity, specified in article 51(1)(b) of the Regulated Activities Order (Establishing etc a collective investment scheme), of acting as a trustee of an authorised unit trust scheme.

**actuarial body** the Institute of Actuaries or the Faculty of Actuaries.

**actuarial health insurance** the type of insurance defined in **LLD** 11.4.1R, which is in summary: general insurance business which is sickness insurance and satisfies certain specified conditions.

**actuary** a fellow of an actuarial body or (in connection with general insurance business) a Fellow of the Casualty Actuarial Society who is a member of an actuarial body.

**actuating purpose** a purpose which motivates or incites a person to act.

**additional voluntary contribution** (a) a voluntary contribution paid by a member of an occupational pension scheme under the terms of the scheme or of a separate contract;

(b) an additional contribution paid by a member of an occupational pension scheme to which his employer is not a contributor, under which additional benefits are provided to supplement the benefits under another occupational pension scheme of which he is also a member and to which his employer is a contributor.

**administrative functions** (a) (in relation to managing investments):

(i) arranging settlement;

(ii) monitoring and processing corporate actions;

(iii) client account administration, liaison and reporting, including valuation and performance measurement;

(iv) **ISA or PEP** administration;
(v) investment trust savings scheme administration;

(b) (in relation to effecting or carrying out life policies):
   (i) new business administration;
   (ii) policy alterations including surrenders and policy loans;
   (iii) preparing projections;
   (iv) processing claims including pension payments;
   (v) fund switching;

(c) (in relation to the operation of a stakeholder pension scheme):
   (i) new business administration;
   (ii) receipt of or alteration to contributions;
   (iii) preparing projections and annual statements;
   (iv) administration of transfers;
   (v) handling claims, including pension payments;
   (vi) fund allocation and switching.

admissible asset (in LLD) an asset that may be taken into account for the purposes of the solvency requirements in LLD 11.2.1R in accordance with LLD 13.4.1R.

admission to trading (in relation to an investment and an exchange) the process by which the exchange permits members of the exchange to enter into transactions in that investment under and subject to the rules of the exchange.

adopted packaged product (in relation to a firm) a stakeholder pension scheme which is a packaged product:
   (a) not produced by the firm or in the firm's marketing group, but by another producer (whether a firm or not); and
   (b) on which the firm is able to advise as a result of a decision taken under COB 5.1.4R(1).

adviser an individual who is:
   (a) a financial adviser; or
   (b) a representative; or
   (c) an appointed representative.

adviser on syndicate participation at Lloyd's function controlled function CF25 in the table of controlled functions, described more fully in SUP 10.10.15R.

advising on investments the regulated activity, specified in article 53 of the Regulated Activities Order (Advising on investments), which is in summary: advising a person if the advice is:
   (a) given to the person in his capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential
investor; and
(b) advice on the merits of his doing any of the following (whether as principal or agent):
   (i) buying, selling, subscribing for or underwriting a particular investment which is a designated investment; or
   (ii) exercising any right conferred by such an investment to buy, sell, subscribe for or underwrite such an investment.

advising on investments (except pension transfers and pension opt-outs)

advising on investments except in respect of pension transfers and pension opt-outs.

advising on pension transfers and pension opt-outs

advising on investments in respect of pension transfers and pension opt-outs.

advising on syndicate participation at Lloyd's

the regulated activity, specified in article 56 of the Regulated Activities Order (Advice on syndicate participation at Lloyd's), of advising a person to become, or continue or cease to be, a member of a particular Lloyd's syndicate.

affected person

(in CIS):
(a) (in relation to an ICVC):
   (i) the ICVC;
   (ii) its depositary;
   (iii) a director of the ICVC;
   (iv) any investment adviser of the ICVC;
   (v) any associate of any person in (a)(i), (ii), (iii) or (iv);
(b) (in relation to an AUT):
   (i) the manager;
   (ii) the trustee;
   (iii) any investment adviser of the manager;
   (iv) any associate of any person in (b)(i), (ii) or (iii).

affiliated company

(in relation to a person) an undertaking in the same group as that person.

agreeing to carry on a regulated activity

the regulated activity, specified in article 64 of the Regulated Activities Order (Agreeing to carry on specified kinds of activity), of agreeing to carry on an activity specified in Part II of that Order other than:
(a) accepting deposits;
(b) effecting contracts of insurance;
(c) carrying out contracts of insurance;
(d) establishing, operating or winding up a collective investment scheme;
(e) acting as trustee of an authorised unit trust scheme;
(f) acting as the depositary or sole director of an open-ended investment company;
(g) establishing, operating or winding up a stakeholder pension scheme.

**aircraft** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 5 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft.

**aircraft liability** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 11 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against damage arising out of or in connection with the use of aircraft, including third-party risks and carrier's liability.

**allocation period** a single 24-hour period or, with the agreement of each intermediate customer concerned, a period spanning five consecutive business days, during which an aggregated series of transactions may be executed.

**ancillary action** action, ancillary to stabilising action, permitted under MAR 2.4.2R.

**ancillary activity** an activity which is not a regulated activity but which is:
(a) carried on in connection with a regulated activity; or
(b) held out as being for the purposes of a regulated activity.

**announceable information** information which is usually the subject of a public announcement, although not subject to any formal disclosure requirement.

**annual accounting period** a period determined in accordance with CIS 9.2.1R (Accounting period).

**annual income allocation date** the date in any year stated in the most recently published prospectus as the date on or before which, in respect of each annual accounting period, an allocation of income is to be made.

**annual report and accounts** (a) (in relation to a company incorporated in the United Kingdom) an annual report and annual accounts as those terms are defined in sections 261(2) and 262(1) of the Companies Act 1985, together with an auditor's report prepared in relation to those accounts under section 235 of the Companies Act 1985;
(b) (in relation to any other body) any similar or analogous documents which it is required to prepare whether by its constitution or by the law under which it is established.

**APER** the part of the Handbook in High Level Standards which has the title Statements of Principle and Code of Practice for Approved Persons.
applicable provisions the Host State rules with which:
(a) an incoming EEA firm is required to comply when carrying on a permitted activity through a branch or by providing services (as applicable) in the United Kingdom, as defined in paragraphs 13(4) and 14(4) of Part II of Schedule 3 to the Act (Exercise of passport rights by EEA firms); or
(b) a UK firm is required to comply when conducting business through a branch (in accordance with paragraph 19(13) of Part III of Schedule 3 to the Act (Exercise of passport rights by UK firms)) or by providing services (as applicable) in another EEA State.

applications day the first day on which section 40 of the Act (Application for permission) comes into force (for any purpose).

appointed actuary an actuary appointed under SUP 4.3.1R (Appointment by firms).

appointed actuary function controlled function CF12 in the table of controlled functions, described more fully in SUP 10.7.17R.

appointed representative (in accordance with section 39 of the Act) a person (other than an authorised person) who:
(a) is a party to a contract with an authorised person (his principal) which:
   (i) permits or requires him to carry on business of a description prescribed in the Appointed Representatives Regulations; and
   (ii) complies with such requirements as are prescribed in those Regulations; and
(b) is someone for whose activities in carrying on the whole or part of that business his principal has accepted responsibility in writing;

and who is therefore an exempt person in relation to any regulated activity comprised in the carrying on of that business for which his principal has accepted responsibility.


apportionment and oversight function controlled function CF8 in the table of controlled functions, described more fully in SUP 10.7.1R.

appropriate actuary an actuary appointed under SUP 4.4.1R (Appointment of an appropriate actuary).

appropriate personal pension a personal pension policy or a personal pension contract under which contributions are made to a personal pension scheme which is an appropriate scheme under section 1(8) of the Social Security Act 1986 or article 3(8) of the Social Security (Northern Ireland) Order 1986.
**appropriate valuer**  
(in CIS) a *person* who complies with the requirements of CIS 5.8.5R(7) (Approved immovables).

**approve**  
(in relation to a *financial promotion*) approve the content of the *financial promotion* for the purposes of section 21 of the *Act* (Restrictions on financial promotion).

**approved bank**  
(in relation to a bank account opened by a *firm*):

(a) if the account is opened at a branch in the *United Kingdom*:

(i) the Bank of England; or

(ii) the central bank of a member state of the *OECD*; or

(iii) a *bank*; or

(iv) a *building society* which offers, unrestrictedly, banking services; or

(v) a bank which is supervised by the central bank or other banking regulator of a member state of the *OECD*; or

(b) if the account is opened elsewhere:

(i) a bank in (a); or

(ii) a *credit institution* established in an *EEA State* other than the *United Kingdom* and duly authorised by the relevant *Home State regulator*; or

(iii) a bank which is regulated in the Isle of Man or the Channel Islands; or

(c) a bank supervised by the South African Reserve Bank; or

(d) any other bank that:

(i) is subject to regulation by a national banking regulator;

(ii) is required to provide audited accounts;

(iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has a surplus revenue over expenditure for the last two financial years; and

(iv) has an annual audit report which is not materially qualified.

**approved collateral**  
any form of security for the discharge of any liability arising from a *contingent liability investment* (other than a guarantee) which:

(a) (in relation to an *on-exchange* transaction) is acceptable under the rules of the relevant exchange or clearing house; and

(b) (in relation to an *OTC* transaction) would be acceptable for a similar transaction to the relevant exchange or clearing house.

**approved counterparty**  
an approved counterparty as defined in *IPRU(INS)*.
approved credit institution  an approved credit institution as defined in IPRU(INS).

approved depositary  any depositary:
(a) that is subject to regulation by a national regulatory body;
(b) that is required to provide audited accounts;
(c) that has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has a surplus revenue over expenditure for the last two financial years; and
(d) whose latest annual audit report is not materially qualified.

approved derivative  (in CIS) a derivative which is traded or dealt in on an eligible derivatives market.

approved examination  an examination listed in the annexes to TC 2, or an examination which is equivalent in accordance with the Diploma Directives.

approved financial institution  an approved financial institution as defined in IPRU(INS).

approved immovable  an interest in any land or building which satisfies the conditions in CIS 5.8.5R (Approved immovables).

approved mortgage  (in CIS) a mortgage:
(a) which the trustee reasonably believes can be discharged on demand or within 28 days by repayment of all the money secured by the mortgage (including, where appropriate, any additional sum provided for under the mortgage); and
(b) on which there is not secured any property, whether immediately or contingently, other than the approved immovable in question.

approved person  a person in relation to whom the FSA has given its approval under section 59 of the Act (Approval for particular arrangements) for the performance of a controlled function.

approved security  (1) (in CIS) a transferable security that is admitted to official listing in an EEA State or is traded on or under the rules of an eligible securities market (otherwise than by the specific permission of the market authority).

(2) (in LLD) any of the following:
(a) any security issued or guaranteed by, or the repayment of the principal of which, or the interest on which, is guaranteed by, and any loans to or deposits with, any government, public or local authority or nationalised industry or undertaking, which belongs to a Zone A country;
(b) any loan to, or deposit with, an approved financial institution;
arrangement  

(a) any debenture issued before 31 December 1994 by the Agricultural Mortgage Corporation Limited or the Scottish Agricultural Securities Corporation Limited.

(b) any kind of arrangement for the performance of a function of an authorised person ("A") which is entered into by A or any contractor of his with another person, including, in particular, that other person's appointment to an office, his becoming a partner, or his employment (whether under a contract of service or otherwise).

arranger  
a person who is arranging (bringing about) deals in investments, making arrangements with a view to transactions in investments, or agreeing to carry on any of those regulated activities.

arranging  

(in MAR) arranging (bringing about) deals in investments, making arrangements with a view to transactions in investments or agreeing to carry on any of those regulated activities.

arranging (bringing about) deals in investments  

the regulated activity, specified in article 25(1) of the Regulated Activities Order, which is in summary: making arrangements for another person (whether as principal or agent) to buy, sell, subscribe for or underwrite a particular investment which is:

(a) a designated investment; or
(b) the underwriting capacity of a Lloyd's syndicate; or
(c) membership of a Lloyd's syndicate; or
(d) rights to or interests in investments in (b) or (c).

arranging deals in contracts of insurance written at Lloyd's  

the regulated activity, specified in article 58 of the Regulated Activities Order (Arranging deals in contracts of insurance written at Lloyd's), carried on by the Society of Lloyd's of arranging deals in contracts of insurance written at Lloyd's.

arranging safeguarding and administration of assets  

that part of safeguarding and administering investments which consists solely of arranging for one or more other persons to carry on both:

(a) the safeguarding of assets belonging to another; and
(b) the administration of those assets.

asset identification rules  

(as defined in subsection 142(2) of the Act (Insurance business: regulations supplementing Authority's rules)) rules made by the FSA which require an authorised person who has permission to effect or carry out contracts of insurance to identify assets which belong to him and which are maintained in respect of a particular aspect of his business.

assistance  

(in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 18 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), providing either or both of the following benefits:

(a) assistance (whether in cash or in kind) for persons who get into
difficulties while travelling, while away from home or while away from their permanent residence;
(b) assistance (whether in cash or in kind) for persons who get into difficulties otherwise than as in (a).

**associate** (in relation to a person ("A"):)
(a) an affiliated company of A;
(b) an appointed representative of A or of any affiliated company of A;
(c) any other person whose business or domestic relationship with A or his associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.

**associated call option** a right to acquire a particular amount of the relevant security or of any associated security at a future date at a particular price.

**associated security** (a) an associated call option;
(b) a security of any description:
(i) which is in all respects uniform with the relevant security; or
(ii) for which the relevant security may be exchanged or into which it may be converted; or
(iii) which constitutes a right to obtain delivery of the relevant security; or
(iv) which the holder of the relevant security has, through his holding of that security, rights to acquire or to subscribe for; or
(v) which is issued or guaranteed by the issuer, or by any guarantor, of the relevant security and the prevailing market price of which is, because of similarity with the relevant security in the terms and conditions which attach to each of them respectively, likely to have a material influence on the market price of the relevant security; or
(vi) which is a certificate representing a certain security in respect of the relevant security and which is in all material respects uniform with the relevant security in terms of value, size and duration.

**AUT** an authorised unit trust scheme.

**AUTH** the Authorisation manual.

**authorisation** authorisation as an authorised person for the purposes of the Act.

**authorisation order** an order made by the FSA:
(a) in relation to an AUT under section 243 of the Act (Authorisation orders);
(b) in relation to an ICVC under regulation 14 of the OEIC Regulations (Authorisation);

as a result of which the AUT becomes authorised or the body becomes incorporated as an ICVC under regulation 3 of the OEIC Regulations (Open-ended investment company).

authorised corporate director the director of an ICVC who is the authorised corporate director of the ICVC in accordance with CIS 7.2.1R (The directors).

authorised fund an ICVC or an AUT.

authorised fund manager an ACD or an authorised unit trust manager.

authorised person (in accordance with section 31 of the Act (Authorised persons)) one of the following:

(a) a person who has a Part IV permission to carry on one or more regulated activities;
(b) an incoming EEA firm;
(c) an incoming Treaty firm;
(d) a UCITS qualifier;
(e) an ICVC;
(f) the Society of Lloyd's.

(see also GEN 2.2.18R for the position of an authorised partnership or unincorporated association which is dissolved.)

authorised professional firm a professional firm which is an authorised person.

authorised UK representative (in relation to a firm) a person resident in the United Kingdom who is authorised to act generally, and to accept service of any document, on behalf of the firm.

authorised unit trust manager a manager of an AUT.

authorised unit trust scheme (as defined in section 237(3) of the Act (Other definitions)) a unit trust scheme which is authorised for the purposes of the Act by an authorisation order.

authorised Voluntary Jurisdiction participant a participant in the Voluntary Jurisdiction who is an authorised person.

AVC additional voluntary contribution.

backwardation a situation in which futures prices are lower than cash prices.

bank (a) a firm with a Part IV permission which includes accepting deposits, and:

(i) which is a credit institution; or
(ii) whose Part IV permission includes a requirement that it
comply with IPRU(BANK);

but which is not a building society, a friendly society or a credit union;

(b) an EEA bank.


base currency (in CIS) the currency specified:

(a) in the instrument of incorporation of an ICVC as the currency in which its accounts are to be prepared; or

(b) in the trust deed of an AUT as the base currency of the AUT.

BCD Banking Consolidation Directive.

BCD credit institution a credit institution that has its registered office (or, if it has no registered office, its head office) in an EEA State, excluding an institution to which the BCD does not apply under article 2(3) of the BCD.

bearer certificate (in CIS) a certificate or other documentary evidence of title, for which provision is made in the instrument constituting the scheme, which indicates that:

(a) the holder of the document is entitled to the units specified in it; and

(b) no entry will be made on the register identifying the holder of those units.

bearer form (in relation to a client's certificate, share transfer or other document) in a form signed by the client so that it enables a designated investment or deposit to which it relates to be sold, transferred, surrendered or dealt with in any other way without the need to obtain further written instructions and allows the firm access to the sale proceeds.

behaviour any kind of conduct, including action or inaction.

bid price the price at which a person could sell a unit in a dual-priced AUT or a security.

body corporate (in accordance with section 417(1) of the Act (Definitions)) any body corporate, including a body corporate constituted under the law of a country or territory outside the United Kingdom.

bonded investment a designated investment not held by a trustee when acting as a trustee:

(a) which, except in the case of a unit, is one of the following:

(i) a readily realisable security held for a customer, whether or not held under a discretionary arrangement; or

(ii) a designated investment in bearer form; or

(iii) a designated investment held by a nominee company under the control of the firm or a person whom the firm
controls; or

(iv) a designated investment to which the title is recorded in electronic form;

(b) which the firm may sell or procure the sale of without the signature or other action of the customer or an independent third party; and

(c) where the proceeds of such a sale are or could be payable to the firm or its associate.

branch

(a) (in relation to a credit institution):

(i) a place of business which forms a legally dependent part of a credit institution and which carries out directly all or some of the transactions inherent in the business of credit institutions;

(ii) for the purposes of the Banking Consolidation Directive, any number of places of business set up in the same EEA State by a credit institution with headquarters in another EEA State are to be regarded as a single branch;

(b) (in relation to an investment firm):

(i) a place of business which is a part of an investment firm, not being the principal place of business, which has no separate legal personality and which provides investment services for which the investment firm has been authorised;

(ii) for the purposes of the Investment Services Directive, all the places of business set up in the same EEA State by an investment firm with headquarters in another EEA State are to be regarded as a single branch;

(c) (in relation to an insurance undertaking) any permanent presence of the insurance undertaking in an EEA State other than that in which it has its head office is to be regarded as a single branch, whether that presence consists of a single office which, or two or more offices each of which:

(i) is managed by the insurance undertaking's own staff; or

(ii) is an agency of the insurance undertaking; or

(iii) is managed by a person who is independent of the insurance undertaking, but has permanent authority to act for the insurance undertaking as an agency would.

branded fund a life policy or a regulated collective investment scheme other than a broker fund which is available as an investment only or mainly to the clients of a particular independent intermediary.

broker (in MAR) any person when dealing as agent.

broker fund (in relation to a fund for which the firm is or will be a broker fund.
adviser):

(a) an actual or notional fund of a long-term insurer, which contains or will contain contributions made or to be made by a client or clients of a firm in connection with a life policy or policies;

(b) a fund of a collective investment scheme, which contains or will contain cash contributions made or to be made by a client or clients of a firm in connection with the purchase of units in the scheme.

broker fund adviser a person who has, or whose associate being an authorised person has, an arrangement with a long-term insurer, or with the operator of a regulated collective investment scheme or an unregulated collective investment scheme, under which it is to be expected that the long-term insurer or operator will take into account the advice of that person or his associate:

(a) in the case of a long-term insurer, on any matter likely to influence the performance of any of the long-term insurer's funds or of any investment issued by the long-term insurer into which cash contributions of that person's customers have been made;

(b) in the case of an operator, on the composition of the property of the collective investment scheme into which cash contributions of that person's customers have been made;

in this definition, associate includes any authorised person in respect of whose services the first person receives any benefit or reward, either directly or indirectly, in connection with advice of the kind described in (a) and (b) given to a long-term insurer or to a collective investment scheme operator.

building society (as defined in section 119(1) of the Building Societies Act 1986) a building society incorporated (or deemed to be incorporated) under that Act.

business day (1) (in relation to anything done or to be done in any part of the United Kingdom):

(a) (except in REC) any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the United Kingdom;

(b) (in REC) (as defined in section 167 of the Companies Act 1989) any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in any part of the United Kingdom.

(2) (in relation to anything done or to be done by reference to a market outside the United Kingdom) any day on which that market is normally open for business.

buying (in accordance with article 3(1) of the Regulated Activities Order (Interpretation)) any form of buying, including acquiring for valuable consideration.
byelaw (in LLD) any Byelaw, direction, regulation, or other instrument made using the powers of the Council under section 6 of Lloyd's Act 1982 (including any regulation ratified by the Council by special resolution) and any condition or requirement made under any such Byelaw, direction, regulation or other instrument.

CAD bank a bank which uses the Capital Adequacy Directive to measure the capital requirement on its trading book.

cancellation (in CIS) (in relation to units) a cancellation of a unit by an ICVC or by the trustee of an AUT.

cancellation rules COB 6.7 (Cancellation and withdrawal).

candidate a person in respect of whom an application is made for approval under section 59 of the Act (Approval for particular arrangements).

capacity transfer market any method of transferring capacity in syndicates, including capacity auctions, bilateral arrangements, capacity offers, minority buy-outs and conversion schemes.

capital account (in CIS) an account relating to the capital property of an authorised fund.


capital at risk capital at risk as defined in IPRU(INS) 2.5R(7).

capital property (in CIS) the scheme property, other than income property and any amount for the time being standing to the credit of the distribution account.

capital redemption (in relation to a class of contract of insurance) capital redemption contracts where effected or carried out by a person who does not carry on a banking business, and otherwise carries on the regulated activity of effecting or carrying out contracts of insurance, as specified in paragraph VI of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance).

carrying out contracts of insurance the regulated activity, specified in article 10(2) of the Regulated Activities Order (Effecting and carrying out contracts of insurance), of carrying out a contract of insurance as principal.

cash component a qualifying investment prescribed in paragraph 8 of the ISA Regulations (Qualifying investments for a cash component).

cash deposit ISA a cash component of an ISA which does not include the qualifying investments prescribed in paragraphs 8(2)(c), (d), (e) or (f) of the ISA Regulations.

CAT standards the CAT standards for ISAs prescribed by the Treasury on 22 December 1998.

causing dematerialised instructions to be the regulated activity, specified in article 45(2) of the Regulated Activities Order, which is in summary: causing dematerialised instructions relating to a security to be sent by means of a relevant system in respect of which an operator is approved under the 1995
sent Regulations where the person causing them to be sent is a system-participant;

in this definition:

(a) "the 1995 Regulations" means the Uncertificated Securities Regulations 1995 (SI 1995/3272);

(b) "dematerialised instruction", "operator" and "system-participant" have the meaning given by regulation 3 of the 1995 Regulations.

central assets (in LLD) assets that the Society owns and amounts that members are liable to pay to the Society (or may by resolution of the Council be liable to pay) as contributions to the Central Fund (excluding amounts which, if paid by a member, would cause his assets to fall short (or shorter) of the required amount).

Central Fund the Central Fund established under Lloyd's Central Fund Byelaw (No 4 of 1986) and the New Central Fund established under Lloyd's New Central Fund Byelaw (No 23 of 1996).

certificate representing certain securities the investment specified in article 80 of the Regulated Activities Order (Certificates representing certain securities), which is in summary: a certificate or other instrument which confers contractual or property rights (other than rights consisting of options):

(a) in respect of any share, debenture, government and public security or warrant held by a person other than the person on whom the rights are conferred by the certificate or instrument; and

(b) the transfer of which may be effected without requiring the consent of that person;

but excluding any certificate or other instrument which confers rights in respect of two or more investments issued by different persons or in respect of two or more different government and public securities issued by the same person.

CFTC the Commodity Futures Trading Commission.

charge any fee or charge made to a client in connection with designated investment business, whether levied by the firm or any other person, including a mark-up or mark-down.

chargeable case any complaint referred to the Financial Ombudsman Service, apart from those where the Ombudsman considers it apparent from the complaint received, and from any final response which has been issued by the firm, that the complaint should not proceed because:

(a) the complainant is not an eligible complainant in accordance with DISP 2; or

(b) the complaint does not fall within the jurisdiction of the Financial Ombudsman Service (as described in DISP 2) or falls outside the time limits set out in DISP 2.3 (Time limits for referral of complaints to the Financial Ombudsman Service); or
(c) the Ombudsman considers that the complaint should be dismissed without consideration of its merits under DISP 3.3 (Dismissal of complaints without consideration of the merits); or

(d) the Ombudsman considers, at any stage, that the complaint should be dismissed under DISP 3.3.1R(2) on the grounds that it is frivolous or vexatious.

**chief executive**

1. (in relation to an undertaking whose principal place of business is within the United Kingdom) the person who, alone or jointly with one or more others, is responsible under the immediate authority of the directors for the conduct of the whole of its business.

2. (in relation to an undertaking whose principal place of business is outside the United Kingdom) the person who, alone or jointly with one or more others, is responsible for the conduct of its business within the United Kingdom.

**chief executive function**

controlled function CF3 in the table of controlled functions, described more fully in SUP 10.6.11R.

**Chinese wall**

an arrangement that requires information held by a person in the course of carrying on one part of its business to be withheld from, or not to be used for, persons with or for whom it acts in the course of carrying on another part of its business.

**CIS**

the Collective Investment Schemes sourcebook.

**claim**

1. (in COMP) a valid claim made in respect of a civil liability owed by a relevant person to the claimant.

2. (in LLD, SUP and TC) a claim under a contract of insurance.

**class**

1. (in AUTH, IPRU(FSOC), IPRU(INS), LLD and SUP) (in relation to a contract of insurance) any class of contract of insurance listed in Schedule 1 to the Regulated Activities Order (Contracts of insurance).

2. (in CIS): 
   
   (a) a particular class of units of an authorised fund; or
   
   (b) all of the units relating to a single sub-fund; or
   
   (c) a particular class of units relating to a single sub-fund.

3. (in COB) a particular category or type of packaged product.

**class meeting**

(in CIS) a separate meeting of holders of a class of units.

**clearing firm**

a firm which assumes primary responsibility (including legal liability) for the execution and settlement of transactions for clients.

**clearing house**

a clearing house through which transactions on an exchange may be cleared.

**client**

1. (except in ML and PROF) any person with or for whom a firm conducts or intends to conduct designated investment business or any other regulated activity; and:
(a) every client is a customer or a market counterparty;
(b) "client" includes:
   (i) a potential client;
   (ii) a client of an appointed representative of a firm with or for whom the appointed representative acts or intends to act in the course of business for which the firm has accepted responsibility under section 39 of the Act (Exemption of appointed representatives);
   (iii) a collective investment scheme even if it does not have separate legal personality;
   (iv) if a person (“C1”), with or for whom the firm is conducting or intends to conduct designated investment business, is acting as agent for another person (“C2”), either C1 or C2 in accordance with COB 4.1.5R (Agent as client);
(c) "client" does not include:
   (i) a trust beneficiary;
   (ii) a corporate finance contact;
   (iii) a venture capital contact.

(2) (in ML) (in relation to a relevant firm) any person engaged in, or who has had contact with the relevant firm with a view to engaging in, any transaction with that relevant firm:
   (a) on his own behalf; or
   (b) as agent for or on behalf of another.

(3) (in PROF) (as defined in section 328(8) of the Act (Directions in relation to the general prohibition)) (in relation to members of a profession providing financial services under Part XX of the Act (Provision of Financial Services by Members of the Professions)):
   (a) a person who uses, has used or may be contemplating using, any of the services provided by the member of a profession in the course of carrying on exempt regulated activities (including, where the member of the profession is acting in his capacity as a trustee, a person who is, has been or may be a beneficiary of the trust); or
   (b) a person who has rights or interests which are derived from, or otherwise attributable to, the use of any such services by other persons; or
   (c) a person who has rights or interests which may be adversely affected by the use of any such services by persons acting on his behalf or in a fiduciary capacity in relation to him.
client agreement  terms of business which have been signed by the client or to which the client has consented in writing.

client asset rules  COB 9, comprising the custody rules, mandate rules, client money rules, collateral rules and client money distribution rules.

client bank account  (a) an account at a bank which:
  (i) holds the money of one or more clients;
  (ii) is in the name of the firm;
  (iii) includes in its title an appropriate description to distinguish the money in the account from the firm's money; and
  (iv) is a current or a deposit account; or
(b) a money market deposit of client money which is identified as being client money.

client money  subject to the client money rules, money of any currency which, in the course of carrying on designated investment business, a firm holds in respect of any investment agreement entered into, or to be entered into, with or for a client, or which a firm treats as client money in accordance with the client money rules.

client money distribution rules  COB 9.5.

client money rules  COB 9.3.

client transaction account  (in relation to a firm and an exchange, clearing house or intermediate broker) an account maintained by the exchange, clearing house or intermediate broker, as the case may be, in respect of transactions in contingent liability investments undertaken by the firm with or for its clients.

close links  (1) (except in SUP 3 (Auditors) and SUP 4 (Actuaries)) (in accordance with paragraph 3(2) of Schedule 6 to the Act (Close links)) the relationship between a person ("A") and another person ("CL") which exists if:
(a) CL is a parent undertaking of A; or
(b) CL is a subsidiary undertaking of A; or
(c) CL is a parent undertaking of a subsidiary undertaking of A; or
(d) CL is a subsidiary undertaking of a parent undertaking of A; or
(e) CL owns or controls 20% or more of the voting rights or capital of A; or
(f) A owns or controls 20% or more of the voting rights or capital of CL.
(2) (in SUP 3 (Auditors) and SUP 4 (Actuaries)) (in accordance with
section 343(8) of the Act (Information given by auditor or actuary to the Authority: persons with close links) the relationship in (1), disregarding (e) and (f).

close out (in CIS and COB) enter into a further transaction under which the obligation to deliver or receive which arises or may, at the option of the other party to the transaction, arise under the original transaction is offset by an equivalent and opposite obligation or right to receive or deliver.

close relative (as defined in article 3(1) of the Regulated Activities Order and article 2(1) of the Financial Promotion Order) (in relation to any person):
(a) his spouse;
(b) his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters; and
(c) the spouse of any person within (b).

closed (in LLD) (in relation to a syndicate year) closed by reinsurance to close in accordance with byelaws, either into another syndicate year or into an insurer approved by the Council for the purpose.

closed into (in LLD) (in relation to two syndicate years) closed into another syndicate year by way of a contract of reinsurance to close into that other syndicate year, either directly or through a succession of such contracts.

closing date the date specified in the earliest relevant public announcement of the offer as the last date for acceptance of the offer, or, if no such date is specified, then the date on which the issuer (or seller) of the securities offered receives any of the proceeds of the offer.

COAF the part of the Handbook in Redress which has the title Complaints against the FSA.

COB the Conduct of Business sourcebook.

Code of Market Conduct the provisions in MAR 1 indicated by an "E" or "C" in the margin or heading, issued by the FSA as required by section 119 of the Act (The Code).

Code of Practice for Approved Persons the provisions in APER 3 and APER 4 indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an approved person's conduct complies with the Statements of Principle and which are issued by the FSA under section 64(2) of the Act (Conduct: statements and codes).

collateral
(1) (in CIS) any form of security, guarantee or indemnity provided by way of security for the discharge of any liability arising from a transaction.
(2) (in COB) any of the following:
(a) an investment specified in articles 76 to 81 of the Regulated Activities Order; that is:
(i) shares (article 76);
(ii) debentures (article 77);
(iii) government and public securities (article 78);
(iv) warrants (article 79);
(v) certificates representing certain securities (article 80);
(vi) units (article 81); or

(b) money; or

c) a commodity warrant (however title is recorded or evidenced);

which belongs to a client and which is held or controlled by the firm under the terms of a deposit, pledge, charge or other security arrangement.

collateral rules  COB 9.4.

collective insurance (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph VIII of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance), of a kind referred to in article 1(2)(e) of the First Life Directive ("the operations carried out by insurance companies such as those referred to in Chapter 1, Title 4 of Book IV of the French "Code des assurances".")

collective investment scheme a collective investment scheme, as defined in section 235 of the Act (Collective Investment Schemes), which is in summary:

(a) any arrangements with respect to property of any description, including money, the purpose or effect of which is to enable persons taking part in the arrangements (whether by becoming owners of the property or any part of it or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income; and

(b) which are not excluded by the Financial Services and Markets Act (Collective Investment Schemes) Order 2001 (SI 2001/1062).

commencement the beginning of the commencement day.

commencement day the day on which section 19 of the Act (The general prohibition) comes into force.

commission any form of commission, including a benefit of any kind, offered or given in connection with designated investment business.

commodity a physical asset (other than a financial instrument or cash) which is capable of delivery.

commodity future a future relating to a commodity.
commodity option: an option relating to a commodity.

communicate: (in relation to a financial promotion) (in accordance with section 21(13) of the Act (Restrictions on financial promotion) and article 6(d) of the Financial Promotion Order (Interpretation: communications)) to communicate in any way, including causing a communication to be made or directed.


community co-insurance operation: an operation to which the Community Co-Insurance Directive applies, as modified by article 26 of the Second Non-Life Directive.

COMP: the Compensation sourcebook.

compact: any body corporate.

Company Announcements Office: the Company Announcements Office of the London Stock Exchange, the information dissemination provider approved by the UKLA.

compensation scheme: the Financial Services Compensation Scheme established under section 213 of the Act (The compensation scheme) for compensating persons in cases where authorised persons and appointed representatives are unable, or are likely to be unable, to satisfy claims against them.

competent authority: (1) (in relation to admission to an official listing):
(a) the authority designated under Schedule 8 to the Act (Transfer of functions under Part VI (Official listing)) as responsible for admitting securities to, and for removing securities from, the official list; for the time being, the FSA in its capacity as such;
(b) an authority exercising functions corresponding to those in (a) in another EEA State.
(2) (in relation to the exercise of an EEA right) a competent authority for the purposes of the relevant Single Market Directive.

complaint: (in COAF) any expression of dissatisfaction about the manner in which the FSA has carried out its statutory functions other than its legislative functions.

Complaints Commissioner: the person appointed by the FSA under COAF 1.3.1G (The Complaints Commissioner) to carry out the functions conferred on him under the complaints scheme.

complaints investigator: (1) (in relation to a UK RIE) the independent person appointed under arrangements referred to in paragraph 9(3) of the Schedule to the Recognition Requirements Regulations to investigate a complaint and to report on the result of his investigation to that RIE and to the complainant.
(2) (in relation to a UK RCH) the independent person appointed
under arrangements referred to in paragraph 23(3) of the Schedule to the Recognition Requirements Regulations to investigate a complaint and to report on the result of his investigation to that RCH and to the complainant.

**complaints scheme**

the arrangements made by the FSA under paragraphs 7 and 8 of Schedule 1 to the Act (The Financial Services Authority) for the investigation of complaints against the FSA arising in connection with the exercise of, or failure to exercise, any of its functions (other than its legislative functions) under the Act.

**compliance oversight**

controlled function CF10 in the table of controlled functions, described more fully in SUP 10.7.8R.

**Compulsory Jurisdiction**

the jurisdiction of the Financial Ombudsman Service to which firms are compulsorily subject.

**COND**

the part of the Handbook in High Level Standards which has the title Threshold Conditions.

**connected company**

(in LLD) (in relation to a body corporate):

(a) that body corporate's holding company;
(b) a subsidiary of that body corporate;
(c) a subsidiary of the holding company of that body corporate.

**connected person**

(1) (in relation to the FSA's consideration of an application for, or of whether to vary or cancel, a Part IV permission) (in accordance with section 49(1) of the Act (Persons connected with an applicant)) any person appearing to the FSA to be, or likely to be, in a relationship with the applicant or person given permission, which is relevant.

(2) (in relation to the FSA’s power to gather information under section 165 of the Act (Authority’s power to require information)) (in accordance with section 165(11) of the Act) a person who has, or has at any relevant time had, the following relationship with an authorised person ("A"):

(a) he is a member of A’s group;
(b) he is a controller of A;
(c) he is a member of a partnership of which A is a member;
(d) he is or has been an employee of A;
(e) if A is a body corporate, he is or has been an officer, or manager or agent of A or of a parent undertaking of A;
(f) if A is a partnership, he is or has been a member, manager or agent of A;
(g) if A is an unincorporated association of persons which is neither a partnership nor an unincorporated friendly society, he is or has been an officer, manager, or agent of A;
(h) if A is a friendly society, he is or has been an officer or manager of A ("officer" and "manager" having the same meaning as in section 119(1) of the Friendly Societies Act 1992);

(i) if A is a building society, he is or has been an officer of A ("officer" having the same meaning as in section 119(1) of the Building Societies Act 1986);

(j) if A is an individual, he is or has been an agent of A.

(3) (in relation to the FSA’s powers of investigation under sections 171 and 172 of the Act (Powers of persons appointed under section 167; Additional power of persons appointed as a result of section 168(1) or (4))) (in accordance with section 171(4) of the Act) a person who has, or has at any relevant time had, the following relationship with a person under investigation ("P"):

(a) he has the relationship specified in any of paragraphs (2) (a), (b) or (d) to (j) to P (where references in those paragraphs to A are taken to be references to P);

(b) it is a partnership of which P is a member;

(c) he is the partner, manager, employee, agent, appointed representative, banker, auditor, actuary or solicitor of:

   (i) P; or

   (ii) a parent undertaking of P; or

   (iii) a subsidiary undertaking of P; or

   (iv) a subsidiary undertaking of a parent undertaking of P; or

   (v) a parent undertaking of a subsidiary undertaking of P.

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consent notice a notice given by the FSA to a Host State regulator under paragraph 19(4) (Establishment) of Part III of Schedule 3 to the Act (Exercise of Passport Rights by UK firms).

constable a police officer in the United Kingdom or a person commissioned by the Commissioners of Customs and Excise.

consumer (1) (in relation to the FSA’s power to make general rules (section 138 of the Act (General rule-making power)) the approval requirements for controllers (section 186 of the Act (Objection to acquisition of control)), the publication of notices (section 391 of the Act (Publication)) and the exercise of Treaty rights (Schedule 4 to the Act (Treaty rights))) (as defined in section 138(7) of the Act (General rule-making power)) a person:

(a) who uses, has used, or is or may be contemplating using, any of the services provided by:

   (i) an authorised person in carrying on regulated
(ii) a person acting as an appointed representative; or

(b) who has rights or interests which are derived from, or are otherwise attributable to the use of, any such services by another person; or

(c) who has rights or interests which may be adversely affected by the use of any such services by a person acting on his behalf or in a fiduciary capacity in relation to him; or

(d) (in relation to the FSA's power to make general rules) a person within the extended definition of consumer in article 3 of the Financial Services and Markets Act 2000 (Consequential and Transitional Provisions) (Miscellaneous) Order 2001 (SI 2001/1821) (Application of definition of "consumer" to users of regulated services before commencement);

for the purposes of this definition:

(A) if an authorised person is carrying on a regulated activity in his capacity as a trustee, the persons who are, have been or may be beneficiaries of the trust are to be treated as persons who use, have used or are or may be contemplating using services provided by the authorised person in his carrying on of that activity;

(B) a person who deals with an authorised person in the course of the authorised person's carrying on of a regulated activity is to be treated as using services provided by the authorised person in carrying on those activities.

(2) (in relation to the protection of consumers objective (section 5 of the Act (The protection of consumers)) and independent inquiries (section 14 of the Act (Cases in which the Treasury may arrange independent inquiries))) (as defined in sections 5(3) and 14(5) of the Act) a person:

(a) within (1); or

(b) who, in relation to regulated activities carried on otherwise than by an authorised person, would be a consumer within (1) if the activities were carried on by an authorised person.

(3) (in relation to the establishment and maintenance of the Consumer Panel (section 10 of the Act (The Consumer Panel))) (as defined in section 10(7) of the Act) a person within (2) other than an authorised person.

consumer credit prohibition (as defined in section 203(3) of the Act (Power to prohibit the carrying on of Consumer Credit Act business)) a prohibition on carrying on, or purporting to carry on, in the United Kingdom any Consumer Credit Act business which consists of or includes carrying on one or more
listed activities or investment services.

**Consumer Panel**

the panel of *persons* which section 10 of the *Act* (The Consumer Panel) requires the *FSA* to establish and maintain, as part of its arrangements for consultation under section 8, to represent the interests of *consumers*.

**contingent liability investment**

a *derivative* under the terms of which the *client* will or may be liable to make further payments (other than *charges*, and whether or not secured by *margin*) when the transaction falls to be completed or upon the earlier *closing out* of his position.

**contract for differences**

the *investment*, specified in article 85 of the *Regulated Activities Order* (Contracts for differences etc), which is rights under:

(a) a contract for differences; or

(b) any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:

(i) the value or price of property of any description; or

(ii) an index or other factor designated for that purpose in the contract.

**contract of insurance**

(1) (in relation to a *specified investment*) the *investment*, specified in article 75 of the *Regulated Activities Order* (Contracts of insurance), which is rights under a contract of insurance in (2).

(2) (in relation to a contract) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any contract of insurance which is a *long-term insurance contract* or a *general insurance contract*, including:

(a) fidelity bonds, performance bonds, administration bonds, bail bonds, customs bonds or similar contracts of guarantee, where these are:

(i) effected or carried out by a *person* not carrying on a banking business;

(ii) not effected merely incidentally to some other business carried on by the *person* effecting them; and

(iii) effected in return for the payment of one or more premiums;

(b) *tontines*;

(c) *capital redemption contracts* or *pension fund management contracts*, where these are effected or carried out by a *person* who:

(i) does not carry on a banking business; and

(ii) otherwise carries on the *regulated activity* of *effecting* or *carrying out contracts of insurance*;

(d) contracts to pay annuities on human life;
contracts of a kind referred to in article 1(2)(e) of the First Life Directive (Collective insurance etc); and

contracts of a kind referred to in article 1(3) of the First Life Directive (Social insurance);

in this definition, "annuities on human life" does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged, or who have been engaged, in any particular profession, trade or employment, or of the dependants of such persons.

correctly based investment (in accordance with article 3(1) of the Regulated Activities Order (Interpretation)):

(a) a life policy:

(b) an option, future or contract for differences;

(c) rights to or interests in an investment falling within (a) or (b).

contribution group one of the groups listed in COMP 13.6.7R which are groups of participant firms which share the costs of funding compensation from claims arising from firms in default which carry on similar business.

control (in relation to the acquisition, increase or reduction of control of a firm) the relationship between a person and the firm or other undertaking of which the person is a controller.

controlled activity an activity specified in Part I of Schedule 1 to the Financial Promotion Order (Controlled activities).

controlled agreement (as defined in section 30 of the Act (Enforceability of agreements resulting from unlawful communications)) an agreement the making or performance of which by either party constitutes a controlled activity.

controlled function a function, relating to the carrying on of a regulated activity by a firm, which is specified, under section 59 of the Act (Approval for particular arrangements), in the table of controlled functions.

controlled investment (in accordance with section 21(10) of the Act (Restrictions on financial promotion) and article 4 of the Financial Promotion Order (Definitions of controlled activities and controlled investments)) an investment specified in Part II of Schedule 1 to the Financial Promotion Order (Controlled investments).

controller (in accordance with section 422 of the Act (Controller)) (in relation to a firm or other undertaking ("A")) a person who falls within any of the following cases; the cases are where the person:

(a) holds 10% or more of the shares in A; or

(b) is able to exercise significant influence over the management of A through his shareholding in A; or

(c) holds 10% or more of the shares in a parent undertaking ("P") of A; or

(d) is able to exercise significant influence over the management of P
through his shareholding in P; or

(e) is entitled to exercise, or control the exercise of, 10% or more of the voting power in A; or

(f) is able to exercise significant influence over the management of A through his voting power in A; or

(g) is entitled to exercise, or control the exercise of, 10% or more of the voting power in P; or

(h) is able to exercise significant influence over the management of P through his voting power in P;

in this definition:

(i) "the person" means:

(A) the person; or

(B) any of the person's associates; or

(C) the person and any of his associates;

(ii) "associate", in relation to a person ("H") holding shares in an undertaking ("C") or entitled to exercise or control the exercise of voting power in relation to another undertaking ("D"), means:

(A) the spouse of H;

(B) a child or stepchild of H (if under 18);

(C) the trustee of any settlement under which H has a life interest in possession (or in Scotland a life interest);

(D) an undertaking of which H is a director;

(E) a person who is an employee or partner of H;

(F) if H is an undertaking:

(I) a director of H;

(II) a subsidiary undertaking of H;

(III) a director or employee of such a subsidiary undertaking; and

(G) if H has with any other person an agreement or arrangement with respect to the acquisition, holding or disposal of shares or other interests in C or D or under which they undertake to act together in exercising their voting power in relation to C or D, that other person;

(iii) "settlement" includes any disposition or arrangement under which property is held on trust (or subject to a comparable obligation);

(iv) "shares" means:

(A) in relation to an undertaking with a share capital,
allotted shares;

(B) in relation to an undertaking with capital but no share capital, rights to share in the capital of the undertaking;

(C) in relation to an undertaking without capital, interests:

(I) conferring any right to share in the profits, or liability to contribute to the losses, of the undertaking; or

(II) giving rise to any obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.

(see also 50% controller.)

core investment service a service listed in section A of the Annex to the ISD, the text of which is set out in Schedule 2 to the Regulated Activities Order (Annex to the Investment Services Directive).

core provision (in LLD) (as defined in section 316(3) of the Act (Direction by Authority)) a provision of the Act mentioned in section 317 of the Act (The core provisions) which applies to the carrying on of an insurance market activity by a member, or the members of the Society taken together, if the FSA so directs.

corporate finance adviser function controlled function CF23 in the table of controlled functions, described more fully in SUP 10.10.13R.

corporate finance advisory firm a firm whose permission includes a requirement that the firm must not conduct designated investment business other than corporate finance business.

corporate finance business (a) designated investment business carried on by a firm with or for:

(i) any issuer, holder or owner of designated investments, if that business relates to the offer, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those investments, or any related matter;

(ii) any market counterparty or intermediate customer, or other body corporate, partnership or supranational organisation, if that business relates to the manner in which, or the terms on which, or the persons by whom, any business, activities or undertakings relating to it, or any associate, are to be financed, structured, managed, controlled, regulated or reported upon;

(iii) any person in connection with:

(A) a proposed or actual takeover or related operation by or on behalf of that person, or involving investments issued by that person (being a body corporate), its holding company, subsidiary or associate; or
(B) a merger, de-merger, reorganisation or reconstruction involving any investments issued by that person (being a body corporate), its holding company, subsidiary or associate;

(iv) any shareholder or prospective shareholder of a body corporate established or to be established for the purpose of effecting a takeover or related operation, where that business is in connection with that takeover or related operation;

(v) any person who, acting as a principal for his own account:

(A) is involved in negotiations or decisions relating to the commercial, financial or strategic intentions or requirements of a business or prospective business; or

(B) (provided he is acting otherwise than solely in his capacity as an investor) assists the interests of another person with or for whom the firm, or another authorised person or overseas person, is undertaking business as specified in (a)(i), (ii), (iii) or (iv), by himself undertaking all or part of any transactions involved in such business;

(vi) any person undertaking business with or for a person as specified in (a)(i), (ii), (iii), (iv) or (v) in respect of activities described in those sub-paragraphs;

(b) designated investment business carried on by a firm as a principal for its own account where such business:

(i) is in the course of, or arises out of, activities undertaken in accordance with (a); and

(ii) does not involve transactions with or for, or advice on investments to, any other person who is a private customer in respect of such business;

(c) designated investment business carried on by a firm as principal for its own account if such business:

(i) is in the course of, or arises out of:

(A) the offer, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, shares, share warrants, debentures or debenture warrants issued by the firm, or any related matter; or

(B) a proposed or actual takeover or related operation by or on behalf of the firm, or involving shares, share warrants, debentures or debenture warrants issued by the firm; or

(C) a merger, de-merger, reorganisation or reconstruction
involving any shares, share warrants, debentures or debenture warrants issued by the firm; and

(ii) does not involve advice on investments to any person who is a private customer;

in this definition, “share warrants” and “debenture warrants” mean any warrants which relate to shares in the firm concerned or, as the case may be, debentures issued by the firm.

corporate finance contact

(when a firm carries on designated investment business with or for a person in the course of or as a result of either carrying on corporate finance business with or for a client, or carrying on corporate finance business for the firm's own account) that person in connection with that designated investment business if:

(a) the firm does not behave in a way towards that person which might reasonably be expected to lead that person to believe that he is being treated as a client; and

(b) the firm clearly indicates to that person that it:

(i) is not acting for him; and

(ii) will not be responsible to him for providing protections afforded to clients of the firm or be advising him on the relevant transaction.

Council

(in LLD) the Council constituted by section 3 of Lloyd's Act 1982.

counterparty

(in LLD) (in relation to the Society, a syndicate or member):

(a) any individual; or

(b) any unincorporated body of persons; or

(c) any company which is not a member of a group; or

(d) any group of companies, excluding any companies within the group which are subsidiary undertakings of the Society, a syndicate or member; or

(e) any government of a State or any public bodies, local authorities or nationalised industries of a State;

in which the Society, a syndicate or member has made investments or against which it has rights under a contract entered into by the Society, syndicate or member.

covered

(in LLD) (in relation to a contract) not requiring a significant provision to be made in respect of it.

CRED

the Credit unions sourcebook.

credit

(1) (except in relation to a class of contract of insurance) any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit.

(2) (in relation to a class of contract of insurance) the class of
contract of insurance, specified in paragraph 14 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against risks of loss to the persons insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due.

credit institution (as defined in article 1(1) of the BCD) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account. (see also BCD credit institution.)

credit insurance business (in LLD) insurance business relating to credit contracts.

credit union a body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act 1979.

CREST the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by CRESTCo Limited.

cross border services (1) (in relation to a UK firm) services provided within an EEA State other than the United Kingdom under the freedom to provide services.

(2) (in relation to an incoming EEA firm or an incoming Treaty firm) services provided within the United Kingdom under the freedom to provide services.

cross-transaction (a) a transaction by which a person matches, at the same price and on the same terms, the buy and sell orders of two or more persons for whom he is acting as agent;

(b) a transaction to which only one person is a party, by which he purports to sell to and buy from himself.

currency class share (in relation to an ICVC) a class of share denominated in a currency that is not the base currency of the ICVC or, if permitted by CIS 2.5.4R(1), denominated in the base currency.

current customer order (a) a customer order to be executed immediately;

(b) a customer order which is to be executed only on fulfilment of a condition, after the condition has been fulfilled.

custodian (a) an approved bank;

(b) an approved depositary;

(c) a member of a recognised investment exchange or designated investment exchange;

(d) a firm whose permitted activities include safeguarding and administering investments;

(e) a regulated clearing firm;

(f) where it is not feasible to use a custodian in (a) to (e), and there
are reasonable grounds to show that a person outside the *United Kingdom*, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the client and in the client's best interest to use, that person.

### Custody

**(in relation to clients' assets)** safeguarding and administering investments.

### Custody Asset

(a) a designated investment held for or on behalf of a client;

(b) any other asset which is or may be held with a designated investment held for, or on behalf of, a client.

### Custody Rules

*COB 9.1.*

### Customer

(1) (except in COB 3) a client who is not a market counterparty.

(2) (in COB 3) a person in (1) or a person who would be such a person if he were a client.

### Customer Function

any of the controlled functions 21 to 27 in the table of controlled functions.

### Customer Order

(a) an order to a firm from a customer to execute a transaction as agent;

(b) any other order to a firm from a customer to execute a transaction in circumstances giving rise to duties similar to those arising on an order to execute a transaction as agent;

(c) a decision by a firm in the exercise of discretion to execute a transaction with or for a customer.

### Customer Trading Function

controlled function CF26 in the table of controlled functions, described more fully in *SUP 10.10.16R.*

### Damage to Property

(in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 9 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of that Schedule (Land vehicles, Railway rolling stock, Aircraft, Ships and Goods in transit) relate) due to hail or frost or any other event (such as theft) other than those mentioned in paragraph 8 of that Schedule (Fire and natural forces).

### Date of Allotment

the date on which amounts of the relevant security are allotted to subscribers or purchasers and, where there is an initial or preliminary allotment subject to confirmation, the date of that initial or preliminary allotment.

### Day

a period of 24 hours beginning at midnight.

### Deal

a dealing transaction.

### Dealing

(in accordance with paragraph 2 of Schedule 2 to the *Act* (Regulated activities)) buying, selling, subscribing for or underwriting investments or offering or agreeing to do so, either as a principal or as an agent, including, in the case of an investment which is a contract of
insurance, carrying out the contract.

dealing day
(in CIS) the period in each business day (or in each other day when the ACD or operator is open for business) during which the ACD or operator keeps its premises or any of them open to the public or otherwise publicly available for business of any kind.

dealing in investments as agent
the regulated activity, specified in article 21 of the Regulated Activities Order (Dealing in investments as agent), which is in summary: buying, selling, subscribing for or underwriting designated investments as agent.

dealing in investments as principal
the regulated activity, specified in article 14 of the Regulated Activities Order (Dealing in investments as principal), which is in summary: buying, selling, subscribing for or underwriting designated investments as principal.

dealing period
(in CIS) the period between one valuation point and the next.

debenture
the investment, specified in article 77 of the Regulated Activities Order (Instruments creating or acknowledging indebtedness), which is in summary: any of the following which are not government and public securities:

(a) debentures;
(b) debenture stock;
(c) loan stock;
(d) bonds;
(e) certificates of deposit;
(f) any other instrument creating or acknowledging indebtedness.

debt security
any of the following:

(a) a debenture;
(b) a government and public security;
(c) a warrant which confers a right in respect of an investment in (a) or (b).

DEC
the Decision making manual.

decision notice
a notice issued by the FSA in accordance with section 388 of the Act (Decision notices).

dedicated
(in relation to investments of an authorised fund) intended that the holders should participate in or receive:

(a) profits or income arising from the acquisition, holding, management or disposal of investments of the relevant description; or
(b) sums paid out of profits or income in (a); or
(c) other benefits where expressly permitted by a provision in CIS.
**default rules**

1. (in relation to a UK RIE) the default rules which it is required to have under paragraph 10 of the Schedule to the Recognition Requirements Regulations.

2. (in relation to a UK RCH) the default rules which it is required to have under paragraph 24 of the Schedule to the Recognition Requirements Regulations.

**deferred acquisition costs**

deferred acquisition costs as defined in the insurance accounts rules.

**defined benefits pension scheme**
a pension policy or pension contract under which the only money-purchase benefits are benefits ancillary to other benefits which are not money-purchase benefits.

**delivery by value**
a transaction type, described as "delivery by value", used to deliver and receive securities within CREST.

**deposit**

the investment, specified in article 74 and defined in articles 5(2) and 5(3) of the Regulated Activities Order, which is in summary: a sum of money (other than one excluded by any of articles 6 to 9 of the Regulated Activities Order) paid on terms:

(a) under which it will be repaid, with or without interest or a premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and

(b) which are not referable to the provision of property (other than currency) or services or the giving of security;

in this definition, money is paid on terms which are referable to the provision of property or services or the giving of security if, and only if:

(a) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is or are not in fact sold, hired or otherwise provided; or

(b) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract; or

(c) without prejudice to (b), it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.

**Deposit Guarantee Directive**


**deposit-taking firm**
a firm which is a bank, building society or credit union.

**depositary**

(a) (in relation to an ICVC) the person to whom is entrusted the safekeeping of all of the scheme property of the ICVC and who has been appointed for this purpose in accordance with regulation 5 (Safekeeping of scheme property by depositary) of and
Schedule 1 (Depositaries) to the OEIC Regulations;

(b) (in relation to an AUT) the trustee;

(c) (in relation to any other unit trust scheme) the person holding the property of the scheme on trust for the participants;

(d) (in relation to any other collective investment scheme) any person to whom the property subject to the scheme is entrusted for safekeeping.

derivative

a contract for differences, a future or an option.

designated client bank account

a client bank account with the following characteristics:

(a) the account holds the money of one or more clients;

(b) the account includes in its title the word "designated";

(c) the clients whose money is in the account have each consented in writing to the use of the bank with which the client money is to be held; and

(d) in the event of the failure of that bank, the account is not pooled with any other type of account unless a primary pooling event occurs.

designated client fund account

a client bank account with the following characteristics:

(a) the account holds at least part of the client money of one or more clients, each of whom has consented to that money being held in the same client bank accounts at the same banks (the client money of such clients constituting a designated fund);

(b) the account includes in its title the words "designated fund"; and

(c) in the event of the failure of a bank with which part of a designated fund is held, each designated client fund account held with the failed bank will form a pool with any other designated client fund account containing part of that same designated fund unless a primary pooling event occurs.

designated investment

a security or a contractually based investment, that is, any of the following investments, specified in Part III of the Regulated Activities Order (Specified Investments):

(a) life policy (subset of article 75 (Contracts of insurance));

(b) share (article 76);

(c) debenture (article 77);

(d) government and public security (article 78);

(e) warrant (article 79);

(f) certificate representing certain securities (article 80);

(g) unit (article 81);

(h) stakeholder pension scheme (article 82);

(i) option (article 83); for the purposes of the permission regime, this
is sub-divided into:

(i) option (excluding a commodity option and an option on a commodity future);

(ii) commodity option and option on a commodity future;

(j) future (article 84); for the purposes of the permission regime, this is sub-divided into:

(i) future (excluding a commodity future and a rolling spot forex contract);

(ii) commodity future;

(iii) rolling spot forex contract;

(k) contract for differences (article 85); for the purposes of the permission regime, this is sub-divided into:

(i) contract for differences (excluding a spread bet and a rolling spot forex contract);

(ii) spread bet;

(iii) rolling spot forex contract;

(l) rights to or interests in investments in (a) to (k) (article 89).

any of the following activities, specified in Part II of the Regulated Activities Order (Specified Activities), which is carried on by way of business:

(a) dealing in investments as principal (article 14), but disregarding the exclusion in article 15 (Absence of holding out etc);

(b) dealing in investments as agent (article 21);

(c) arranging (bringing about) deals in investments (article 25(1)), but only in relation to designated investments;

(d) making arrangements with a view to transactions in investments (article 25(2)), but only in relation to designated investments;

(e) managing investments (article 37);

(f) safeguarding and administering investments (article 40); for the purposes of the permission regime, this is sub-divided into:

(i) safeguarding and administration of assets (without arranging);

(ii) arranging safeguarding and administration of assets;

(g) sending dematerialised instructions (article 45(1));

(h) causing dematerialised instructions to be sent (article 45(2));

(i) establishing, operating or winding up a collective investment scheme (article 51(1)(a)); for the purposes of the permission regime, this is sub-divided into:

(i) establishing, operating or winding up a regulated
collective investment scheme;
(ii) establishing, operating or winding up an unregulated collective investment scheme;

(j) acting as trustee of an authorised unit trust scheme (article 51(1)(b));
(k) acting as the depositary or sole director of an open-ended investment company (article 51(1)(c));
(l) establishing, operating or winding up a stakeholder pension scheme (article 52);
(m) advising on investments (article 53); for the purposes of the permission regime, this is sub-divided into:
(i) advising on investments (except pension transfers and pension opt-outs);
(ii) advising on pension transfers and pension opt-outs;
(n) agreeing to carry on a regulated activity in (a) to (h) and (m) (article 64).

designated investment exchange
(except in IPRU) any of the following investment exchanges:
American Stock Exchange
Australian Stock Exchange
Bolsa Mexicana de Valores
Bourse de Montreal Inc
Chicago Board of Trade
Chicago Board Options Exchange
Chicago Stock Exchange
Coffee, Sugar and Cocoa Exchange, Inc
Euronext Amsterdam Commodities Market
Hong Kong Exchanges and Clearing Limited
International Securities Market Association
Johannesburg Stock Exchange
Kansas City Board of Trade
Korea Stock Exchange
MidAmerica Commodity Exchange
Minneapolis Grain Exchange
New York Cotton Exchange
New York Futures Exchange
New York Stock Exchange
New Zealand Stock Exchange
Osaka Securities Exchange
Pacific Exchange
Philadelphia Stock Exchange
Singapore Exchange
South African Futures Exchange
Tokyo International Financial Futures Exchange
Tokyo Stock Exchange
Toronto Stock Exchange

designated non-member (in REC) (in relation to a UK RIE) a person in respect of whom action may be taken under the default rules of the RIE but who is not a member of the RIE.

designated professional body a professional body designated by the Treasury under section 326 of the Act (Designation of professional bodies) for the purposes of Part XX of the Act (Provision of Financial Services by Members of the Professions); as at 21 June 2001 the following professional bodies have been designated in the Financial Services and Markets Act 2000 (Designated Professional Bodies) Order 2001 (SI 2001/1226):

(a) The Law Society (England and Wales);
(b) The Law Society of Scotland;
(c) The Law Society of Northern Ireland;
(d) The Institute of Chartered Accountants in England and Wales;
(e) The Institute of Chartered Accountants of Scotland;
(f) The Institute of Chartered Accountants in Ireland;
(g) The Association of Chartered Certified Accountants;
(h) The Institute of Actuaries.

designated State or territory any EEA State (other than the United Kingdom), Australia, Canada, Hong Kong, New Zealand, Singapore, South Africa, Switzerland or the USA.

DGD Deposit Guarantee Directive.

DGD claim a claim, in relation to a protected deposit, against a BCD credit institution, whether established in the United Kingdom or in another EEA State.

dilution (in CIS) the amount of dealing costs incurred, or expected to be incurred, by an ICVC or for the account of a single-priced AUT to the extent that these costs may reasonably be expected to result, or have resulted, from the acquisition or disposal of investments by the ICVC or for the account of the single-priced AUT as a consequence (whether or not immediate) of the increase or decrease in the cash resources of the ICVC or single-priced AUT resulting from the issue or cancellation of units over a period;
for the purposes of this definition, *dealing* costs include both the costs of *dealing* in an *investment*, professional fees incurred, or expected to be incurred, in relation to the acquisition or disposal of *approved immovables* and, where there is a spread between the *buying* and *selling prices* of the *investment*, the indirect cost resulting from the differences between those *prices*.

**dilution levy** a charge of such amount or at such rate as is determined by an *ACD* of an *ICVC* or a *manager* of a *single-priced AUT* to be made for the purpose of reducing the effect of *dilution*.

**Diploma Directives** the First and Second Diploma Directives, that is:

(a) the Council Directive of 21 December 1988 on a general system for the recognition of higher-education diplomas, awarded on completion of professional education and training of at least three years’ duration (No 89/48/EEC);


**direct offer financial promotion** a *non-real time financial promotion* which:

(a) contains:

(i) an offer by the *firm* to enter into a *controlled agreement* with anyone who responds to the *financial promotion*; or

(ii) an invitation to anyone who responds to the *financial promotion* to make an offer to the *firm* to enter into a *controlled agreement*; and

(b) specifies the manner of response or includes a form in which any response is to be made (for example by providing a tear-off slip).

**directive friendly society** a *friendly society* other than a *non-directive friendly society*.

**director** (1) (except in *CIS*) (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):

(a) an unincorporated association;

(b) a *body corporate*;

(c) (in *SYSC* and *SUP 10 (Approved persons)*) a *partnership*;

(d) (in *SYSC* and *SUP 10 (Approved persons)*) a *sole trader*;

any person appointed to direct its affairs, including a person who is a member of its *governing body* and (in accordance with section 417(1) of the *Act*):

(i) a person occupying in relation to it the position of a director (by whatever name called); and

(ii) a person in accordance with whose directions or instructions (not being advice given in a professional
capacity) the directors of that body are accustomed to act.

(2) (in CIS) a director of an ICVC, including (in accordance with regulation 2(1) of the OEIC Regulations) a person occupying in relation to the ICVC the position of director, by whatever name called.

director function

controlled function CF1 in the table of controlled functions, described more fully in SUP 10.6.4R.

director of unincorporated association function

controlled function CF5 in the table of controlled functions, described more fully in SUP 10.6.24R.

Disciplinary Tribunal

(in LLD) a Tribunal appointed under Schedule 2 to Lloyd's Disciplinary Committees Byelaw (No 31 of 1996).

disclosable information

any information which has to be disclosed in the market in accordance with any legal or regulatory requirement.

discounting

(in LLD) discounting or deductions to take account of investment income as set out in paragraph 48 of the insurance accounts rules.

DISP

Dispute resolution: the Complaints sourcebook.

distribution account

(in CIS) the account to which the income property of an authorised fund must be transferred as at the end of each annual accounting period under CIS 9.2.3R (Annual allocation of income).

document

any piece of recorded information, including (in accordance with section 417(1) of the Act (Interpretation)) information recorded in any form; in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form.

document evidencing title

any means of evidencing title whether in documentary form or otherwise.

dual-priced AUT

an AUT that is not a single-priced AUT.

ECA Regulations


EEA

the European Economic Area.

(see also EEA State.)

EEA authorisation

(in accordance with paragraph 6 of Schedule 3 to the Act (EEA Passport Rights)) authorisation granted to an EEA firm by its Home State regulator for the purpose of the relevant Single Market Directive).

EEA bank

an incoming EEA firm which is a BCD credit institution.

EEA firm

(in accordance with paragraph 5 of Schedule 3 to the Act (EEA Passport Rights)) any of the following, if it does not have its head office in the United Kingdom:

(a) an investment firm (as defined in article 1(2) of the Investment
Services Directive) which is authorised (within the meaning of article 3) by its Home State regulator;

(b) a credit institution which is authorised (within the meaning of article 1) by its Home State regulator;

(c) a financial institution (as defined in article 1 of the Banking Consolidation Directive) which is a subsidiary of the kind mentioned in article 19 and which fulfils the conditions in articles 18 and 19;

(d) an undertaking pursuing the activity of direct insurance (within the meaning of article 1 of the First Life Directive or of the First Non-Life Directive) which has received authorisation under article 6 from its Home State regulator.

EEA investment business oversight function controlled function CF9 in the table of controlled functions, described more fully in SUP 10.7.6R.

EEA regulator a competent authority for the purposes of any of the Single Market Directives.

EEA right (in accordance with paragraph 7 of Schedule 3 to the Act (EEA Passport Rights)) the entitlement of a person to establish a branch or provide services in an EEA State other than that in which he has his head office:

(a) in accordance with the Treaty as applied in the European Economic Area; and

(b) subject to the conditions of the relevant Single Market Directive.

EEA State (in accordance with paragraph 8 of Schedule 3 to the Act (EEA Passport Rights)) a State which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being; as at 21 June 2001, the following are the EEA States: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom.

effecting contracts of insurance the regulated activity, specified in article 10(1) of the Regulated Activities Order (Effecting and carrying out contracts of insurance), of effecting a contract of insurance as principal.

EIS Enterprise Investment Scheme.

EIS fund an arrangement, specified in paragraph 2 of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 (SI 2001/1062), which is in summary: an arrangement in relation to EIS shares that would have been a collective investment scheme if the scheme arrangements had not provided that:

(a) the operator will, so far as practicable, make investments which, subject to each participant's individual circumstances, qualify for
relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988; and

(b) the minimum subscription to the arrangements by each participant must be not less than £2,000.

**EIS managed portfolio**
a managed portfolio which is, or is to be, invested wholly or mainly in *EIS shares*.

**EIS manager**
(a) (in relation to an *EIS managed portfolio*) the investment manager;

(b) (in relation to an *EIS fund*) the manager of the fund.

**EIS particulars**
a document containing particulars of an *Enterprise Investment Scheme*.

**EIS share**
a share in respect of which the beneficial owner may, subject to his individual circumstances, be qualified, or has been qualified, for relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988.

**EIS subscription**
any money which is subscribed:

(a) in the case of an *EIS managed portfolio*, by the *client* of the *EIS manager* whose portfolio it is;

(b) in the case of an *EIS fund*, by the participants in the *EIS*.

**eligible**
(in *CIS*) (in relation to a *securities* market or a *derivatives* market) a market that satisfies the requirements of *CIS 5.3.3R* (Eligible markets requirements).

**eligible claimant**
a person who is eligible to bring a *claim* for compensation under *COMP 4.2.1R*.

**eligible complainant**
a person eligible to have a complaint considered under the *Financial Ombudsman Service*, as defined in *DISP 2.4* (Who can refer a complaint to the Financial Ombudsman Service).

**eligible institution**
(in *CIS*)

(a) a *BCD credit institution* authorised by its *Home State regulator*;

(b) an *ISD investment firm* authorised by its *Home State regulator*.

**eligible investment trust**
an *investment trust* that satisfies the requirements of *CIS 5.10.4R* (Feeder fund investing in a single eligible investment trust).

**employee**
(1) (for all purposes except those in (2))

an individual:

(a) who is employed or appointed by a *person* in connection with that *person's* business, whether under a contract of service or for services or otherwise; or

(b) whose services, under an arrangement between that *person* and a third party, are placed at the disposal and under the control of that *person*;

but excluding an *appointed representative* of that *person*. 
(2) (for the purposes of:

(a) \textit{COB} 7.13 (Personal account dealing);
(b) \textit{SUP} 12 (Appointed representatives); and
(c) \textit{TC }

an individual:

(i) within (1); or
(ii) who is:

(A) an \textit{appointed representative} of the person referred to in (1); or
(B) employed or appointed by an \textit{appointed representative} of that person, whether under a contract of service or for services or otherwise, in connection with the business of the \textit{appointed representative} for which that person has accepted responsibility.

\textit{endowment assurance} a \textit{life policy} which pays a sum of \textit{money} on the survival of the life assured to a specific date or on his earlier death.

\textit{ENF} the Enforcement manual.

\textit{engage in investment activity} (as defined in section 21(8) of the \textit{Act}) (Restrictions on financial promotion)):

(a) enter or offer to enter into an agreement the making or performance of which by either party constitutes a \textit{controlled activity}; or
(b) exercise any rights conferred by a \textit{controlled investment} to acquire, dispose of, underwrite or convert a \textit{controlled investment}.

\textit{entering as provider into a funeral plan contract} the \textit{regulated activity}, specified in article 59 of the \textit{Regulated Activities Order} (Funeral plan contracts) which comes into force on 1 January 2002, of entering as provider into a \textit{funeral plan contract}.

\textit{Enterprise Investment Scheme} an arrangement which is an \textit{EIS managed portfolio} or an \textit{EIS fund}.

\textit{Enterprise Zone Property Unit Trust} an \textit{unregulated collective investment scheme} of which the underlying assets are industrial and commercial buildings in an Enterprise Zone in accordance with section 749(2) of the Finance Act 1980.

\textit{equity stake} (in relation to a \textit{company}) any kind of equity stake in that \textit{company}, including \textit{shares} in it (including non-voting and non-equity \textit{shares}, \textit{debt securities} that are convertible or exchangeable into such \textit{shares}, a call \textit{option} on such \textit{shares} or an in-the-money put \textit{option} on such \textit{shares}, but excluding a \textit{contract for differences} or other \textit{investment} that provides merely an economic exposure to movement in the price of the \textit{company}'s \textit{shares}).

\textit{establishing}, the \textit{regulated activity}, specified in article 51(1)(a) of the \textit{Regulated Activities Order}.
operating or winding up a collective investment scheme

establishing, operating or winding up a regulated collective investment scheme

establishing, operating or winding up a stakeholder pension scheme

establishing, operating or winding up an unregulated collective investment scheme

establishment conditions

establishment costs

European Economic Area

evidential provision

---

**operating or winding up a collective investment scheme**

Activities Order (Establishing etc a collective investment scheme), of establishing, operating or winding up a collective investment scheme.

establishing, operating or winding up a regulated collective investment scheme

if the scheme is a regulated collective investment scheme.

establishing, operating or winding up a stakeholder pension scheme

if the scheme is a stakeholder pension scheme.

establishing, operating or winding up an unregulated collective investment scheme

if the scheme is an unregulated collective investment scheme.

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**establishment conditions**

the conditions specified in paragraph 13 of Schedule 3 to the Act (EEA Passport Rights), which are that:

(a) the FSA has received notice ("a consent notice") from the EEA firm's Home State regulator that it has given the EEA firm consent to establish a branch in the United Kingdom;

(b) the consent notice:

(i) is given in accordance with the relevant Single Market Directive;

(ii) identifies the activities to which consent relates; and

(iii) includes the other information prescribed in the Financial Services and Markets Act 2000 (EEA Passport Rights) Regulations 2001 (SI 2001/1376); and

(c) the EEA firm has been informed of the applicable provisions or two months have elapsed beginning with the date when the FSA received the consent notice.

**establishment costs**

(DISP) the costs of establishing the Financial Ombudsman Service.

**European Economic Area**

the area established by the agreement on the European Economic Area signed at Oporto on 2 May 1992 and which consists of the EEA States.

**evidential provision**

a rule, contravention of which does not give rise to any of the consequences provided for by other provisions of the Act; and which provides, in accordance with section 149(2) of the Act, that:

(a) contravention may be relied on as tending to establish contravention of such other rule as may be specified; or

(b) compliance may be relied on as tending to establish compliance with such other rule as may be specified; or
(c) both (a) and (b).

**ex-section 43 firm** a firm that was a listed institution, as defined in section 43 of the Financial Services Act 1986, immediately before **commencement**.

**ex-section 43 lead regulated firm** an ex-section 43 firm for which the FSA (in its capacity as the regulatory body under section 43 of the Financial Services Act 1986) was lead regulator for financial supervision purposes, and that was subject to the section 43 capital requirements, immediately before commencement.

**excluded material** (in relation to access to FSA material) (as defined in section 394(7) of the Act (Access to Authority material)) material which:

(a) has been intercepted in obedience to a warrant issued under any enactment relating to the interception of communications; or

(b) indicates that such a warrant has been issued or that material has been intercepted in obedience to such a warrant; or

(c) is a protected item.

**execute** (in relation to a transaction) carry into effect or perform the transaction, whether as principal or as agent, including instructing another person to execute the transaction.

**execution-only transaction** a transaction executed by a firm upon the specific instructions of a client where the firm does not give advice on investments relating to the merits of the transaction.

**executive procedures** the procedures relating to the giving of warning notices, decision notices and supervisory notices that the FSA proposes to follow in the circumstances specified in DEC 4.1.6G (Decisions to be taken by executive procedures), and that are described in DEC 4.3 (Executive procedures for statutory notice decisions and statutory notice associated decisions).

**exempt activity** (in relation to a recognised body) any regulated activity in respect of which the body is exempt from the general prohibition as a result of section 285(2) or (3) of the Act (Exemption for recognised investment exchanges and clearing houses).

**exempt person** (as defined in section 417(1) of the Act (Definitions)) (in relation to a regulated activity) a person who is exempt from the general prohibition in respect of that activity as a result of:

(a) the Exemption Order; or

(b) being an appointed representative; or

(c) section 285(2) or (3) of the Act (Exemption for recognised investment exchanges and clearing houses).

**exempt professional firm** a person to whom, under section 327 of the Act, the general prohibition does not apply; guidance is given in PROF 2.2 (Exempt regulated activities).

**exempt regulated** (as defined in section 325(2) of the Act (Authority's general duty)) a
activity  regulated activity which may, as a result of Part XX of the Act (Provision of Financial Services by Members of the Professions), be carried on by members of a profession which is supervised and regulated by a designated professional body without breaching the general prohibition.


exposure  (in relation to a firm) the maximum loss which the firm might suffer if:
(a) a counterparty or a group of connected counterparties fail to meet their obligations; or
(b) it realises assets or off-balance sheet positions.

extraordinary resolution  (in CIS) a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution at a general meeting or (as the case may be) class meeting of holders, of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given.

EZPUT  Enterprise Zone Property Unit Trust.

facilities  (in relation to a recognised body) the facilities and services which it provides in the course of carrying on exempt activities.

failure  (in COB 9) the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction.

fee  any payment offered or made by a client to a firm in connection with designated investment business or with any other business of the firm, including (where applicable) any mark-up or mark-down.

feeder fund  an AUT that is a relevant pension scheme and dedicated to units in a single regulated collective investment scheme or to shares or debentures of a single eligible investment trust.

field representative  an appointed representative of the firm, or an employee of the firm (or of its appointed representative), whose normal fixed place of business is not a business address of the firm which appears on the firm's stationery.

final notice  a notice given by the FSA under section 390 of the Act (Final notices).

final response  a response from a firm to a complainant which:
(a) accepts the complaint, and where appropriate, offers redress; or
(b) offers redress without accepting the complaint; or
(c) rejects the complaint giving reasons for doing so, and contains information about the right to refer the complaint to the Financial Ombudsman Service.

finance function  controlled function CF13 in the table of controlled functions,
described more fully in SUP 10.8.1R.

**Financial Action Task Force**
the inter-governmental body responsible for developing and promoting policies, both nationally and internationally, to combat money laundering.

**financial adviser**
an individual appointed by an independent intermediary or by its appointed representative to provide any or all of the following services:
(a) giving advice on investments to clients;
(b) arranging (bringing about) deals in investments or executing transactions involving, in each case, designated investments with or for clients;
(c) managing investments;
(d) receiving or holding client money or other clients' assets;
(e) safeguarding and administering investments.

**financial crime**
(in accordance with section 6(3) of the Act) any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:
(a) fraud or dishonesty; or
(b) misconduct in, or misuse of information relating to, a financial market; or
(c) handling the proceeds of crime;

in this definition, "offence" includes an act or omission which would be an offence if it had taken place in the United Kingdom.

**Financial Ombudsman Service**
the scheme provided under Part XVI of the Act (The Ombudsman Scheme) under which certain disputes may be resolved quickly and with minimum formality by an independent person.

**Financial Ombudsman Service Limited**
the body corporate established by the FSA under paragraph 2(1) of Schedule 17 to the Act (The Scheme Operator) to administer the Financial Ombudsman Service.

**financial promotion**
(in accordance with section 21(1) of the Act (Restrictions on financial promotion)) an invitation or inducement to engage in investment activity.

**Financial Promotion Order**

**financial promotion rules**
COB 3.

**Financial Services and Markets Tribunal**
the Tribunal established under section 132 of the Act (The Financial Services and Markets Tribunal) and run by the Lord Chancellor's Department.

**Financial Services Compensation**
the body corporate established by the FSA under section 212 of the Act (The scheme manager) to administer the compensation scheme.
Scheme Limited

financial system (as defined in section 3 of the Act (Market confidence)) the financial system operating in the United Kingdom including:
(a) financial markets and exchanges;
(b) regulated activities; and
(c) other activities connected with financial markets and exchanges.

financial year
(1) (in DISP) the 12 months ending with 31 March.
(2) (in LLD) a calendar year.

fire and natural forces (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 8 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of Part I of Schedule 1 to the Regulated Activities Order (Land vehicles; railway rolling stock; aircraft; ships; goods in transit) relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence.

firm an authorised person, but not a professional firm unless it is an authorised professional firm.
(see also GEN 2.2.18R for the position of an authorised partnership or unincorporated association which is dissolved.)


FIT the part of the Handbook in High Level Standards which has the title the Fit and Proper test for Approved Persons.

flat rate benefits business friendly society a friendly society whose insurance business is restricted to the provision of benefits which vary according to the resources available and in which the contributions of members are determined on a flat rate basis.

former member (in LLD) a person who has ceased to be a member, whether by resignation or otherwise, in accordance with Lloyd's Act 1982 and any byelaw made under it.

former underwriting member (as defined in section 324(1) of the Act (Interpretation of Part XIX: Lloyd's)) a person ceasing to be an underwriting member on, or at any time after, 24 December 1996.

forward price (in relation to units) a price calculated by reference to the valuation point next following the authorised fund manager's agreement to sell or, as the case may be, to redeem the units in question.
FOS Ltd  
Financial Ombudsman Service Limited.

free-standing additional voluntary contribution  
an additional voluntary contribution to a private pension policy or pension contract separate from but associated with an occupational pension scheme which is an approved arrangement under section 591(2)(h) of the Income and Corporation Taxes Act 1988.

friendly society  
an incorporated friendly society or a registered friendly society.

front end loaded  
(in relation to an investment) one where deductions for charges and expenses are loaded disproportionately on the early years.

FSA  
the Financial Services Authority.

FSA Register  
the public record, as required by section 347 of the Act (The public record), of every:

(a) authorised person;
(b) AUT;
(c) ICVC;
(d) recognised scheme;
(e) recognised investment exchange;
(f) recognised clearing house;
(g) individual to whom a prohibition order relates;
(h) approved person; and
(i) person within such other class (if any) as the FSA may determine; except as provided by any transitional provisions.

FSAVC  
free-standing additional voluntary contribution.

FSCS  
Financial Services Compensation Scheme Limited.

fund of funds scheme  
an authorised fund dedicated to units in a number of regulated collective investment schemes or sub-funds of one or more regulated collective investment schemes (or both).

funds at Lloyd's  
assets of members held by the Society, not being part of their premium trust funds, available to meet the liabilities arising from their insurance business at Lloyd's.

funeral plan contract  
the investment, specified in articles 59(2), 60 and 87 of the Regulated Activities Order which come into force on 1 January 2002, which is in summary: rights under a contract under which:

(a) a person ("the customer") makes one or more payments to another person ("the provider"); and
(b) the provider undertakes to provide, or secure that another person provides, a funeral in the United Kingdom for the customer (or some other person who is living at the date when the contract is entered into) on his death;

unless, at the time of entering into the contract, the customer and the
provider intend or expect the funeral to occur within one month; but excluding certain contracts under which sums paid will be applied towards a contract of insurance or will be held on trust.

future

the investment, specified in article 84 of the Regulated Activities Order (Futures), which is in summary: rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed on when the contract is made.

future benefit

(in COMP) any benefit, provided by a long-term insurance contract under which a company in liquidation owes obligations, which has not fallen due to be paid before the beginning of the liquidation.

definitions-
futures and options scheme

an authorised fund dedicated to derivatives (where most or all of the transactions in derivatives are fully covered by cash, securities or derivatives), with or without transferable securities.

geared futures and options scheme

an authorised fund dedicated to derivatives (where most or all of the extent of the investment is limited by the amount of property available to put up as initial outlay), whether with or without transferable securities.

geared securities scheme

a regulated collective investment scheme where the policies which the operator adopts or proposes to adopt mean that, as a result of investment in warrants, movements in prices of units are likely to be amplified significantly.

GEN

the part of the Handbook in High Level Standards which has the title General provisions.

definitions-
general client bank account

a client bank account that holds client money of one or more clients and which is not:

(a) a designated client bank account; or

(b) a designated client fund account.

definitions-
general insurance business

the business of effecting or carrying out general insurance contracts.

definitions-
general insurance business assets

(in LLD) assets of a member that are:

(a) in a premium trust fund for general insurance business; or

(b) funds at Lloyd's that are not long-term insurance business assets.

definitions-
general insurance business liabilities

liabilities of a member that are not to be left out of account under LLD 12.5.4R, and are not long-term insurance business liabilities.

definitions-
general insurance business syndicate

a syndicate in which members at Lloyd's carry on general insurance business.

definitions-
general insurance contract

(in accordance with article 3(1) of the Regulated Activities Order (Interpretation: general)) any contract of insurance within Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), namely:
(a) accident (paragraph 1);
(b) sickness (paragraph 2);
(c) land vehicles (paragraph 3);
(d) railway rolling stock (paragraph 4);
(e) aircraft (paragraph 5);
(f) ships (paragraph 6);
(g) goods in transit (paragraph 7);
(h) fire and natural forces (paragraph 8);
(i) damage to property (paragraph 9);
(j) motor vehicle liability (paragraph 10);
(k) aircraft liability (paragraph 11);
(l) liability of ships (paragraph 12);
(m) general liability (paragraph 13);
(n) credit (paragraph 14);
(o) suretyship (paragraph 15);
(p) miscellaneous financial loss (paragraph 16);
(q) legal expenses (paragraph 17);
(r) assistance (paragraph 18).

general levy (in DISP) the annual fee raised from a firm under the rules to fund a part agreed between the Financial Ombudsman Service and the FSA of the Financial Ombudsman Service's annual budget.

general liability (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 13 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against risks of the persons insured incurring liabilities to third parties, the risks in question not being risks to which paragraph 10 (Motor vehicle liability), 11 (Aircraft liability) or 12 (Liability of ships) of that Schedule relates.

general prohibition the prohibition imposed by section 19 of the Act (The general prohibition) which states that no person may carry on a regulated activity in the United Kingdom, or purport to do so, unless he is:
(a) an authorised person; or
(b) an exempt person.

general representative a person resident in the United Kingdom who is authorised to act generally, and to accept service of any document, on behalf of the firm.

global account the accounts produced under LLD 15.10 (The Lloyd's global account).

Glossary the Glossary giving the meanings of the defined expressions used in
the Handbook.

goods in transit (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 7 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against loss of or damage to merchandise, baggage and all other goods in transit, irrespective of the form of transport.

governing body the board of directors, committee of management or other governing body of a firm or recognised body, including, in relation to a sole trader, the sole trader.

governing function any of the controlled functions 1 to 7 in the table of controlled functions.

government and public security the investment, specified in article 78 of the Regulated Activities Order (Government and public securities), which is in summary: a loan stock, bond or other instrument creating or acknowledging indebtedness, issued by or on behalf of:

(a) the government of the United Kingdom; or
(b) the Scottish Administration; or
(c) the Executive Committee of the Northern Ireland Assembly; or
(d) the National Assembly of Wales; or
(e) the government of any country or territory outside the United Kingdom; or
(f) a local authority in the United Kingdom or elsewhere; or
(g) a body the members of which comprise:

(i) States including the United Kingdom or another EEA State; or

(ii) bodies whose members comprise States including the United Kingdom or another EEA State;

but excluding:

(A) the instruments specified in article 77(2)(a) to (d) of the Regulated Activities Order;

(B) any instrument creating or acknowledging indebtedness in respect of:

(I) money received by the Director of Savings as deposits or otherwise in connection with the business of the National Savings Bank; or

(II) money raised under the National Loans Act 1968 under the auspices of the Director of Savings or treated as so raised under section 11(3) of the National Debt Act 1972.

gross accumulation share (in CIS) a share in respect of which income is credited periodically to capital under CIS 9.2.4R (Annual allocation to accumulation shares or
accumulation units) or CIS 9.2.6R (Interim allocations of income) but, in accordance with relevant law, without deduction by the ICVC of any income tax.

**group**

(as defined in section 421 of the Act (Group)) (in relation to a person ("A")). A and any person who is:

(a) a **parent undertaking** of A;
(b) a **subsidiary undertaking** of A;
(c) a **subsidiary undertaking** of a parent undertaking of A;
(d) a **parent undertaking** of a subsidiary undertaking of A;
(e) an **undertaking** in which A or an undertaking in (a) to (d) has a participating interest;
(f) if A or an undertaking in (a) or (d) is a building society, an associated undertaking of that building society;
(g) if A or an undertaking in (a) or (d) is an incorporated friendly society, a body corporate of which that friendly society has joint control (as defined in section 13(9)(c) or (cc) of the Friendly Societies Act 1992);

in this definition:

(i) "participating interest" has the same meaning as in Part VII of the Companies Act 1985 or Part VIII of the Companies (Northern Ireland) Order 1986; but also includes an interest held by an individual which would be a participating interest for the purposes of those provisions if he were an undertaking;

(ii) "associated undertaking" has the meaning given in section 119(1) of the Building Societies Act 1986.

(see also immediate group.)

**group ISA**

an individual savings account of which the plan manager is the **authorised fund manager**, or in the same **group** as the **authorised fund manager**, of the **authorised fund** by reference to units in which the **plan register** is being, or is proposed to be, maintained.

**group personal equity plan**

(as defined in regulation 2 of the Personal Equity Plan Regulations 1989) a general plan:

(a) of which the plan manager is the **authorised fund manager**, or in the same **group** as the **authorised fund manager**, of the **authorised fund** by reference to units in which the **plan register** is being, or is proposed to be, maintained; and

(b) for the account of which there is no holding of units in a collective investment scheme other than a holding of units in one or more **authorised funds** managed by (or, in the case of an ICVC, whose ACD is) the plan manager or a body corporate in the same **group** as the plan manager.

**group personal**

a personal pension scheme which is available to employees of the
pension scheme same employer or of employers within a group.
group plan a group personal equity plan, a group ISA or a group savings plan.
group savings plan a savings plan:
(a) of which the plan manager is the authorised fund manager, or in
the same group as the authorised fund manager, of the
authorised fund by reference to units in which the plan register is
being, or is proposed to be, maintained;
(b) under which investments are periodically acquired and held by a
nominee for the absolute benefit of the respective subscribers to
the savings plan; and
(c) under which all the investments are units in one or more
authorised funds managed by (or, in the case of an ICVC, whose
ACD is) the plan manager, or a body corporate in the same
group as the plan manager.
guarantee fund (in relation to an insurer) an amount equal to the greater of one third
of the required margin of solvency and the minimum guarantee fund,
as set out in IPRU(INS) 2.9R.
guidance guidance given by the FSA under the Act.
habitual residence (a) if the policyholder is an individual, the address given by the
policyholder as his residence if it reasonably appears to be a
residential address and there is no evidence to the contrary;
(b) if the policyholder is not an individual or a group of individuals,
the State in which the policyholder has its place of establishment,
or, if it has more than one, its relevant place of establishment;
(c) in respect of the variation of a life policy, or the purchase of a
pension annuity related to a life policy, unless there is evidence to
the contrary, the habitual residence of the policyholder at the date
on which the policyholder signed the proposal for the life policy.
half-yearly accounting period (in CIS) a period determined in accordance with CIS 9.2.1R(6)
(Accounting period).
Handbook the FSA’s Handbook of rules and guidance (for a table of contents, see
the Reader’s Guide).
higher volatility fund a regulated collective investment scheme which is:
(a) a geared futures and options scheme, a geared securities scheme
or a warrant scheme;
(b) a fund of funds scheme of which one or more of the schemes to
which it is dedicated falls within (a); or
(c) an umbrella scheme, a sub-fund of which, if it were a separate
fund, would fall within (a).
historic price a price calculated by reference to the valuation point immediately
preceding the authorised fund manager’s agreement to sell or, as the
case may be, to redeem the units in question.
holder (a) (in relation to a unit in an authorised fund):
   (i) the shareholder; or
   (ii) the unitholder;

(b) (in relation to a unit in any other collective investment scheme):
   (i) the person who is entered in the register of the scheme as
       the holder of that unit; or
   (ii) the bearer of a bearer certificate representing that unit.

holding company (as defined in section 736(1) of the Companies Act 1985
("subsidiary", "holding company" and "wholly-owned subsidiary")
(in relation to another body corporate ("S")) a body corporate which:
(a) holds a majority of the voting rights in S; or
(b) is a member of S and has the right to appoint or remove a
    majority of its board of directors; or
(c) is a member of S and controls alone, under an agreement with
    other shareholders and members, a majority of the voting rights
    in S.

Holloway sickness policy a policy offered or effected by a friendly society under the Holloway system.

Home State (1) (in relation to a credit institution) the EEA State in which the
credit institution has been authorised in accordance with the
Banking Consolidation Directive.

(2) (in relation to an investment firm):
   (a) if the investment firm is a natural person, the EEA State in
       which his head office is situated;
   (b) if the investment firm is a legal person, the EEA State in
       which its registered office is situated or, if under its
       national law it has no registered office, the EEA State in
       which its head office is situated.

(3) (in relation to an insurance undertaking with an EEA right) the
EEA State in which the registered office of the insurance
undertaking is situated.

(4) (in relation to a market) the EEA State in which the registered
office of the body which provides trading facilities is situated or,
if under its national law it has no registered office, the EEA State in
which that body’s head office is situated.

(5) (in relation to a Treaty firm) the EEA State in which its head
office is situated, in accordance with paragraph 1 of Schedule 4
to the Act (Treaty Rights).

Home State authorisation (as defined in paragraph 3(1)(a) of Schedule 4 to the Act (Treaty Rights)) authorisation of a firm under the law of its Home State to carry on a regulated activity.
Home State regulator (1) (in relation to an EEA firm) (as defined in paragraph 9 of Schedule 3 to the Act (EEA Passport Rights)) the competent authority (under the relevant Single Market Directive) of an EEA State (other than the United Kingdom) in relation to the EEA firm concerned.

(2) (in relation to a UK firm) the FSA.

(3) (in relation to a Treaty firm) (as defined in paragraph 1 of Schedule 4 to the Act (Treaty Rights)) the competent authority of the firm's Home State for the purpose of its Home State authorisation.

home territory (in relation to an overseas investment exchange or an overseas clearing house) the country or territory in which its head office is situated.

Host State the EEA State in which an EEA firm, a UK firm, or a Treaty firm is exercising an EEA right or Treaty right to establish a branch or provide cross border services.

Host State regulator (1) (in relation to an EEA firm or a Treaty firm exercising an EEA right or Treaty right in the United Kingdom) the FSA.

(2) (in relation to a UK firm) (as defined in paragraph 11 of Schedule 3 to the Act (EEA Passport Rights)) the competent authority (under the relevant Single Market Directive) of an EEA State (other than the United Kingdom) in relation to a UK firm's exercise of EEA rights there.

ICD Investor Compensation Directive.

ICD claim a claim:

(a) against an ISD investment firm (including a credit institution which is an ISD investment firm), whether established in the United Kingdom or in another EEA State; and

(b) in relation to any of the investment services listed in Section A and paragraph 1 of Section C of the Annex to the ISD.

ICVC investment company with variable capital.

identification evidence evidence of the type referred to in ML 3.1.3R(1).

immediate group (in relation to an authorised person) (as defined in section 148(11) of the Act (Modification or waiver of rules)):

(a) the authorised person;

(b) a parent undertaking of the authorised person;

(c) a subsidiary undertaking of the authorised person;

(d) a subsidiary undertaking of a parent undertaking of the authorised person;

(e) a parent undertaking of a subsidiary undertaking of the
authorised person.

**IMRO**

the Investment Management Regulatory Organisation Limited.

**in default**

the status of being in default following a determination made under COMP 6.3.1R.

**income account**

(in CIS) an account relating to the *income property* of an *authorised fund*.

**income equalisation**

(in relation to a scheme) a capital sum which, in accordance with a power contained in the *instrument constituting the scheme*, is included in an allocation of income for a *unit* issued or sold during the accounting period in respect of which that income allocation is made.

**income property**

all sums considered by an *ICVC* or by a *manager*, in each case after consultation with the auditor, to be in the nature of income received or receivable for the account of and in respect of the property of an *authorised fund*, but excluding any amount for the time being standing to the credit of the *distribution account*.

**income share**

a *share* in respect of which income is allocated periodically to *shareholders* under CIS 9.2.3R (Annual allocation of income) or CIS 9.2.6R (Interim allocations of income).

**income unit**

a *unit* in an AUT which is not an *accumulation unit*.

**income withdrawals**

(a) income withdrawals under section 630 of the Income and Corporation Taxes Act 1988; or

(b) payments made under interim arrangements in accordance with section 28A of the Pension Schemes Act 1993;

in respect of an election to make income withdrawals, a reference to a *private customer*, an investor or a *policyholder* includes, after that person's death, his surviving spouse, or anyone who is, at that time, his dependant, or both.

**incoming EEA firm**

(in accordance with section 193(1)(a) of the *Act* (Interpretation of this Part)) an *EEA firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *United Kingdom* in accordance with Schedule 3 to the *Act* (EEA Passport Rights).

**incoming firm**

(in accordance with section 193(1) of the *Act* (Interpretation of this Part)) an *incoming EEA firm* or an *incoming Treaty firm*.

**incoming Treaty firm**

(in accordance with section 193(1)(b) of the *Act* (Interpretation of this Part)) a *Treaty firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *United Kingdom* in accordance with Schedule 4 to the *Act* (Treaty rights).

**incorporated friendly society**

a society incorporated under the Friendly Societies Act 1992.

**independent advice**

advice on investments, other than in the form of a *direct offer financial promotion*, given to a *customer* by an *independent intermediary* in relation to *packaged products*.
independent intermediary

a firm acting as an intermediary, but excluding:

(a) a firm which is a member of a marketing group;
(b) a product provider which sells its own packaged products.

individual member

(in LLD) a member, or former member, who is a natural person.

individual pension contract

a pension policy or pension contract under which contributions are paid to:

(a) a personal pension scheme; or
(b) a retirement benefits scheme, approved under section 591(2)(g) of the Income and Corporation Taxes Act 1988, for the provision of relevant benefits by means of an annuity contract made with an insurance company of the employee's choice.

individual savings account

an account which is a scheme of investment satisfying the conditions prescribed in the ISA Regulations.

industrial and provident society

a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) 1969.

industrial assurance policy

a policy of industrial assurance, as defined in the Industrial Assurance Act 1923.

industry block

(in DISP) a grouping of firms by common business activity for the purposes of calculating the general levy.

initial margin

(1) (in CIS) cash or other property deposited in accordance with the rules of a derivatives market.
(2) (in COB) the amount which under the rules of the relevant exchange or clearing house the firm or an intermediate broker would be required to deposit in cash as a fidelity deposit in respect of all the client's open positions in margined transactions at that time, irrespective of any unrealised profit or loss on such positions, on the assumption that those transactions were the only transactions undertaken under the rules of that exchange or that clearing house by the firm or the intermediate broker at that time.
(3) (in LLD) (in relation to a derivative contract or quasi-derivative contract) assets which, before or at the time the contract is entered into, are transferred subject to a condition that the assets (or where the assets transferred are securities, equivalent securities) will be returned on completion of that contract.

initial offer

(in CIS) an offer for sale of units in an authorised fund or in a sub-fund (otherwise than in accordance with arrangements of the type described in CIS 5.15.8R(3)(b)(iii) or (c) (Guarantees and indemnities)), where all or part of the consideration paid for the account of the authorised fund for the units is to be used to acquire the initial scheme property of the authorised fund or the initial scheme property attributable to the sub-fund.

initial outlay

(in relation to an authorised fund) the amount which the authorised
fund is required to provide in order to obtain rights under a transaction in derivatives, excluding any payment or transfer on exercise of rights.

**initial price** (in CIS):

(a) (in relation to a share of an ICVC or a unit in a single-priced AUT) the price to be paid for a unit of any class during the period of the initial offer under CIS 4.2.4R(1) (Issue of units: initial offer);

(b) (in relation to a unit in a dual-priced AUT) such amount as may be agreed by the trustee and manager as being the maximum amount, inclusive of the manager's preliminary charge, if any, which may be paid to the manager for units on an initial offer.

**injunction** a court order made by the High Court that prohibits a person from doing or continuing to do a certain act or requires a person to carry out a certain act.

**insider dealing** the activity described in section 52 of the Criminal Justice Act 1993, which is in summary:

(a) the offence of which an individual is guilty if he has information as an insider and:

(i) in the circumstances described in (b), he deals in securities that are price-affected securities in relation to the information;

(ii) (A) he encourages another person to deal in securities that are (whether or not that other knows it) price-affected securities in relation to the information, knowing or having reasonable cause to believe that the dealing would take place in the circumstances mentioned in (b); or

(B) he discloses the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another person;

(b) the circumstances referred to in (a) are that the acquisition or disposal in question occurs on a regulated market (identified in an Order made by the Treasury), or that the person dealing relies on a professional intermediary or is himself acting as a professional intermediary.

**insolvency order** an administration order, compulsory winding up order, bankruptcy order, or sequestration order.

**insolvent** (in ML) insolvent under regulation 13 of the Money Laundering Regulations.

**instrument constituting the scheme** (a) (in relation to an ICVC) the instrument of incorporation;

(b) (in relation to an AUT) the trust deed;

(c) (in relation to a collective investment scheme other than an authorised fund) any instrument to which the operator is a party.
setting out any arrangements with any other person relating to any aspect of the operation or management of the scheme.

**instrument of incorporation**
the instrument of incorporation of an ICVC (as from time to time amended) initially provided to the FSA in accordance with regulation 14(1)(c) of the OEIC regulations.

**insurance accounts rules**
Schedule 9A to the Companies Act 1985 (Form and content of accounts of insurance companies) and Schedule 9A to the Companies Act (Northern Ireland) Order 1986.

**insurance business**
the business of effecting or carrying out contracts of insurance.

**insurance component**
a qualifying investment prescribed in regulation 9 of the ISA Regulations.

**Insurance Directives**

**insurance market direction**
a direction made by the FSA under section 316(1) of the Act (Direction by Authority).

**insurance undertaking**
an undertaking, whether or not an insurer, which carries on insurance business.

**insurer**
a firm with permission to effect or carry out contracts of insurance (other than a bank).

**inter-professional business**
the business of a firm:

(a) when it carries on:

(i) regulated activities; or
(ii) related ancillary activities;

to the extent that the regulated activity that the firm is carrying on is:

(A) dealing in investments as principal; or
(B) dealing in investments as agent; or
(C) acting as an arranger; or
(D) giving transaction-specific advice or agreeing to do so;

but only if that activity is:

(I) in or in respect of an inter-professional investment;
(II) undertaken with or for a market counterparty; and
(III) carried on from an establishment maintained by the firm in the United Kingdom;

(b) but excluding the carrying on of the following activities:

(i) the approval by a firm of a financial promotion;
(ii) activities carried on between operators, or between
operators and depositaries, of the same collective investment scheme (when acting in that capacity);

(iii) corporate finance business;

(iv) safeguarding and administering investments and agreeing to carry on that regulated activity.

inter-professional investment any of the following investments specified in Part III of the Regulated Activities Order (Specified investments):

(a) share (article 76);
(b) debenture (article 77);
(c) government and public security (article 78);
(d) warrant (article 79);
(e) certificate representing certain securities (article 80);
(f) option (article 83); for the purposes of the permission regime, this is sub-divided into:
   (i) option (excluding a commodity option and an option on a commodity future);
   (ii) commodity option and option on a commodity future;
(g) future (article 84); for the purposes of the permission regime, this is sub-divided into:
   (i) future (excluding a commodity future and a rolling spot forex contract);
   (ii) commodity future;
   (iii) rolling spot forex contract;
(h) contract for differences (article 85); for the purposes of the permission regime, this is sub-divided into:
   (i) contract for differences (excluding a spread bet and a rolling spot forex contract);
   (ii) spread bet;
   (iii) rolling spot forex contract;
(i) rights to or interests in investments in (a) to (h) (article 89).

inter-syndicate reinsurance reinsurance between one syndicate year and another, not being reinsurance to close.

interdict a Scottish court order made by the Court of Session that prohibits a person from doing or continuing to do a certain act or requires a person to carry out a certain act.

interested party (in relation to an application made under section 60 of the Act (Applications for approval)):

(a) the firm making the application;
(b) the person in respect of whom the application is being made
("A"); and

(c) the person by whom A's services are to be retained, if not the firm making the application.

**interim accounting period** (in CIS) a period within an annual accounting period in respect of which an allocation of income is to be made.

**interim income allocation date** any date specified in the prospectus of an authorised fund as the date on or before which an allocation of income will be made.

**intermediaries offer** (for the purposes of the Code of Market Conduct (MAR 1)) a marketing of securities not yet in issue, by means of an offer by, or on behalf of, the issuer to intermediaries for them to allocate to their own clients.

**intermediary** (in LLD) a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into contracts of insurance, but not a person who publishes such invitations only on behalf of, or to the order of, some other person.

**intermediate broker** (in relation to a transaction in a contingent liability investment) any person acting in the capacity of an intermediary through whom the firm undertakes that transaction.

**intermediate customer** (1) (except in COB 3) a client who is not a market counterparty and who is:

(a) a local authority or public authority;

(b) a body corporate whose shares have been listed or admitted to trading on any EEA exchange;

(c) a body corporate whose shares have been listed or admitted to trading on the primary board of any IOSCO member country official exchange;

(d) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);

(e) a special purpose vehicle;

(f) a partnership or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners;

(g) a trustee of a trust (other than an occupational pension scheme, SSAS or stakeholder pension scheme) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any
other currency at the relevant time) calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities;

(h) a trustee of an occupational pension scheme, SSAS or stakeholder pension scheme where the trust has (or has had at any time during the previous two years):

(i) at least 50 members; and

(ii) assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);

(i) another firm, or an overseas financial services institution, when, in relation to designated investment business, or related ancillary activities, conducted with or for that firm or institution, that firm or institution is an intermediate customer in accordance with COB 4.1.7R (Classification of another firm or an overseas financial services institution);

(j) an unregulated collective investment scheme;

(k) a client when he is classified as an intermediate customer in accordance with COB 4.1.9R (Expert private customer classified as intermediate customer);

but excluding:

(i) a regulated collective investment scheme; and

(ii) a client who would otherwise be an intermediate customer, when he is classified in accordance with:

(A) COB 4.1.12R (Large intermediate customer classified as market counterparty); or

(B) (except for the purposes of DISP) COB 4.1.14R (Client classified as private customer).

(2) (in COB 3) a person in (1) or a person who would be such a person if he were a client.

**internal audit function** controlled function CF15 in the table of controlled functions, described more fully in SUP 10.8.6R.

**internal controls** the whole system of controls, financial or otherwise, established by the management of a firm in order to:

(a) carry on the business of the firm in an orderly and efficient manner;

(b) ensure adherence to management policies;

(c) safeguard the assets of the firm and other assets for which the firm is responsible; and

(d) secure as far as possible the completeness and accuracy of the
firm's records (including those necessary to ensure continuous compliance with the requirements or standards under the regulatory system relating to the adequacy of the firm's financial resources).

**introducer**

an individual appointed by a *provider firm* or by an *appointed representative* of such a firm, to carry out in the course of designated investment business either or both of the following activities:

(a) effecting introductions;

(b) distributing non-real time financial promotions.

**introducer appointed representative**

an *appointed representative* appointed by a *provider firm* whose scope of appointment is limited to:

(a) effecting introductions; and

(b) distributing non-real time financial promotions.

**introducing broker**

a *firm* which introduces transactions relating to designated investments arranged (brought about) for its clients to a clearing firm.

**introductory period**

(in MAR 2 (Price stabilising rules)) (in relation to stabilising action) the period starting at the time of the first public announcement from which it could reasonably be deduced that the offer was intended to take place in some form and at some time, and ending with the beginning of the stabilising period.

**investment**

(in accordance with sections 22(4) (The classes of activity and categories of investments) and 397(13) (Miscellaneous offences) of the Act) any investment, including any asset, right or interest.

**investment adviser**

(in relation to an *authorised fund*) a *person* who is retained by an ICVC, its *directors* or its *ACD* or by a *manager* of an *AUT* under a commercial arrangement which is not a contract of service:

(a) to supply any of them with advice in relation to the *authorised fund* as to the merits of investment opportunities or information relevant to the making of judgments about the merits of investment opportunities; or

(b) to exercise for any of them any function concerning the management of the scheme property.

**investment adviser (trainee) function**

controlled function CF22 in the table of controlled functions, described more fully in SUP 10.10.11R.

**investment adviser function**

controlled function CF21 in the table of controlled functions, described more fully in SUP 10.10.7R.

**investment agreement**

any agreement the making or performance of which by either party constitutes a regulated activity, but disregarding the exclusions in Part II of the Regulated Activities Order.

**investment company with variable capital**

a body incorporated under the OEIC Regulations.

**investment firm**

any legal person the regular occupation or business of which is the
provision of core investment services for third parties on a professional basis, as defined in article 1(2) of the ISD, and (in relation to a person with his or its head office in an EEA State) a person, who is not a legal person, included as an investment firm by his or its Home State.

(see also ISD investment firm.)

a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, building society, credit union, friendly society, ICVC, insurer, media firm, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission) or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with IPRU(INV) 3 or 10 (Securities and futures firms) or 13 (Personal investment firms) and which is within (a), (b) or (c):

(a) a firm:

(i) which was a member of IMRO immediately before commencement; and

(ii) which was not, immediately before commencement, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or PIA or SFA (under lead regulation arrangements);

(b) a firm whose permission includes a requirement that it comply with IPRU(INV) 5 (Investment management firms);

(c) a firm:

(i) which was given a Part IV permission on or after commencement, or which was authorised under section 25 of the Financial Services Act 1986 immediately before commencement and was not a member of IMRO, PIA or the SFA; and

(ii) for which the most substantial part of its gross income, including commissions, from the regulated activities included in its Part IV permission is derived from one or more of the following activities (based, for a firm given a Part IV permission after commencement, on the business plan submitted as part of the firm's application for permission or, for a firm authorised under section 25 of the Financial Services Act 1986, on the firm's financial year preceding its authorisation under the Act):

(A) managing investments other than for private customers or where the assets managed are primarily derivatives;

(B) OPS activity;

(C) acting as the manager or trustee of an AUT;
(D) acting as the ACD or depositary of an ICVC;

(E) establishing, operating or winding up a collective investment scheme (other than an AUT or ICVC);

(F) safeguarding and administering investments.

**Investment controlled function** CF27 in the table of controlled functions, described more fully in SUP 10.10.20R.

**Investment management function** a person who, acting only on behalf of a client:

(a) manages designated investments in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement; or

(b) manages designated investments in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.

**Investment manager professional** (in accordance with article 19(5) of the Financial Promotion Order) in relation to a financial promotion:

(a) an authorised person;

(b) an exempt person when the financial promotion relates to a controlled activity which is a regulated activity in relation to which the person is exempt;

(c) any other person:

(i) whose ordinary activities involve him in carrying on the controlled activity to which the financial promotion relates for the purposes of a business carried on by him; or

(ii) who it is reasonable to expect will carry on that activity for the purposes of a business carried on by him;

(d) a government, a local authority (whether in the United Kingdom or elsewhere) or an international organisation;

(e) a person ("A") who is a director, officer or employee of a person ("B") falling within any of (a) to (d) where the financial promotion is made to A in that capacity and where A's responsibilities when acting in that capacity involve him in the carrying on by B of controlled activities.

**Investment service** a core investment service or non-core investment service.


**Investment transaction** a transaction to buy, sell, subscribe for or underwrite a security or contractually based investment.

**Investment trust** a company listed in the United Kingdom or another EEA State which:

(a) is approved by the Inland Revenue Commissioners under section 842 of the Income and Corporation Taxes Act 1988 (or, in the
case of a newly formed company, has declared its intention to
conduct its affairs so as to obtain such approval); or
(b) is resident in an EEA State other than the United Kingdom and
would qualify for such approval if resident and listed in the
United Kingdom.

**investment trust savings scheme**

(a) a dealing service (whether or not held within a pension contract)
dedicated to the securities of a particular investment trust, or of
investment trusts within a particular marketing group;

(b) securities to be acquired through an investment trust savings
scheme in (a).

**Investor Compensation Directive**

schemes (No 97/9/EC).

**IOSCO**

the International Organisation of Securities Commissions.

**IPRU**

the Interim Prudential sourcebook, comprising IPRU(BANK),
IPRU(BSOC), IPRU(FSOC), IPRU(INS) and IPRU(INV), or according
to the context one of these Interim Prudential sourcebooks.

**IPRU(BANK)**

the Interim Prudential sourcebook for banks.

**IPRU(BSOC)**

the Interim Prudential sourcebook for building societies.

**IPRU(FSOC)**

the Interim Prudential sourcebook for friendly societies.

**IPRU(INS)**

the Interim Prudential sourcebook for insurers.

**IPRU(INV)**

the Interim Prudential sourcebook for investment businesses.

**ISA**

an individual savings account.

**ISA manager**

a person who is approved by the Inland Revenue for the purposes of
the ISA Regulations as an account manager.

**ISA Regulations**


**ISA transfer**

a transaction resulting from a decision, made with or without advice
from a firm, by a customer who is an individual, to transfer the
investments (or their value) held in his existing ISA in favour of
another ISA which may or may not be managed by the same ISA
manager.

**ISD**

Investment Services Directive.

**ISD investment firm**

an investment firm that has its registered office (or, if it has no
registered office, its head office) in an EEA State:

(a) excluding a person to whom the ISD does not apply under article
2(2) of the ISD; but

(b) including a BCD credit institution whose Home State
authorisation includes a core investment service.

**issue**

(in relation to units)

(1) (except in ENF) the issue of new units by the trustee of an AUT
or by an ICVC;

(2) (in ENF)

(a) an issue in accordance with (1); and

(b) the sale of units.

**issue price**

(in relation to the issue of units of a dual-priced AUT) the price for each unit payable by the manager to the trustee on that issue.

**issuer**

(except in CIS)

(1) (in relation to any security) (other than a unit in a collective investment scheme) the person by whom it is or is to be issued;

(2) (in relation to a unit in a collective investment scheme) the operator of the scheme;

(3) (in relation to an interest in a limited partnership) the partnership;

(4) (in relation to certificates representing certain securities) the person who issued or is to issue the security to which the certificate or other instrument relates.

**joint enterprise**

(as defined in article 3(1) of the Regulated Activities Order (Interpretation)) an enterprise into which two or more persons ("the participators") enter for commercial purposes related to a business or businesses (other than the business of engaging in a regulated activity) carried on by them; where a participator is a member of a group, each other member of the group is also to be regarded as a participator in the enterprise.

**key features**

information about a life policy, scheme or stakeholder pension scheme which is required to be produced in the format specified in COB 6.1 (Packaged products and ISA disclosure) to COB 6.5 (Content of key features and important information: life policies, schemes, cash deposit ISAs and stakeholder pension schemes).

**key individual**

(in relation to a UK recognised body):

(a) its chairman or president;

(b) its chief executive;

(c) a member of its governing body;

(d) a person who, alone or jointly with one or more others, is responsible under the immediate authority of a person in (a), (b) or (c) or a committee of the governing body for the conduct of any relevant function.

**kind of control**

(in relation to a firm) (in accordance with section 179(4) of the Act (Acquiring control)):

(a) control arising as a result of holding shares in the firm;

(b) control arising as a result of holding shares in a parent undertaking of the firm;
(c) control arising as a result of the entitlement to exercise or control the exercise of voting power in the firm;

(d) control arising as a result of the entitlement to exercise or control the exercise of voting power in a parent undertaking of the firm;

in this definition, "shares" has the meaning given in the definition of "controller".

**know your business information** (in ML) information which a relevant firm has about:

(a) the financial circumstances of a client or any person on whose behalf the client has been acting or is acting; and

(b) the features of the transactions which the relevant firm has entered into with or for the client (or that person).

**land vehicles** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 3 of Part I of Schedule 1 to the **Regulated Activities Order** (Contracts of general insurance), against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock.

**large company** a body corporate which does not qualify as a small company under section 247 of the Companies Act 1985.

**large deal** (in CIS) a transaction (or series of transactions in one dealing period) by any person to buy, sell or exchange units in an authorised fund at a total value of £15,000 or its equivalent in the base currency of the authorised fund, or:

(a) for the purpose of **SDRT provision**, such other value; or

(b) for all or any other specified purposes, such greater value; as may be specified in the prospectus.

**large mutual association** a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).

**large partnership** a partnership or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).

**larger denomination share** any share that is not a smaller denomination share.

**lead regulated firm** a firm which is the subject of the financial supervision requirements of an overseas regulator in accordance with an agreement between the FSA and that regulator relating to the financial supervision of firms whose head office is within the country of that regulator.

**leading insurer** (in relation to a community co-insurance operation) has the same meaning as in the **Community Co-Insurance Directive**.

**legal expenses** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 17 of Part I of Schedule 1 to the **Regulated Activities Order** (Contracts of general insurance), against
risks of loss to the persons insured attributable to their incurring legal expenses (including costs of litigation).

**liability of ships** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 12 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against damage arising out of or in connection with the use of vessels on the sea or on inland water, including third party risks and carrier's liability.

**liability subject to compulsory insurance** any liability required under any of the following enactments to be covered by insurance or (as the case may be) by insurance or by some other provisions for securing its discharge:

(a) section 1(4A)(d) of the Riding Establishments Act 1964 (or any corresponding enactment for the time being in force in Northern Ireland);

(b) section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 or Article 5 of the Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972;

(c) Part VI of the Road Traffic Act 1988 or Part VIII of the Road Traffic (Northern Ireland) Order 1981.

**liability to a policyholder** (in relation to a firm carrying out contracts of insurance) any liability or obligation of that firm to, or in respect of, a policyholder, including any liability or obligation arising:

(a) from the requirement to treat customers fairly under Principle 6, including with respect to policyholders' reasonable expectations; or

(b) from a determination of liability by an Ombudsman; or

(c) from any requirement to pay compensation under the regulatory system.

**life and annuity** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph I of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance), on human life or a contract to pay annuities on human life, but excluding (in each case) contracts within paragraph III of Part II of that Schedule (Linked long-term).

**life policy** (in accordance with the definition of "qualifying contract of insurance" in article 3(1) of the Regulated Activities Order) a long-term insurance contract (which includes a pension policy) other than a reinsurance contract and a pure protection contract.

**LIFFE** the London International Financial Futures and Options Exchange.

**limitation** a limitation incorporated in a Part IV permission under section 42(7)(a) of the Act (Giving permission) or section 45(4) of the Act (Variation etc on the Authority's own initiative).

**limited liability** (a) a body corporate incorporated under the Limited Liability
**partnership** Partnerships Act 2000;

(b) a body corporate incorporated under legislation having the equivalent effect to the Limited Liability Partnerships Act 2000.

**linked benefit** a benefit payable under a life policy or a regulated collective investment scheme the amount of which is determined by reference to:

(a) the value of the property of any description (whether specified or not); or

(b) fluctuations in the value of any such property; or

(c) income from such property; or

(d) fluctuations in an index of the value of such property.

**linked long-term** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph III of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance), on human life or contracts to pay annuities on human life where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

**listed**

(1) (except in LLD) included in an official list.

(2) (in LLD)

(a) included in an official list; or

(b) in respect of which facilities for dealing on a regulated market have been granted.

**listed activity** an activity listed in Annex 1 to the Banking Consolidation Directive.

**listed security** any security that is admitted to an official list.

**listing rules** the rules made by UKLA governing admission to listing, the continuing obligations of issuers, the enforcement of those obligations and the suspension and cancellation of listing.

**LLD** the Lloyd's sourcebook.

**Lloyd's actuary** the actuary appointed by the Society under LLD 10.9.1R.

**Lloyd's Arbitration Scheme** the Lloyd's Arbitration Scheme (Members and Underwriting Agents Arbitration Scheme) established under Lloyd's Arbitration Scheme (Members and Underwriting Agents Scheme) Byelaw (No 15 of 1992).

**Lloyd's Members' Ombudsman** the office of Ombudsman established under Lloyd's Members' Ombudsman Scheme Byelaw (No 13 of 1987).

**Lloyd's policy** a contract of insurance written at Lloyd's.

**Lloyd's Return** the financial report that the Society is required to submit to the FSA under LLD 15.2.1R.
a firm which is a member of a futures and options exchange and whose permission includes a requirement that:

(a) the firm will not conduct designated investment business other than:
   (i) dealing for its own account on that futures or options exchange; or
   (ii) dealing for the accounts of other members of the same futures and options exchange; or
   (iii) making a price to other members of the same futures and options exchange; and

(b) the performance of the firm’s contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same futures and options exchange.

the business of effecting or carrying out long-term insurance contracts.

assets of a member that are:
(a) in a premium trust fund for long-term insurance business; or
(b) funds at Lloyd's that are, for the time being, identified as available to meet long-term insurance business liabilities of the member.

liabilities of a member that are attributable to his long-term insurance business.

a syndicate in which members carry on long-term insurance business.

(in accordance with article 3(1) of the Regulated Activities Order (Interpretation: general)) any contract of insurance within Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance), namely:

(a) life and annuity (paragraph I);
(b) marriage and birth (paragraph II);
(c) linked long-term (paragraph III);
(d) permanent health (paragraph IV);
(e) tontines (paragraph V);
(f) capital redemption (paragraph VI);
(g) pension fund management (paragraph VII);
(g) collective insurance etc (paragraph VIII);
(h) social insurance (paragraph IX).

an insurer with permission to effect or carry out long-term insurance
contracts.

**lower required amount**

the lower required amount as defined in *LLD* 11.2.13R or *LLD* 11.2.14R.

**making arrangements with a view to transactions in investments**

the regulated activity, specified in article 25(2) of the *Regulated Activities Order* (Arranging deals in investments), which is in summary: making arrangements with a view to a person who participates in the arrangements buying, selling, subscribing for or underwriting any of the following investments (whether as principal or agent):

(a) a designated investment;

(b) the underwriting capacity of a Lloyd's syndicate;

(c) membership of a Lloyd's syndicate;

(d) rights to or interests in investments in (b) or (c).

**management accounts**

(in relation to a UK recognised body) accounts showing the actual and budgeted income and expenditure of that body over any period.

**manager**

(1) (in relation to an *AUT*) the firm which is the manager of the *AUT* in accordance with the trust deed.

(2) (as defined in section 423(1) and (2) of the *Act* (Manager)) (except in relation to a unit trust scheme or a registered friendly society):

(a) an employee who:

(i) under the immediate authority of his employer, is responsible, either alone or jointly with one or more other individuals, for the conduct of his employer's business; or

(ii) under the immediate authority of his employer or of a person who is a manager in accordance with (i) exercises managerial functions or is responsible for maintaining accounts or other records of his employer;

(b) if the employer is not an individual, references in (a) to the authority of the employer are references to the authority:

(i) in the case of a *body corporate*, of the directors;

(ii) in the case of a *partnership*, of the partners; and

(iii) in the case of an unincorporated association, of its officers or the members of its governing body.

(3) (as defined in section 423(3) of the *Act* (Manager)) (in relation to a *body corporate*):

(a) a person (other than an employee of the body) who is appointed by the body to manage any part of its business, including an employee of the *body corporate* (other than
the chief executive) who under the immediate authority of a director or chief executive of the body corporate exercises managerial functions or is responsible for maintaining accounts or other records of the body corporate;

(b) for the purposes of (a) and in relation to a body corporate whose principal place of business is within the United Kingdom, the chief executive includes only a person who is an employee of the body corporate in accordance with section 417(1) of the Act (Definitions).

managing agent (as defined in article 3(1) of the Regulated Activities Order) a person who is permitted by the Council in the conduct of his business as an underwriting agent to perform for a member one or more of the following functions:

(a) underwriting contracts of insurance at Lloyd's;
(b) reinsuring such contracts in whole or in part;
(c) paying claims on such contracts.

managing investments the regulated activity, specified in article 37 of the Regulated Activities Order (Managing investments), which is in summary: managing assets belonging to another person in circumstances which involve the exercise of discretion, if:

(a) the assets consist of or include any designated investment; or
(b) the arrangements for their management are such that the assets may consist of or include such investments, and either the assets have at any time since 29 April 1988 done so, or the arrangements have at any time (whether before or after that date) been held out as arrangements under which the assets would do so.

managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's the regulated activity, specified in article 57 of the Regulated Activities Order (Managing the underwriting capacity of a Lloyd's syndicate), of managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's.

mandate rules COB 9.2.

MAR the Market conduct sourcebook.

margin (in CIS) cash or other property paid, transferred or deposited under the terms of a derivative; for these purposes cash or property will be treated as having been paid, transferred or deposited if it must be paid, transferred or deposited in order to comply with a requirement imposed by the market on which the contract is made or traded.

margin of solvency the excess of the value of an insurer's assets over the amount of its liabilities, that value and amount being determined in accordance with IPRU(INS) and IPRU(FSOC).
margined contract  (in CIS) any contract in derivatives.

margined transaction  (1) (except in COB 9.3) a transaction executed by a firm with or for a client relating to a future, option or contract for differences (or any right to or any interest in such an investment) under the terms of which the client will or may be liable to provide cash or collateral to secure performance of obligations which he may have to perform when the transaction falls to be completed or upon the earlier closing out of his position.

   (2) (in COB 9.3):

       (a) a transaction within (1); or

       (b) an option purchased by a client, the terms of which provide that the maximum liability of the client in respect of the transaction will be limited to the amount payable as premium.

mark-up or mark-down  (when a firm receives a customer order and takes a principal position in the relevant investment in order to fulfil that customer order) any difference between:

   (a) the price at which the firm takes a principal position in the relevant investment; and

   (b) the price at which the firm executes the transaction with its customer.

market abuse  (in accordance with section 118 of the Act (Market abuse)) behaviour (whether by one person alone or by two or more persons jointly or in concert):

   (a) which occurs in relation to qualifying investments traded on a market to which section 118 of the Act applies (see MAR 1 (Code of market conduct));

   (b) which satisfies any one or more of the conditions set out below: and

   (c) which is likely to be regarded by a regular user of that market who is aware of the behaviour as a failure on the part of the person or persons concerned to observe the standard of behaviour reasonably expected of a person in his or their position in relation to the market;

the conditions are that:

   (i) the behaviour is based on information which is not generally available to those using the market but which, if available to a regular user of the market, would or would be likely to be regarded by him as relevant when deciding the terms on which transactions in investments of the kind in question should be effected;

   (ii) the behaviour is likely to give a regular user of the market a false or misleading impression as to the supply of, or demand for, or as to the price or value of, investments of the kind in question;
(iii) a regular user of the market would, or would be likely to, regard the behaviour as behaviour which would, or would be likely to, distort the market in investments of the kind in question.

**market abuse regime** the regime established under the provisions of Part VIII of the Act (Penalties for market abuse).

**market contract** a market contract as described in section 155 of the Companies Act 1989 or article 80 of the Companies (No2) (Northern Ireland) Order 1990 which is in summary:

(a) a contract entered into by a member or designated non-member of an RIE which is either:

(i) a contract made on the exchange or an exchange to whose undertaking the exchange has succeeded; or

(ii) a contract in the making of which the member or designated on-member was subject to the rules of the exchange or of an exchange to whose undertaking the exchange has succeeded;

(b) a contract entered into by an RIE or RCH with one of its members for the purpose of enabling the rights and liabilities of that member under transactions in investments to be settled.

**market counterparty** (1) (except in COB 3) a client who is:

(a) a properly constituted government (including a quasi-governmental body or a government agency) of any country or territory;

(b) a central bank or other national monetary authority of any country or territory;

(c) a supranational whose members are either countries or central banks or national monetary authorities;

(d) a State investment body, or a body charged with, or intervening in, the management of the public debt;

(e) another firm, or an overseas financial services institution, except in relation to designated investment business, and related ancillary activities, conducted with or for that firm or institution, when that firm or institution is an intermediate customer in accordance with COB 4.1.7R (Classification of another firm or an overseas financial services institution);

(f) any associate of a firm (except an OPS firm), or of an overseas financial services institution, if the firm or institution consents;

(g) a client when he is classified as a market counterparty in accordance with COB 4.1.12R (Large intermediate customer classified as a market counterparty);

but excluding:
(A) a collective investment scheme; and

(B) (except for the purposes of DISP) a client, who would otherwise be a market counterparty, when he is classified as a private customer in accordance with COB 4.1.14R (Client classified as private customer).

(2) (in COB 3) a person in (1) and a person who would be such a person if he were a client.

**market maker** (in relation to an investment) a person who (otherwise than in his capacity as the operator of a regulated collective investment scheme) holds himself out as able and willing to enter into transactions of sale and purchase in investments of that description at prices determined by him generally and continuously rather than in respect of each particular transaction.

**market value** the market value as determined in accordance with United Kingdom generally accepted accounting practice.

**marketable investment**

(a) an investment which is traded on or under the rules of an exchange;

(b) a debt instrument which may be transferred without the consent of the issuer or any other person (including a collateralised mortgage obligation);

(c) a commodity;

(d) a warrant, option, future or other instrument which entitles the holder to subscribe for or acquire:

(i) an investment or commodity in (a) to (c); or

(ii) any currency; or

(iii) any combination of (i) and (ii);

(e) a contract for differences (including interest rate and currency swaps) relating to fluctuations in:

(i) the value or price of an investment or commodity in (a) to (d); or

(ii) any currency; or

(iii) the rate of interest in any currency or any index of such rates; or

(iv) the level of any index which is derived from the prices of an investment or commodity in (a) to (c); or

(v) any combination of (i) to (iv);

(f) warrants, options, futures or other instruments entitling the holder to obtain the rights of those contracts in (d) or (e);

(g) a unit in a regulated collective investment scheme.

**marketing** (in CIS) (in relation to marketing units in a regulated collective investment scheme in a particular country or territory):
(a) communicating to a person in that country or territory an invitation or inducement to become, or offer to become, a holder in that authorised fund;

(b) giving advice on investments to, or arranging (bringing about) a deal in an investment for a person in that country or territory to become a holder in that authorised fund.

**marketing group**
a group of persons who:

(a) are allied together (either formally or informally) for purposes of marketing packaged products of the marketing group; and

(b) each of which, if it holds itself out in the United Kingdom as marketing packaged products to private customers, does so only as an investment manager or in relation to packaged products of the marketing group.

**marketing group associate**
a firm other than a product provider which is a member of a marketing group.

**marriage and birth**
(in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph II of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance), to provide a sum on marriage or on the birth of a child, being contracts expressed to be in effect for a period of more than one year.

**material interest**
(in COB) (in relation to a transaction) any interest of a material nature, other than:

(a) disclosable commission on the transaction;

(b) goods or services which can reasonably be expected to assist in carrying on designated investment business with or for clients and which are provided or to be provided under a soft commission agreement.

**material outsourcing**
outsourcing services of such importance that weakness, or failure, of the services would cast serious doubt upon the firm's continuing satisfaction of the threshold conditions or compliance with the Principles.

**mathematical reserves**
(in LLD) the provision made for a member to cover liabilities (excluding liabilities which have fallen due and liabilities arising from deposit back arrangements) arising under or in connection with long-term insurance contracts.

**maxi-ISA**
an ISA which includes a stocks and shares component and may also include other qualifying investments such as:

(a) a cash component;

(b) an insurance component;

as prescribed in paragraphs 7, 8 and 9 respectively of the ISA Regulations.

**media firm**
a firm whose only permitted activities are advising on investments and agreeing to carry on that regulated activity, and whose Part IV
permission includes requirements to the effect that the firm must advise:

(a) only through the media; and
(b) without conveying the impression that the advice is particularly suitable for any person, except when it is given in response to a specific request for advice from that person;

in this definition, "media" means:
(i) newspapers, journals, magazines or other periodical publications;
(ii) services comprising regularly updated news or information;
(iii) services consisting of the broadcast or transmission of television or radio programmes.

member
(1) (except in PROF, ENF 18 and REC) a person admitted to membership of the Society or any person by law entitled or bound to administer his affairs.

(2) (in PROF and ENF 18) (as defined in section 325(2) of the Act (Authority's general duty)) (in relation to a profession) a person who is entitled to practise that profession and, in practising it, is subject to the rules of the relevant designated professional body, whether or not he is a member of that body.

(3) (in REC) (in relation to a recognised body) a person who is entitled, under an arrangement or agreement between him and that body, to use that body's facilities.

member's margin the amount determined in accordance with LLD 11.3.1R (General insurance business) or LLD 11.3.4R (Long-term insurance business).

members' adviser a firm whose permission includes advising on syndicate participation at Lloyd's, but which is not an underwriting agent.

members' agent an underwriting agent who carries on the regulated activity of advising on syndicate participation at Lloyd's.

membership of a Lloyd's syndicate the investment, specified in article 86(2) of the Regulated Activities Order, which is a person's membership (or prospective membership) of a Lloyd's syndicate.

mini-ISA an ISA which contains only one of the following qualifying investments:
(a) a stocks and shares component;
(b) a cash component;
(c) an insurance component;

as prescribed in paragraph 7, 8 or 9 respectively of the ISA Regulations.

minimum guarantee fund (in LLD) a minimum guarantee fund as defined in IPRU(INS) 2.9.
minimum levy
(in DISP) the fixed minimum general levy payable by a firm.

miscellaneous financial loss
(in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 16 of Part I of Schedule 1 to the Regulated Activities Order (General contracts of insurance), against any of the following risks:

(a) risks of loss to the persons insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;

(b) risks of loss to the persons insured attributable to their incurring unforeseen expense (other than loss such as is covered by contracts within paragraph 18 of Part I of Schedule 1 to the Regulated Activities Order (Assistance));

(c) risks which do not fall within paragraphs (a) or (b) and which are not of such a kind that contracts of insurance against them fall within any other provision of Schedule 1 to the Regulated Activities Order.

misleading statements and practices offence
any of the offences described in section 397 of the Act (Misleading statements and practices), which are in summary:

(a) the offence of:

(i) making a statement, promise or forecast, which the person making the statement, promise or forecast knows to be misleading, false or deceptive in a material particular; or

(ii) dishonestly concealing any material facts whether in connection with a statement, promise or forecast made by the person concealing the facts or otherwise; or

(iii) recklessly making (dishonestly or otherwise) a statement, promise or forecast which is misleading, false or deceptive in a material particular;

where the person makes the statement, promise or forecast or conceals the facts for the purpose of inducing, or is reckless as to whether it may induce, another person (whether or not that person is the same person to whom the statement, promise or forecast is made):

(A) to enter or offer to enter into, or to refrain from entering or offering to enter into, a relevant agreement; or

(B) to exercise, or refrain from exercising, any rights conferred by a relevant investment;

(b) the offence of doing any act or engaging in any course of conduct which creates a false or misleading impression as to the market in or the price or value of any relevant investments where the act was done or the course of conduct engaged in for the purpose of creating that impression and of thereby inducing another person to acquire, dispose of, subscribe for or underwrite those
investments or to refrain from doing so, or to exercise, or refrain from exercising, any rights conferred by those investments; in this definition:

"relevant agreement" means an agreement:

(I) the entering into or performance of which by either party constitutes an activity of a kind specified in an order made by the Treasury or one which falls within a specified class of activity; and

(II) which relates to a relevant investment;

"relevant investment" means an investment of a kind specified in an order made by the Treasury or one which falls within a class of investment prescribed in regulations made by the Treasury.

mixed remittance a remittance that is part client money and part other money.

ML the Money Laundering sourcebook.

MLRO money laundering reporting officer.

Model Code the Model Code on directors' dealings in securities set out in the appendix to Chapter 16 of the listing rules.

money any form of money, including cheques and other payable orders.

money laundering any act which constitutes an offence under:

(a) section 93A, 93B or 93C of the Criminal Justice Act 1988 (which relate to the handling etc of proceeds of certain criminal conduct); in ML the definition of criminal conduct in section 93A(7) is to be read as:

"(i) conduct which constitutes an offence to which Part VI of that Act (Confiscation of the Proceeds of an Offence) applies; or

(ii) conduct which:

(A) would constitute such an offence if it had occurred in England and Wales or (as the case may be) Scotland; and

(B) contravenes the law of the country in which it occurred"; or

(b) section 49, 50 or 51 of the Drug Trafficking Act 1994 (which relate to the handling etc of the proceeds of drug trafficking); or

(c) section 42A or 43 of the Criminal Justice (Scotland) Act 1987 (which relate to the handling etc of proceeds of drug trafficking); or

(d) section 11 of the Prevention of Terrorism (Temporary Provisions) Act 1989 (which relate to financial assistance for terrorism); or
(e) section 14 of the Criminal Justice (International Cooperation) Act 1990 (concealing or transferring proceeds of drug trafficking); or

(f) article 29 or 30 of the Criminal Justice (Confiscation) (Northern Ireland) Order 1990 (which relate to the handling etc of proceeds of drug trafficking); or

(g) section 53 or 54 of the Northern Ireland (Emergency Provisions) Act 1991 (which relate to the handling etc of proceeds of terrorist-related activities); or

(h) any provision, whenever made, which has effect in Northern Ireland and corresponds to any of the provisions mentioned in (a) or (g); or

in any case of an act done otherwise than in England and Wales, Scotland or, as the case may be, Northern Ireland, would constitute such an offence under any of (b) to (h) if done in England and Wales, Scotland or Northern Ireland.

Money Laundering Directive


Money Laundering Regulations

the Money Laundering Regulations 1993 (SI 1993/1933) (see ML).

money laundering reporting function

controlled function CF11 in the table of controlled functions, described more fully in SUP 10.7.13R.

money laundering reporting officer

the individual appointed by a relevant firm in accordance with ML 7.1.

money-market scheme

an authorised fund dedicated to:

(a) deposits; and

(b) debentures which are not transferable securities;

whether with or without securities which are transferable securities.

money-market instrument

any of the following investments:

(a) a debenture which is issued on terms requiring repayment not later than five years from the date of issue;

(b) any government and public security which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the United Kingdom, five years from the date of issue;

(c) a warrant which entitles the holder to subscribe for an investment within (a) or (b);

(d) a certificate representing certain securities or rights to or interests in investments relating, in either case, to an investment within (a) or (b);
(e) an option relating to:
   (i) an instrument in (a) or (b); or
   (ii) currency of the United Kingdom or of any other country or territory; or
   (iii) gold or silver;

(f) a future for the sale of:
   (i) an instrument in (a) or (b); or
   (ii) currency of the United Kingdom or of any other country or territory; or
   (iii) gold or silver;

(g) a contract for differences by reference to fluctuations in:
   (i) the value or price of any instrument within any of (a) to (f); or
   (ii) currency of the United Kingdom or of any other country or territory; or
   (iii) the rate of interest on loans in any such currency or any index of such rates;

(h) an option to acquire or dispose of an instrument within (e), (f) or (g).

money-purchase benefits (in relation to an occupational pension scheme) benefits the rate or amount of which are calculated by reference to a payment or payments made by a member of the scheme.

money-purchase occupational scheme an occupational pension scheme which provides money-purchase benefits.

month (in accordance with the Interpretation Act 1978) a calendar month.

motor vehicle liability (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 10 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), against damage arising out of or in connection with the use of motor vehicles on land, including third-party risks and carrier's liability.

name-passing broker a person who arranges (brings about) deals between counterparties at mutually acceptable terms and passes their names to each of them to facilitate the conclusion of a transaction.

national bureau (in relation to an EEA State) a professional organisation which:
   (a) has been constituted in that State in accordance with Recommendation No 5 adopted on 25 January 1949 by the Road Transport Sub-committee of the Inland Transport Committee of the United Nations Economic Commission for Europe; and
   (b) groups together insurance undertakings which in that State are
authorised to conduct the business of motor vehicle liability insurance.

**national guarantee fund** (in relation to an EEA State) a body which:

(a) has been set up or authorised in that State in accordance with article 1(4) of Council Directive (84/5/EEC); and

(b) provides compensation for damages to property or personal injuries caused by unidentified vehicles for which the insurance obligation provided for in article 1(1) of that Directive has not been satisfied.

**NCIS** National Criminal Intelligence Service.

**near cash** money, deposits or investments which, in each case, fall within any of the following:

(a) money which is deposited with an eligible institution in:

(i) a current account; or

(ii) a deposit account, if the money can be withdrawn immediately and without payment of a penalty exceeding seven days’ interest calculated at ordinary commercial rates;

(b) certificates of deposit issued by an eligible institution if immediately redeemable at the option of the holder;

(c) government and public securities, if redeemable at the option of the holder or bound to be redeemed within two years;

(d) bills of exchange which are government and public securities;

(e) deposits with a local authority of a kind which fall within paragraph 9 of Part II of the First Schedule to the Trustee Investments Act 1961, and equivalent deposits with any local authority in another EEA State, if the money can be withdrawn immediately and without payment of a penalty as described in (a).

**net accumulation share** (in relation to an ICVC) a share in respect of which income (net of any tax deducted or accounted for by an ICVC) is credited periodically to capital under CIS 9.2.4R (Annual allocation to accumulation shares or accumulation units) or CIS 9.2.6R (Interim allocations of income).

**net central assets** central assets less the liabilities of the Society (excluding the liabilities of members) valued in accordance with LLD 9 to 15.

**network** an independent intermediary:

(a) which has five or more appointed representatives; or

(b) whose appointed representatives (being fewer than five) have, between them, 26 or more financial advisers.

**nominee company** a body corporate whose business consists solely of acting as a nominee holder of investments or other property.
non-authorised Voluntary Jurisdiction participant

a participant in the Voluntary Jurisdiction who is not a firm.

non-core investment service

a service listed in section C of the Annex to the ISD, the text of which is set out in Schedule 2 to the Regulated Activities Order (Annex to the Investment Services Directive).

non-directive friendly society

(a) a friendly society whose insurance business is restricted to the provision of benefits which vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis;

(b) a friendly society whose long-term insurance business is restricted to the provision of benefits for employed and self-employed persons belonging to an undertaking or group of undertakings, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves);

(c) a friendly society which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind;

(d) a friendly society (carrying on long-term insurance business):

(i) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other persons who have undertaken to provide it; and

(ii) whose annual gross premium income (other than from contracts of reinsurance) has not exceeded euro 500,000 for each of the three preceding financial years;

(e) a friendly society (carrying on general insurance business) whose:

(i) registered rules contain provisions for calling up additional contributions from members or reducing their benefits; and

(ii) gross premium income (other than from contracts of reinsurance) for the preceding financial year did not exceed euro 1,000,000;

(f) a friendly society whose liabilities in respect of general insurance contracts are fully reinsured with or guaranteed by other mutuals (including friendly societies);

and in each case whose insurance business is limited to that described in any of (a) to (f).

non-directive insurer a non-directive insurer as defined in IPRU(INS).
| **non-discretionary management agreement** | an agreement for the non-discretionary management of investments: (a) under which the *firm* agrees to conduct a regular review of the suitability of the *client's* account or portfolio, based on an assessment of the *client's* requirements; and (b) that sets out the *client's* investment objectives, investment strategy, and attitude to risk, the intervals at which the portfolio will be reviewed, and the arrangements for consulting the *client* about proposed investment decisions. |
| **non-EEA bank** | a *bank* which is a *body corporate* or *partnership* formed under the law of any country or territory outside the EEA. |
| **non-executive director** | a *director* who has no responsibility for implementing the decisions or the policies of the *governing body of a firm*. |
| **non-executive director function** | *controlled function CF2* in the *table of controlled functions*, described more fully in *SUP 10.6.8R*. |
| **Non-Exempt Activities Order** | the *Financial Services and Markets Act 2000 (Professions) (Non-Exempt Activities) Order 2001 (SI 2001/1227)*. |
| **non-mainstream regulated activity** | a *regulated activity of an authorised professional firm* in relation to which the conditions in *PROF 5.2.1R* are satisfied. |
| **non-market-price transaction** | a transaction where: (a) the *dealing* rate or price paid by the *firm* or its *client* differs from the prevailing market rate or price to a material extent; or (b) the *firm* or its *client* otherwise gives materially more or less in value than it receives in return. |
| **non-real time financial promotion** | (in accordance with article 7(2) of the *Financial Promotion Order*) (as more fully described in *COB 3.5.5R* ("Real time" and "non-real time" financial promotions)) a *financial promotion* that is not a *real time financial promotion*. |
| **non-UCITS scheme** | an *authorised fund* that is not a *UCITS scheme*. |
| **notice of discontinuance** | a notice given by the *FSA* in accordance with section 389 of the *Act* (Notices of discontinuance) which states that the *FSA* has decided not to take the action proposed in a *warning notice* or the action to which a *decision notice* relates. |
| **notice of intention** | a notice of intention to establish a *branch* in an *EEA State* given by a *UK firm* under paragraph 19(2) of Part III of Schedule 3 to the *Act* (Exercise of passport rights by UK firms). |
| **notification rule** | (1) (in relation to a *firm*) a *rule* requiring a *firm* to give the *FSA* notice of, or information regarding, an event, but excluding: (a) a *rule* requiring periodic submission of a report; and (b) a *rule* in the *listing rules*. |
(2) (in relation to a recognised body) a rule made by the FSA under section 293 of the Act (Notification requirements) or section 295 of the Act (Notification: overseas investment exchanges and overseas clearing houses) requiring a recognised body to give the FSA:

(a) notice of, and specified information regarding, specified events relating to the body;

(b) specified information relating to the body at specified times or in respect of specified periods; and

(c) any other information required to be given by such a rule.

**notified point** a point that is within the two hours immediately following a valuation point and is notified in accordance with CIS 4.3.9R(3) (Issue of units to meet authorised fund manager's obligation to sell) or CIS 15.3.4R(4) (Issue of units: manager's instructions).

**notional principal** (a) (in relation to a contract for differences which is an index derivative):

(i) the current mark to market valuation of a contract for differences which resembles a futures contract; or

(ii) the exercise value of a contract for differences which resembles an option contract;

(b) (in relation to any other contract for differences) the notional lot size of the contract.

**occupational pension scheme** (as specified in article 3(1) of the Regulated Activities Order (Interpretation)) any scheme or arrangement which is comprised in one or more instruments or agreements and which has, or is capable of having, effect in relation to one or more descriptions or categories of employment so as to provide benefits, in the form of pensions or otherwise, payable on termination of service, or on death or retirement, to or in respect of earners with a qualifying service in an employment of any such description or category.

**OECD** Organisation for Economic Co-operation and Development.

**OEIC** open-ended investment company.

(see also ICVC.)

**OEIC Regulations** the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

**off-exchange** (in relation to a transaction in an investment) a transaction which is not on-exchange.

**offer** (1) (in MAR 1 (Code of market conduct)) an offer as defined in the Takeover Code.

(2) (in MAR 2 (Price stabilising rules)) an offer or an invitation to make an offer and (except in MAR 2.2.3R, MAR 2.4.2R(5) and MAR 2.8.2R(1)(c)) an issue.
offer for cash

an offer which satisfies the conditions set out in MAR 2.1.3R.

offeree

(in MAR 1) an offeree as defined in the Takeover Code.

offeror

(in MAR 1) an offeror as defined in the Takeover Code.

offer price

(1) (except in MAR 2 (Price stabilising rules))

the price at which a person could purchase a unit in a dual-priced AUT or a security.

(2) (in MAR 2)

the specified price at which the relevant security is offered without deducting any selling concession or commission.

officer

(1) (in connection with the exercise of the FSA’s power to require information) an officer of the FSA, a member of the FSA’s staff or an agent of the FSA.

(2) (otherwise) (in relation to a body corporate) (as defined in section 400(5) of the Act (Offences by bodies corporate etc)) a director, member of the committee of management, chief executive, manager, secretary, or other similar officer of the body, or a person purporting to act in that capacity or a controller of the body.

official list

(a) the list maintained by the FSA in accordance with section 74(1) of the Act (The official list) for the purposes of Part VI of the Act (Official Listing);

(b) any corresponding list maintained by a competent authority for listing in another EEA State.

oil

mineral oil of any description and petroleum gases, whether in liquid or vapour form, including products and derivatives of oil.

oil collective investment scheme

a collective investment scheme, the property of which consists only of property which is oil or an oil investment or cash awaiting investment.

oil investment

any of the following:

(a) a unit in an oil collective investment scheme;

(b) an option to acquire or dispose of an oil investment;

(c) a future where the commodity in question is oil;

(d) a contract for differences where the property in question is oil or an oil investment or the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of oil or any oil investments;

(e) rights to and interests in anything which is an oil investment.

oil market activity

(a) any regulated activity in relation to an oil investment or to oil;

(b) establishing, operating or winding up an oil collective investment scheme.
oil market participant

(a) which carries on oil market activities, which in the United Kingdom are confined to either or both the following:

(i) the performance of management services for the participants in an oil collective investment scheme in which individuals do not participate, and other oil market activities which are performed in relation to any such oil collective investment scheme;

(ii) other oil market activities which:

(A) are the executing of own-account transactions on any recognised investment exchange or designated investment exchange; or

(B) if they are not the executing of transactions on such exchanges, are performed in connection with or for persons who are not individuals; and

(b) (except in COB) whose permission includes a requirement that the firm must not carry on any designated investment business other than that in (a).

Ombudsman

a person appointed to the panel of persons maintained by the FOS Ltd to determine complaints, including the Chief Ombudsman.

on-exchange

(a) (in relation to a transaction in the United Kingdom) effected by means of the facilities of, or governed by the rules of, an RIE or a regulated market;

(b) (in relation to any other transaction) effected by means of the facilities of, or governed by the rules of, an exchange.

one-off transaction

any transaction other than a transaction carried out in the course of an established business relationship formed by a person acting in the course of relevant financial business.

open

in relation to a syndicate year, one which has not been closed.

open to review

(as defined in section 391(8) of the Act (Publication)) (in relation to a supervisory notice which does not take effect immediately or on a specified date) the status of the matter to which the notice relates when:

(a) the period during which any person may refer a matter to the Tribunal is still running; or

(b) the matter has been referred to the Tribunal but has not been dealt with; or

(c) the matter has been referred to the Tribunal and dealt with but the period during which an appeal may be brought against the Tribunal's decision is still running; or

(d) such an appeal has been brought but has not been determined.

open-ended

(as defined in section 236 of the Act (Open-ended investment
investment company (companies)) a collective investment scheme which satisfies both the property condition and the investment condition:

(a) the property condition is that the property belongs beneficially to, and is managed by or on behalf of, a body corporate ("BC") having as its purpose the investment of its funds with the aim of:

(i) spreading investment risk; and

(ii) giving its members the benefit of the results of the management of those funds by or on behalf of that body;

(b) the investment condition is that, in relation to BC, a reasonable investor would, if he were to participate in the scheme:

(i) expect that he would be able to realise, within a period appearing to him to be reasonable, his investment in the scheme (represented, at any given time, by the value of shares in, or securities of, BC held by him as a participant in the scheme); and

(ii) be satisfied that his investment would be realised on a basis calculated wholly or mainly by reference to the value of property in respect of which the scheme makes arrangements.

(see also investment company with variable capital.)

open-market option the option to apply:

(a) the proceeds of a pension policy or pension contract; or

(b) the proceeds of a money-purchase occupational scheme for a particular occupational scheme member;

and to purchase an annuity on the open market from a long-term insurer.

operator (1) (except in ENF):

(a) (in relation to an AUT) the manager;

(b) (in relation to an ICVC) that company or, if applicable, the authorised corporate director;

(c) (in relation to any other collective investment scheme that is a unit trust scheme with a separate trustee) any person who, under the trust deed establishing the scheme, is responsible for the management of the property held for or within the scheme;

(d) (in relation to any other collective investment scheme that is an open-ended investment company) that company or, if applicable, any person who, under the constitution or founding arrangements of the scheme, is responsible for the management of the property held for or within the scheme;

(e) (in relation to an investment trust savings scheme) any person appointed, by those responsible for managing the
property of the investment trust, to manage the investment trust savings scheme.

(2) (in ENF) (in accordance with section 237(2) of the Act (Other definitions)):

(a) (in relation to a unit trust scheme with a separate trustee) the manager; and

(b) (in relation to an open-ended investment company) that company.

**OPS activity**

(a) managing investments in a case where the assets managed are:

(i) held for the purposes of an occupational pension scheme; or

(ii) held for the purposes of a welfare trust established by a person who is, or has been at any time during the last 12 months, an associate of the OPS firm; or

(iii) assets of an OPS collective investment scheme;

(b) any one or more of the following activities undertaken in the course of, or incidental to, the operation of an occupational pension scheme, welfare trust or OPS collective investment scheme:

(i) dealing in investments as principal;

(ii) dealing in investments as agent;

(iii) arranging (bringing about) deals in investments;

(iv) making arrangements with a view to transactions in investments;

(v) safeguarding and administering investments;

(vi) advising on investments;

(vii) receiving or holding client money.

**OPS collective investment scheme** a collective investment scheme the contributions to which consist entirely of assets held for an occupational pension scheme.

**OPS firm** (a) (except in IPRU(INV)) a firm which:

(i) carries on OPS activity; and

(ii) is one or more of the following:

(A) a trustee of the occupational pension scheme in question;

(B) a company owned by the trustees of the occupational pension scheme in question;

(C) a company which is:

(I) an employer in relation to the occupational pension scheme in question in respect of its employees or former employees or their
dependants; or

(II) a company within the group which includes an employer within (I); or

(III) an administering authority subject to the Local Government Superannuation Regulations 1986;
or

(b) a firm which:

(i) has satisfied the requirements set out in (a) at any time during the past 12 months; but

(ii) is no longer able to comply with those requirements because of a change in the control or ownership of the employer referred to in (a)(ii) during that period.

option

the investment, specified in article 77 of the Regulated Activities Order (Options), which is an option to acquire or dispose of:

(a) a designated investment (other than an option); or

(b) currency of the United Kingdom or of any other country or territory; or

(c) palladium, platinum, gold or silver; or

(d) an option to acquire or dispose of an option specified in (a), (b) or (c).

organisation

a body corporate, a partnership, a trust or an unincorporated association.

OTC

over the counter.

OTC derivative

a derivative traded solely over the counter.

other personal wealth

(in LLD) assets of an individual member that are neither part of his funds at Lloyd's nor in a premium trust fund.

outsourcing

the use of a person to provide customised services to a firm other than:

(a) a member of the firm's governing body acting in his capacity as such; or

(b) an individual employed by a firm under a contract of service.

over the counter

(in relation to a transaction in an investment) not on-exchange.

overseas clearing house

a clearing house which has neither its head office nor its registered office in the United Kingdom.

overseas financial services institution

an institution authorised in an EEA State other than the United Kingdom by a competent authority, or in any other country or territory by a regulatory body which is a member of IOSCO.

overseas firm

a firm which has its registered office (or, if it has no registered office, its head office) outside the United Kingdom.

overseas introducing

a person, who is not an authorised person:
brokers

(a) who is resident outside the United Kingdom; and
(b) who introduces transactions relating to designated investments arranged (brought about) for its clients to a clearing firm in the United Kingdom.

overseas investment exchange

an investment exchange which has neither its head office nor its registered office in the United Kingdom.

overseas long-term insurer

an insurance undertaking which is not an authorised person and which:

(a) has its head office in an EEA State other than the United Kingdom, and is entitled to carry on long-term insurance business in that EEA State; or

(b) has a branch or agency in an EEA State other than the United Kingdom and is entitled to carry on long-term insurance business in that EEA State; or

(c) is authorised to effect or carry on long-term insurance business in the Bailiwick of Jersey, the Bailiwick of Guernsey, the Isle of Man, the Commonwealth of Pennsylvania or the State of Iowa; for the purposes of (a) and (b), Gibraltar is to be regarded as if it were an EEA State.

overseas person

(in accordance with article 3(1) of the Regulated Activities Order (Interpretation)) a person who:

(a) carries on any of the following regulated activities:

(i) dealing in investments as principal;

(ii) dealing in investments as agent;

(iii) arranging (bringing about) deals in investments;

(iv) making arrangements with a view to transactions in investments;

(v) managing investments;

(vi) safe custody and administering investments;

(vii) sending dematerialised instructions;

(viii) causing dematerialised instructions to be sent;

(ix) establishing, operating or winding up a collective investment scheme;

(x) acting as trustee of an authorised unit trust scheme;

(xi) acting as the depositary or sole director of an open-ended investment company;

(xii) establishing, operating or winding up a stakeholder pension scheme;

(xiii) advising on investments;

(xiv) agreeing to carry on those regulated activities,
disregarding the exclusion in article 72 of the *Regulated Activities Order* (Overseas persons); but

(b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the United Kingdom.

overseas recognised body

an ROIE or ROCH.

overseas regulator

(as defined in section 195(3) of the *Act* (Exercise of power in support of overseas regulator)) an authority in a country or territory outside the United Kingdom:

(a) which is a Home State regulator; or

(b) which exercises any of the following functions:

(i) a function corresponding to any function of the FSA under the *Act*;

(ii) a function corresponding to any function exercised by the FSA in its capacity as competent authority in relation to the listing of securities;

(iii) a function corresponding to any function exercised by the Secretary of State under the Companies Act 1985;

(iv) a function in connection with the investigation of conduct of the kind prohibited by Part V of the Criminal Justice Act 1993 (Insider Dealing), or with the enforcement of rules (whether or not having the force of law) relating to such conduct;

(v) a function prescribed by regulations made for the purposes of section 195(4) of the *Act* (Exercise of powers) which, in the opinion of the Treasury, relates to companies or financial services.

own account order

an order which relates to an own account transaction.

own account transaction

a transaction executed by the firm for its own benefit or for the benefit of its associate.

own funds

own funds as described in articles 34 to 39 of the *Banking Consolidation Directive*.

own-initiative power

the FSA’s power under section 45 of the *Act* (Variation etc on the Authority’s own initiative) to vary or cancel a Part IV permission otherwise than on the application of a firm.

packaged product

(a) a life policy;

(b) a unit in a regulated collective investment scheme;

(c) an interest in an investment trust savings scheme;

(d) a stakeholder pension scheme;

whether or not (in the case of (a), (b) or (c)) held within a PEP or an
ISA.

parent undertaking (in accordance with section 420 of the Act (Parent and subsidiary undertaking) and section 258 of the Companies Act 1985 (Parent and subsidiary undertakings)):

(a) (in relation to whether an undertaking, other than an incorporated friendly society, is a parent undertaking) an undertaking which has the following relationship to another undertaking ("S"):  
(i) it holds a majority of the voting rights in S; or  
(ii) it is a member of S and has the right to appoint or remove a majority of its board of directors; or  
(iii) it has the right to exercise a dominant influence over S through:  
(A) provisions contained in S's memorandum or articles; or  
(B) a control contract;  
(iv) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or  
(v) it has a participating interest (as defined in section 260 of the Companies Act 1985) (Participating interests) in S; and  
(A) actually exercises a dominant influence over S; or  
(B) it and S are managed on a unified basis; or  
(vi) it is a parent undertaking of a parent undertaking of S; or  
(vii) (except in REC and LLD) he is an individual and would be a parent undertaking if he were an undertaking; or  
(viii) (except in REC and LLD) it is incorporated in or formed under the law of another EEA State and is a parent undertaking within the meaning of any rule of law in that State for purposes connected with implementation of the Seventh Company Law Directive;

in relation to (ii) and (iv), the undertaking will be treated as a member of S if any of its subsidiary undertakings is a member of S, or if any shares in S are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings;

the provisions of Schedule 10A to the Companies Act 1985 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (i) to (vi);

(b) (in relation to whether an incorporated friendly society is a parent undertaking) an incorporated friendly society which has
the following relationship to a body corporate ("S"):

(i) it holds a majority of the voting rights in S; or
(ii) it is a member of S and has the right to appoint or remove a majority of S’s board of directors; or
(iii) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or
(iv) it is the parent undertaking of a body corporate which has the relationship in (i), (ii) or (iii) to S.

Part XX exemption

the exemption from the general prohibition conferred on an exempt professional firm by section 327 of the Act (Exemption from the general prohibition).

Part 30 exemption order

an order under regulation 30.10 of the General Regulations under the US Commodity Exchange Act, issued by the Commodity Futures Trading Commission on 15 May 1989, granting a person exemption from the registration requirement contained in Part 30 of those General Regulations.

Part IV permission

(as defined in section 40(4) of the Act (Application for permission)) a permission given by the FSA under Part IV of the Act (Permission to carry on regulated activities), or having effect as if so given.

participant

(in accordance with section 235(2) of the Act (Collective investment schemes)) a person who participates in a collective investment scheme.

participant firm

a firm other than:

(a) an incoming EEA firm which is a BCD credit institution or ISD investment firm and whose permission is confined to cross border services;

(b) an incoming EEA firm without top-up cover which is:

(i) a BCD credit institution whose permission to carry on regulated activities from a UK branch is confined to accepting deposits; or

(ii) an ISD investment firm (including a credit institution which is an ISD investment firm) whose permission to carry on regulated activities from a UK branch is confined to passported activities;

(c) a service company;

(d) the Society, in respect of activities included in its permission under section 315(2) of the Act (The Society: authorisation and permission);

(e) a member, in respect of effecting or carrying out Lloyd's policies;

(f) an underwriting agent, or members' adviser, in respect of advising on syndicate participation at Lloyd's or managing the underwriting capacity of a Lloyd's syndicate as a managing
agent at Lloyd's;

(g) an authorised professional firm that is subject to the rules of the Law Society (England and Wales) or the Law Society of Scotland;

(h) an ICVC;

(i) a UCITS qualifier.

participating security a participating security as defined in regulation 3 of the Uncertificated Securities Regulations 1995 (SI 1995/3272), which enable title to participating securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

partner (in relation to a firm which is a partnership) any person appointed to direct its affairs, including:

(a) a person occupying the position of a partner (by whatever name called); and

(b) a person in accordance with whose directions or instructions (not being advice given in a professional capacity) the partners are accustomed to act.

partner function controlled function CF4 in the table of controlled functions, described more fully in SUP 10.6.17R.

partnership (in accordance with section 417(1) of the Act (Definitions)) any partnership, including a partnership constituted under the law of a country or territory outside the United Kingdom, but not including a limited liability partnership.

passported activity an activity carried on by an EEA firm, or by a UK firm, under an EEA right.

penny share a readily realisable security in relation to which the bid-offer spread is 10 per cent or more of the offer price, but not:

(a) a government and public security; or

(b) a share in a company quoted on The Financial Times Stock Exchange 100 Index; or

(c) a security issued by a company which, at the time that the firm deals or recommends to the client to deal in the investment, has a market capitalisation of £100 million or more (or its equivalent in any other currency at the relevant time).

pension annuity an investment purchased with the sums derived from the vesting (partial or full) of a pension policy or pension contract, for the purposes of securing the beneficiary’s entitlement to immediate or future benefits.

pension buy-out contract an annuity contract which complies with paragraph (g) of section 591(2) of the Income and Corporation Taxes Act 1988.

pension contract a contract under which rights to benefits are obtained by the making of contributions to an occupational pension scheme or to a personal
pension scheme, where the contributions are paid to a regulated collective investment scheme.

pension fund management

(in relation to a class of contract of insurance) the class of contract of insurance specified in paragraph VII of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance) namely:

(a) pension fund management contracts; and

(b) pension fund management contracts which are combined with contracts of insurance covering either conservation of capital or payment of a minimum interest;

where effected or carried out by a person who does not carry on a banking business, and otherwise carries on insurance business.

pension fund management contract

(as defined in article 3(1) of the Regulated Activities Order (Interpretation)) a contract to manage the investments of pension funds (other than funds solely for the benefit of the officers or employees of the person effecting or carrying out the contract and their dependants or, in the case of a company, partly for the benefit of officers and employees of its subsidiary or holding company or a subsidiary of its holding company and their dependants;

in this definition "subsidiary" and "holding company" mean either subsidiary and holding company, or subsidiary and holding company defined in accordance with article 4 of the Companies (Northern Ireland) Order 1986 (SI 1986 No 1032 (NI 6)) as amended by article 62 of the Companies (No 2) (Northern Ireland) Order 1990 (SI 1990 No 1504 (NI 10)).

pension opt-out

a transaction resulting from a decision made, with or without advice from a firm, by a customer who is an individual, to:

(a) opt out of an occupational pension scheme of which he is a current member; or

(b) decline to become a member of an occupational pension scheme which he is eligible to join or which he will become eligible to join at the end of a waiting period;

in favour of a stakeholder pension scheme or a personal pension scheme (including a self-invested personal pension scheme).

pension policy

a contract under which a right to benefits results from contributions made to an occupational pension scheme or to a personal pension scheme, where the contributions are paid to a long-term insurer.

pension scheme

a scheme under which a right to benefits results from contributions made under a pension contract or pension policy.

pension transfer

a transaction resulting from a decision made, with or without advice from a firm, by a customer who is an individual, to transfer deferred benefits from:

(a) an occupational pension scheme; or

(b) an individual pension contract providing fixed or guaranteed
benefits that replaced similar benefits under a *defined benefits pension scheme*;
to a *stakeholder pension scheme* or a *personal pension scheme* (including a self-invested *personal pension scheme*).

**pension transfer specialist**
an individual appointed by a *firm* to check the suitability of a *pension transfer* or *pension opt-out* who has passed the required examinations specified in the interim approved examination annexes to *TC 2*.

**pension transfer specialist function**
*controlled function CF24* in the *table of controlled functions*,
described more fully in *SUP 10.10.14R*.

**PEP**
a *personal equity plan*.

**PEP manager**
the *plan manager* of a *PEP* in accordance with the *Personal Equity Plan Regulations 1989*.

**PEP transfer**
a transaction resulting from a decision, made with or without advice from a *firm*, by a *customer* who is an individual, to transfer the *investments* (or their value) held in his existing *PEP* in favour of another *PEP* which may or may not be managed by the same *PEP manager*.

**periodic statement**
a report which a *firm* is required to provide to a *customer* under *COB 8.2* (Periodic statements).

**permanent health**
(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph IV of Part II of Schedule 1 to the *Regulated Activities Order (Contracts of long-term insurance)*, providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that:

(a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age of the persons concerned, or without limit of time; and

(b) either are not expressed to be terminable by the insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract.

**permission**
permission to carry on *regulated activities*; that is, any of the following:

(a) a *Part IV permission*;

(b) the permission that an *incoming EEA firm* has, under paragraph 4(1) of Schedule 3 to the *Act (EEA Passport Rights)*, on qualifying for *authorisation* under paragraph 12 of that Schedule;

(c) the permission that an *incoming Treaty firm* has, under paragraph 15(1) of Schedule 4 to the *Act (Treaty Rights)*, on qualifying for *authorisation* under paragraph 2 of that Schedule;

(d) the permission that a *UCITS qualifier* has, under paragraph 2(1) of Schedule 5 to the *Act (Persons concerned in Collective
Investment Schemes);

(e) the permission that an ICVC has, under paragraph 2(2) of Schedule 5 to the Act (Persons concerned in Collective Investment Schemes);

(f) the permission that the Society of Lloyd's has, under section 315(2) of the Act (The Society: authorisation and permission), which is to be treated as a Part IV permission for the purposes of Part IV of the Act (Permission to carry on regulated activities) in accordance with section 315(3) of the Act.

**permitted activity**  a regulated activity which a firm has permission to carry on.

**permitted asset exposure limit**  a permitted asset exposure limit as defined in LLD 14.5.17R.

**permitted counterparty exposure limit**  a permitted counterparty exposure limit as defined in LLD 14.6.1R.

**permitted immovable**  any immovable which falls within CIS 5.8.4R (Permitted immovable) (excluding, in relation to an ICVC, immovable property that is necessary for the direct pursuit of its business).

**permitted third party**  a third party who is:

(a) an authorised person; or

(b) an exempt person for whom an authorised person is accepting responsibility; or

(c) a person lawfully carrying on a regulated activity in another EEA State.

**person**  (in accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a partnership).

**personal account transaction**  a transaction for the account of an employee of a firm, or his associate, in a designated investment, other than:

(a) a transaction in a government and public security; or

(b) a transaction in a life policy; or

(c) a transaction in a unit in a regulated collective investment scheme; or

(d) a discretionary transaction if there is no prior communication with the employee and the discretion is not exercised by the firm.

**personal equity plan**  a scheme of investment satisfying the conditions prescribed in regulations made by the Treasury under section 333 of the Income and Corporation Taxes Act 1988 (the Personal Equity Plan Regulations 1989).

**personal investment firm**  a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, building society, credit union, friendly society, ICVC, insurer, media firm,
service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission) or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with IPRU(INV) 3 (Securities and futures firms), 5 (Investment management firms) or 10 (Securities and futures firms), and which is within (a), (b) or (c):

(a) a firm:
   (i) which was a member of PIA immediately before commencement; and

   (ii) which was not, immediately before commencement, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or IMRO or SFA (under lead regulation arrangements);

(b) a firm whose permission includes a requirement that it comply with IPRU(INV) 13 (Personal investment firms);

(c) a firm:
   (i) which was given a Part IV permission after commencement, or which was authorised under section 25 of the Financial Services Act 1986 immediately before commencement and not a member of IMRO, PIA or SFA; and

   (ii) for whom the most substantial part of its gross income, including commissions, from the regulated activities included in its Part IV permission is derived from one or more of the following activities (based, for a firm given a Part IV permission after commencement, on the business plan submitted as part of the firm's application for permission or, for a firm authorised under section 25 of the Financial Services Act 1986, on the firm's financial year preceding its authorisation under the Act):

      (A) advising on investments, or arranging (bringing about) deals in investments, in relation to packaged products;

      (B) managing investments for private customers.

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**personal pension contract** a pension contract under which contributions (single or regular) are paid to a personal pension scheme.

**personal pension policy** a pension policy under which contributions (single or regular) are paid to a personal pension scheme.

**personal pension scheme** a scheme of investment in accordance with section 630 of the Income and Corporation Taxes Act 1988.

**personal recommendation** a recommendation given to a specific person.
**PIA**
the Personal Investment Authority Limited.

**plan investor**
a person entered in the **plan register** under CIS 6.5.4R(7) (Requirement).

**plan manager**
in relation to:

(a) a group personal equity plan, the PEP manager;

(b) a group ISA, the ISA manager;

(c) a group savings plan, the person primarily responsible for that group savings plan.

**plan register**

(1) (in relation to an ICVC) a record of persons who subscribe to a group plan and for whom shares in the ICVC are held for the purposes of the group plan by the plan manager or a nominee (other than a record for the establishment or maintenance of which no payments are to be made out of the scheme property).

(2) (in relation to an AUT) a sub-register to the register, which sub-register records persons who subscribe to a group plan and for whom units in the AUT are held for the purposes of the plan by the plan manager or a nominee (other than any sub-register that has not been established and maintained in accordance with CIS 6.5.4R (Requirement) or for the establishment of which no payments are to be made out of the scheme property).

**plan shares**
shares entered in a plan register under CIS 6.5.4R(7) (Requirement).

**plan units**
units entered in a plan register under CIS 6.5.4R(12) (Requirement).

**plastic card**
a card, or a token with an equivalent function, which a customer can use to pay for goods and services, or to obtain cash or both, such as a credit card, charge card, debit card, cash card or electronic purse.

**policy**
[awaiting Order under section 424(2) of the Act.]

**policyholder**
[awaiting Order under section 424(2) of the Act.]

**POS Regulations**

**post**
(in relation to sending a document by post) sending pre-paid by a postal service which seeks to deliver documents by post within the United Kingdom no later than the next working day in all or the majority of cases, and to deliver by post outside the United Kingdom within such a period as is reasonable in all the circumstances.

**Post-BCCI Directive**

**post-sale notice**
a notice of a right to cancel an investment agreement given under COB 6.7.30R(2) (Giving the customer notice of a right to cancel).

**power of intervention**
the power conferred on the FSA under section 196 of the Act (The Power of Intervention) to impose a requirement on an incoming firm.

**pre-sale notice**
a notice of a right to cancel an investment agreement given under COB
6.7.30R(1) (Giving the customer notice of a right to cancel).

**predecessor scheme** any of the following:

(a) The Office of the Banking Ombudsman;
(b) The Office of the Building Societies Ombudsman;
(c) The Insurance Ombudsman Bureau;
(d) The Office of the Investment Ombudsman;
(e) The Personal Investment Authority Ombudsman Bureau;
(f) The Personal Insurance Arbitration Service;
(g) The Securities and Futures Authority Complaints Bureau and Arbitration Service;
(h) The FSA Complaints Unit and Independent Investigator.

**preliminary charge** a charge upon a sale of units by an authorised fund manager whether or not acting as principal.

**premium**

1. (in relation to a *general insurance contract*) the consideration payable under the contract by the policyholder to the insurer.

2. (in relation to a *long-term insurance contract*) a payment under the contract; (except in SUP 16.8 (Persistency reports from insurers)) a premium is a regular premium if it is one of a series of payments under the contract:

(a) (i) which are payable on dates that are certain or ascertainable at the time the contract is made;

(ii) which are payable over a period that exceeds one year in length; and

(iii) assuming the policy evidencing the contract is not surrendered or otherwise terminated before the premiums fall due, will fall due on those dates without either party to the contract exercising any option under the contract; or

(b) of which the first payment is an obligation under the contract, and subsequent payments, calculated according to an agreed formula, are payable over a period which exceeds one year in length under a collateral written arrangement with the insurer or friendly society.

3. (in relation to an option) the total amount which the purchaser of the option is, or may be, required to pay in consideration for the right to exercise the option.

**premium trust fund** a trust fund into which premiums receivable by members are paid in compliance with a trust deed under LLD 10.3 (Carrying of insurance receivables to trust funds).

**prescribed market** a market which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order* (see MAR 1 (Code of
market conduct).

**Prescribed Markets and Qualifying Investments Order**

**prescribed pricing basis**
(in relation to a *derivative contract*, or *quasi-derivative contract*), the pricing basis set out in IPRU(INS) 4.12R(8) (Derivative contracts).

**previous regulator**
(1) (in relation to a *firm* which was authorised under the Banking Act 1987 immediately before commencement or which was a European institution (as defined in the Banking Coordination (Second Council Directive) Regulations 1992) immediately before commencement) the FSA.

(2) (in relation to a *firm* which was a *building society* immediately before commencement) the Building Societies Commission.

(3) (in relation to a *firm* which was a *friendly society* immediately before commencement) the Friendly Societies Commission.

(4) (in relation to a *firm* authorised under the Insurance Companies Act 1982 immediately before commencement) the Treasury.

(5) (in relation to an *underwriting agent* which obtained the permission relevant to that category under the Financial Services and Markets Act 2000 (Repeals, Transitional Provisions and Savings) Order 2001 (SI 2001/[number to be added later])) the Society of Lloyd's.

(6) (in relation to a *firm* which was authorised, or which was an *appointed representative*, under the Financial Services Act 1986 immediately before commencement or which was a European investment firm (as defined in the Investment Services Regulations 1995 (SI 1995/3275)) immediately before commencement) any of:

(a) IMRO;
(b) PIA;
(c) SFA;
(d) a *recognised professional body*; and
(e) the FSA;

if the *firm* (or, if relevant, its principal for the purposes of section 44 of the Financial Services Act 1986) was subject in carrying on business to the rules, requirements, regulations or guidance of that body.

(7) (in relation to an *ex-section 43 firm*) the FSA.

**price**
(in relation to a *unit* in an ICVC or a single-priced AUT) the price of the *unit* calculated in accordance with CIS 4 (Single pricing and dealing).

**price stabilising**
The rules made under section 144 of the Act, and appearing in MAR 2.1.
rules
to MAR 2.5, together with any other provisions available for their interpretation.

primary pooling
event
an event that occurs in the circumstances described in COB 9.5.5R (Failure of the authorised firm: primary pooling event).

PRIN
the part of the Handbook in High Level Standards that has the title Principles for Businesses.

principal
(1) in relation to a person:
(a) a person acting on his own account;
(b) (if the person is an appointed representative) the authorised person who is party to a contract with the appointed representative resulting in him being exempt under section 39 of the Act (Exemption of appointed representatives).

(2) in relation to an option, future or forward contract:
(a) (except in the case of an option on a future) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the option, future or forward contract;
(b) (in relation to an option on a future) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the future.

Principle
one of the Principles set out in PRIN 2.1.1R (Principles for Businesses).

private customer
(1) (except in COB 3) a client who is not a market counterparty or an intermediate customer, including:
(a) an individual who is not a firm;
(b) an overseas individual who is not an overseas financial services institution;
(c) a regulated collective investment scheme;
(d) (except for the purposes of DISP) a client when he is classified as a private customer in accordance with COB 4.1.14R (Client classified as a private customer); but excluding a client, who would otherwise be a private customer, when he is classified as an intermediate customer in accordance with COB 4.1.9R (Expert private customer classified as an intermediate customer).

(2) (in COB 3) a person in (1) or a person who would be such a person if he were a client.

private person
(as defined in article 3 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2000 (SI 2001/2256)):
(a) any individual, unless he suffers the loss in question in the
course of carrying on:
(i) any regulated activity; or
(ii) any activity which would be a regulated activity apart from any exclusion made by article 72 of the Regulated Activities Order (Overseas persons); and

(b) any person who is not an individual, unless he suffers the loss in question in the course of carrying on business of any kind;

but not including a government, a local authority (in the United Kingdom or elsewhere) or an international organisation;

for the purposes of (a), an individual who suffers loss in the course of effecting or carrying out contracts of insurance written at Lloyd's is not to be taken to suffer loss in the course of carrying on a regulated activity;

in this definition:

(A) "government" means:

(I) the government of the United Kingdom; or

(II) the Scottish Administration; or

(III) the Executive Committee of the Northern Ireland Assembly; or

(IV) the National Assembly for Wales; or

(V) the government of any country or territory outside the United Kingdom;

(B) "international organisation" means any international organisation the members of which include the United Kingdom or any other State;

(C) "local authority", in relation to the United Kingdom, means:

(I) in England and Wales, a local authority as defined in the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(II) in Scotland, a local authority as defined in the Local Government (Scotland) Act 1973; and

(III) in Northern Ireland, a district council as defined in the Local Government Act (Northern Ireland) 1972.

product provider a firm which is:

(a) a long-term insurer;

(b) a friendly society;
the operator of a regulated collective investment scheme or an investment trust savings scheme.

PROF the Professional firms sourcebook.

professional firm (in accordance with sections 325(2) (Definition of "members") and 327(2) (Exemption from the general prohibition of the Act) a person which is:

(a) an individual who is entitled to practise a profession regulated by a designated professional body and in practising it is subject to its rules; or

(b) a person (not being an individual) which is managed and controlled by one or more individuals each of whom:

(i) is entitled to practise a profession regulated by a designated professional body; and

(ii) in practising it is subject to the rules of the designated professional body.

prohibition order an order made by the FSA under section 56 of the Act (Prohibition orders) which prohibits an individual from performing a specified function, any function falling within a specified description or any function.

projection a projection of the amount of any future benefit payable under a contract or policy, being a benefit the amount of which is not ascertainable under the terms of the contract or policy when the calculation is made.

projection date the date to which is projection is made.

property enterprise trust an unregulated collective investment scheme of which the underlying assets are land and buildings.

property investment company (in CIS) a body corporate, a substantial activity of which relates to permitted immovables (whether by way of investing, dealing in, developing, redeveloping or refurbishing them and whether directly or indirectly).

property related assets (in CIS):

(a) shares, debentures or warrants which are issued by a property investment company;

(b) certificates representing certain securities which confer rights in respect of an investment within (a).

property scheme (in CIS) an authorised fund dedicated to permitted immovables and property related assets, whether with or without transferable securities.

prospectus (in relation to a collective investment scheme) a document containing information about the scheme and complying with the requirements in CIS 3 or CIS 17 applicable to a prospectus of a scheme of the type concerned.
protected claim  a claim which is covered by the compensation scheme, as defined in COMP 5.2.1R.

protected contract of insurance  a contract of insurance which is covered by the compensation scheme, as defined in COMP 5.4.1R.

protected deposit  a deposit which is covered by the compensation scheme, as defined in COMP 5.3.1R.

protected investment business  designated investment business which is covered by the compensation scheme, as defined in COMP 5.5.1R.

protected items  (as defined in section 413 of the Act (Protected items)) communications (and items which they enclose or refer to and which are in the possession of a person entitled to possession of them) between:

(a)  a professional legal adviser and his client or any person representing his client; or

(b)  a professional legal adviser, his client or any person representing his client and any other person;

where the communication or the item is made:

(i)  in connection with the giving of legal advice to the client; or

(ii)  in connection with, or in contemplation of, legal proceedings and for the purposes of those proceedings; and

is not held with the intention of furthering a criminal purpose.

provider firm  a firm that is:

(a)  a product provider; or

(b)  a marketing group associate.

prudential context  in relation to activities carried on by a firm, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

(a)  confidence in the financial system; or

(b)  the ability of the firm to meet either:

(i)  the "fit and proper" test in threshold condition 5 (Suitability); or

(ii)  the applicable requirements and standards under the regulatory system relating to the firm's financial resources.

public announcement  any communication made by or on behalf of the issuer or the stabilising manager being a communication made in circumstances in which it is likely that members of the public will become aware of the communication.

public offer  an offer of securities to the public and described in the POS Regulations.
**published recommendation** any publication by or on behalf of a firm (including publication by sound broadcasting or television or other electronic means) which contains:

(a) the results of research into investments; or

(b) analysis of factors likely to influence the future performance of investments; or

(c) advice or recommendations based on those results or analysis, including any communication of which the content is common to a number of communications although worded as if it were a personal recommendation.

**pure protection contract** a long-term insurance contract in respect of which the following conditions are met:

(a) the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;

(b) the contract provides that benefits are payable on death (other than death due to an accident) only where the death occurs within ten years of the date on which the life of the person in question was first insured under the contract, or where the death occurs before that person attains a specified age not exceeding seventy years;

(c) the contract has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium;

(d) the contract makes no provision for its conversion or extension in a manner which would result in it ceasing to comply with any of (a), (b) or (c); and

(e) the contract is not a reinsurance contract.

**pure reinsurer** an insurer whose insurance business is restricted to reinsurance.

**qualified valuer** (in relation to any particular type of land in any particular area) a fellow or professional associate of the Royal Institution of Chartered Surveyors, a fellow or associate of the Incorporated Society of Valuers and Auctioneers, or a fellow or associate of the Rating and Valuation Association, who:

(a) has knowledge of and experience in the valuation of that particular type of land in that particular area; or

(b) has knowledge of and experience in the valuation of land and has taken advice from a valuer who he is satisfied has knowledge of and experience in the valuation of that particular type of land in that particular area; or

(c) immediately before 15 June 1981 was recognised as a qualified valuer by approval by the Secretary of State under the Insurance Companies (Valuation of Assets) Regulations 1976.

**qualifying investment** an investment which has been prescribed by the Treasury in the
Prescribed Markets and Qualifying Investments Order (see MAR 1 (Code of market conduct)).

**quantification date**
the date as at which the liability of the *relevant person in default* is to be determined under **COMP 12.3**.

**quasi-derivative contract**
a contract or asset having the effect of a *derivative contract*.

**railway rolling stock**
(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 5 of Part I of Schedule 1 to the **Regulated Activities Order** (Contracts of general insurance), against loss of or damage to railway rolling stock.

**RCH**
a recognized clearing house.

**RDC**
Regulatory Decisions Committee.

**readily realisable investment**
(a) a *packaged product*;
(b) a *readily realisable security*.

**readily realisable security**
(a) a *government or public security* denominated in the currency of the country of its *issuer*;
(b) any other *security* which is:
   (i) admitted to *official listing* on an exchange in an EEA *State*; or
   (ii) regularly traded on or under the rules of such an exchange; or
   (iii) regularly traded on or under the rules of a *recognised investment exchange* or (except in relation to *unsolicited real time financial promotions*) designated investment exchange;
(c) a newly issued *security* which can reasonably be expected to fall within (b) when it begins to be traded.

**real time financial promotion**
(in accordance with article 7(1) of the **Financial Promotion Order**) (as more fully described in COB 3.5.5R ("Real time" and "non-real time" financial promotions)) a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue.

**REC**
the Recognised Investment Exchange and Recognised Clearing House sourcebook.

**receivable**
(in **LLD**) (in relation to a *member*, a period and a *premium*) a *premium* due to the *member* in respect of *contracts of insurance* effected during the period, whether or not the *premium* is received during that period.

**recognised body**
an RIE or an RCH.

**recognised clearing house**
a *clearing house* which is declared by a *recognition order* for the time being in force to be a recognised clearing house.

**recognised investment exchange**
an investment exchange which is declared by a *recognition order* for the time being in force to be a recognised investment exchange.
recognised overseas clearing house  an *overseas clearing house* which is declared by a *recognition order* for the time being in force to be a *recognised clearing house*.

recognised overseas investment exchange  an *overseas investment exchange* which is declared by a *recognition order* for the time being in force to be a *recognised investment exchange*.

recognised professional body  any of the following professional bodies (which were the recognised professional bodies for the purposes of the Financial Services Act 1986):

(a) The Law Society (England and Wales);
(b) The Law Society of Scotland;
(c) The Law Society of Northern Ireland;
(d) The Institute of Chartered Accountants in England and Wales;
(e) The Institute of Chartered Accountants of Scotland;
(f) The Institute of Chartered Accountants in Ireland;
(g) The Association of Chartered Certified Accountants;
(h) The Institute of Actuaries.

(see also *designated professional body*.)

recognised scheme  a *scheme* recognised under:

(a) section 264 of the *Act* (Schemes constituted in other EEA States); or
(b) section 270 of the *Act* (Schemes authorised in designated countries or territories); or
(c) section 272 of the *Act* (Individually recognised overseas schemes).

recognition order  (in accordance with section 313 of the *Act* (Interpretation of Part XVIII)) an order made under section 290 or 292 of the *Act* which declares an investment exchange or *clearing house* to be a *recognised body*.

recognition requirement  (1) (in relation to a *UK RIE* or *UK RCH*) any of the requirements applicable to that body under the *Recognition Requirements Regulations*.

(2) (in relation to a body applying for recognition as a *UK RIE* or *UK RCH*) any of the requirements under the *Recognition Requirements Regulations* which, if its application were successful, would apply to it.

(3) (in relation to an *ROIE* or *ROCH*, or to an applicant for recognition as an *ROIE* or *ROCH*) any of the requirements in section 292(3) of the *Act* (Overseas investment exchanges and overseas clearing houses).

Recognition Requirements  the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses)
Regulations 2001 (SI 2001/995).

redemption
(1) (except in ENF 17 (Collective investment schemes)) (in relation to units in an authorised fund) the purchase of them from their holder by the authorised fund manager acting as a principal.
(2) (in ENF 17 (Collective investment schemes)) redemption as in (1) but including their cancellation by the trustee of an AUT or by an ICVC.

redemption charge
an amount levied by the operator of a scheme upon the redemption of units, in the case of an authorised fund under:
(a) CIS 8.2.7R (Redemption charge: ICVCs); or
(b) CIS 8.5.2R (Redemption charge: single-priced AUTs); or
(c) CIS 15.4.10R (Redemption charge).

redemption price
the authorised fund manager's price for redemption under CIS 15.4.9R (Redemption price parameters).

register
(in CIS) the register of holders kept under Schedule 3 to the OEIC Regulations or CIS 6.2.1R (Basic requirements) or, in relation to a collective investment scheme that is not an authorised fund, a record of the holders (other than of bearer certificates) of units in it.

registered branch
a branch of a friendly society which is separately registered under the Friendly Societies Act 1974.

registered friendly society
a friendly society registered under section 7(1)(a) of the Friendly Societies Act 1974 or any enactment which it replaced, including any registered branches.

registrar
the person who maintains a register.

regular user
(as defined in section 118(10) of the Act (Market abuse)) a person who is, in relation to a particular market, a reasonable person who regularly deals on that market in investments of the kind in question.

Regulated Activities Order

regulated activity
(in accordance with section 22 of the Act (The classes of activity and categories of investment)) any of the following activities specified in Part II of the Regulated Activities Order (Specified Activities):
(a) accepting deposits (article 5);
(b) effecting contracts of insurance (article 10(1));
(c) carrying out contracts of insurance (article 10(2));
(d) dealing in investments as principal (article 14);
(e) dealing in investments as agent (article 21);
(f) arranging (bringing about) deals in investments (article 25(1));
(g) making arrangements with a view to transactions in investments (article 25(2));
(h) managing investments (article 37);

(i) safeguarding and administering investments (article 40); for the purposes of the permission regime, this is sub-divided into:
   (i) safeguarding and administration of assets (without arranging);
   (ii) arranging safeguarding and administration of assets;

(j) sending dematerialised instructions (article 45(1));

(k) causing dematerialised instructions to be sent (article 45(2));

(l) establishing, operating or winding up a collective investment scheme (article 51(1)(a)); for the purposes of the permission regime, this is sub-divided into:
   (i) establishing, operating or winding up a regulated collective investment scheme;
   (ii) establishing, operating or winding up an unregulated collective investment scheme;

(m) acting as trustee of an authorised unit trust scheme (article 51(1)(b));

(n) acting as the depositary or sole director of an open-ended investment company (article 51(1)(c));

(o) establishing, operating or winding up a stakeholder pension scheme (article 52);

(p) advising on investments (article 57); for the purposes of the permission regime, this is sub-divided into:
   (i) advising on investments (except pension transfers and pension opt-outs);
   (ii) advising on pension transfers and pension opt-outs;

(q) advising on syndicate participation at Lloyd's (article 56);

(r) managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's (article 53);

(s) arranging deals in contracts of insurance written at Lloyd's (article 58);

(t) agreeing to carry on a regulated activity (article 64);

which is carried on by way of business and relates to a specified investment or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind.

regulated activity debt

an obligation to pay a sum due and payable under an agreement, the making or performance of which constitutes or is part of a regulated activity carried on by an individual who:

(a) is, or has been, an authorised person; or

(b) is carrying on, or has carried on, a regulated activity in
contravention of the general prohibition.

**regulated collective investment scheme**
(a) an ICVC; or
(b) an AUT; or
(c) a recognised scheme;
whether or not the units are held within a PEP, ISA, or pension contract.

**regulated institution**
subject to the requirements of IPRU and as more fully defined in IPRU, an insurance undertaking, credit institution, friendly society or investment firm.

**regulated market**
(as defined in article 1 of the ISD) a market for the instruments listed in Section B of the Annex to the ISD which:
(a) appears on the list of such markets drawn up by the market's Home State as required by article 16 of the ISD;
(b) functions regularly;
(c) is characterised by the fact that regulations issued or approved by the competent authorities define the conditions for the operation of the market, the conditions for access to the market and, where Directive 79/279/EEC is applicable, the conditions governing admission to listing imposed in that Directive and, where that Directive is not applicable, the conditions that must be satisfied by a financial instrument before it can effectively be dealt in on the market; and
(d) requires compliance with all the reporting and transparency requirements laid down by articles 20 and 21 of the ISD.
(see SUP 17 Ann 5G for a list of these markets.)

**regulatory body**
any authority, body or person having, or who has had, responsibility for the supervision or regulation of any regulated activities or other financial services, whether in the United Kingdom or overseas.

**Regulatory Decisions Committee**
a committee of the Board of the FSA, described in DEC 4.2 (The Regulatory Decisions Committee).

**regulatory function**
as defined in section 291 of the Act (Liability in relation to recognised body's regulatory functions)) any function of a recognised body so far as relating to, or to matters arising out of, the obligations to which the body is subject under or by virtue of the Act.

**regulatory objectives**
as described in sections 2(2) and 3 to 6 of the Act:
(a) market confidence;
(b) public awareness;
(c) the protection of consumers; and
(d) the reduction of financial crime.

**regulatory provisions**
as described in section 291 of the Act (Liability in relation to recognised body's regulatory functions)) any function of a recognised body so far as relating to, or to matters arising out of, the obligations to which the body is subject under or by virtue of the Act.
or any guidance issued by the investment exchange or clearing house;

(b) (in relation to an investment exchange):
   (i) any arrangements which it has made, or proposes to make, for the provision of clearing services in respect of transactions effected on the exchange; and
   (ii) if it provides, or proposes to provide, clearing services on exchange, the criteria which it applies, or proposes to apply, when determining to whom it will provide those services;

(c) (in relation to a clearing house):
   (i) if it makes, or proposes to make, clearing arrangements with an RIE, those arrangements; and
   (ii) if it provides, or proposes to provide, clearing services for persons other than RIEs, the criteria which it will apply when determining to whom it will provide those services.

regulatory system the arrangements for regulating a firm or other person in or under the Act, including the threshold conditions, the Principles and other rules, the Statements of Principle, codes and guidance.

reinsurance to close (a) an agreement under which members of a syndicate in one syndicate year ("the reinsured members") agree with the members of that syndicate in a later syndicate year or the members of another syndicate ("the reinsuring members") that the reinsuring members will discharge, or procure the discharge of, or indemnify the reinsured members against, all known and unknown insurance business liabilities of the reinsured members arising out of the insurance business carried on by the reinsured members in that syndicate year; or

(b) a similar reinsurance agreement or arrangement that has been approved by the Council as a reinsurance to close.

related designated investment (in relation to a designated investment (the "first investment")) a designated investment whose value might reasonably be expected to be directly affected by:

(a) any fluctuation in the value of the first investment; or

(b) any published recommendation that concerns the first investment.

relevant business (in DISP) that part of a firm's business which it conducts with private individuals and which is subject to the jurisdiction of the Financial Ombudsman Service as provided for under DISP 2.6 (To which activities do the rules apply?), measured by reference to the appropriate tariff base for each industry block.

relevant charitable scheme an authorised fund which is:

(a) a registered charity; or

(b) a charitable unit trust scheme under regulation 7(2)(d) of the
Income Tax (Definition of Unit Trust Scheme) Regulations 1988.

**relevant collateral** in relation to a transaction:

(a) cash;

(b) letters of credit and guarantees to the extent of their face value, issued by an approved bank which is neither a counterparty nor an associate of a counterparty;

(c) gold and silver bullion and coinage;

(d) marketable investments;

(e) the performance guarantees issued in support of the securities lending and borrowing programmes of Euroclear and Cedel, in respect only of exposure arising from participation in such programmes;

subject in each case to:

(i) the firm having an unconditional right to apply or realise the relevant collateral for the purpose of repaying a counterparty's obligations;

(ii) marketable investments:

(A) being marked to market daily using the valuation principles in IPRU(INV) 3.41(9)R;

(B) not being issued by a counterparty nor by an associate of a counterparty.

**relevant complaint** (as defined in section 299(2) of the Act (Complaints about recognised bodies)) a complaint which the FSA considers is relevant to the question of whether a recognised body should remain a recognised body.

**relevant firm** (in ML) a firm of the kind described in ML 1.1.2R.

**relevant function** (in relation to a UK recognised body) an exempt activity or a regulatory function.

**relevant general insurance contract** (in COMP) any general insurance contract other than:

(a) a reinsurance contract;

(b) a Lloyd's policy;

(c) a contract falling within any of the following classes:

(i) aircraft;

(ii) ships;

(iii) goods in transit;

(iv) aircraft liability;

(v) liability of ships;

(vi) credit.
relevant information  (1) (except in REC) (in relation to an investment) information which would be likely to be regarded by a regular user of the market in question as relevant when deciding the terms on which transactions in that investment should be effected.

(2) (in REC) (in relation to an investment) information which is relevant to determining the current value of that investment.

relevant office-holder  a relevant office-holder as defined in section 189 of the Companies Act 1989, which is in summary:

(a) the official receiver;

(b) (in relation to a company) any person acting as its liquidator, provisional liquidator, administrator or administrative receiver;

(c) (in relation to an individual or a debtor within the Bankruptcy (Scotland) Act 1985) a trustee in bankruptcy, interim receiver of property, or permanent or interim trustee in the sequestration of an estate;

(d) any person acting as administrator of an insolvent estate of a deceased person.

relevant pension scheme  (a) an appropriate scheme for the purposes of section 1(8) of the Social Security Act 1986 or for the purposes of article 3(8) of the Social Security (Northern Ireland) Order 1986; or

(b) an exempt approved scheme under section 592(1) of the Income and Corporation Taxes Act 1988 to which the employer is not a contributor and which provides benefits additional to those provided by:

(i) another scheme approved under Chapter I of Part XIV of that Act to which the employer is a contributor; or

(ii) a statutory scheme as defined in section 612(1) of that Act; or

(iii) a relevant statutory scheme as defined in section 611A(1) of that Act; or

(c) a pension scheme approved under Chapter IV of Part XIV of that Act.

relevant person  (in COMP) a person for claims against whom the compensation scheme provides cover, as defined in COMP 6.2.1R.

relevant product  (in MAR) (in accordance with section 118(6) of the Act (Market abuse)) (in relation to any qualifying investment):

(a) anything which is the subject matter of that qualifying investment;

(b) an investment whose price or value is expressed by reference to the price or value of that qualifying investment;

(c) an investment whose subject matter is that qualifying investment.
relevant regulated activities  (in ML) activities of the kind described in ML 1.1.4R.

relevant security  (in MAR) a security subject to an offer falling within MAR 2.1.3R(1) and (3).

remedial direction  (in accordance with section 308(8) of the Act (Directions by the Treasury)) a direction requiring the FSA:

(a) to exercise its powers under section 297(2) of the Act to revoke the recognition order for a recognised body; or

(b) to exercise its powers under section 296 of the Act by giving such directions to the recognised body concerned as may be specified in the direction.

remuneration  any form of remuneration, including benefits of any kind.

repo  (a) an agreement between a seller and buyer for the sale of securities, under which the seller agrees to repurchase the securities, or equivalent securities, at an agreed date and, usually, at a stated price;

(b) an agreement between a buyer and seller for the purchase of securities, under which the buyer agrees to resell the securities, or equivalent securities, at an agreed date and, usually, at a stated price.

reportable transaction  a transaction defined in SUP 17.5.1R (Transaction reporting: Reportable transaction).

reporting accountant  an accountant appointed:

(a) by the FSA; or

(b) by a firm, having been nominated or approved by the FSA under section 166 of the Act (Reports by skilled persons); or

(c) by an applicant for Part IV permission;

to report on one or more aspects of the business of a firm or applicant, such as its financial position, including internal controls and reporting returns.

representative  (in relation to designated investment business) an individual appointed by a provider firm or by an appointed representative of that firm, to carry out either or both of the following activities:

(a) giving advice on investments to customers on the merits of packaged products offered by that firm (or any other provider firm within the same marketing group);

(b) arranging (bringing about) deals in investments in relation to such products.

required amount  (in LLD) for a member, in relation to general insurance business or long-term insurance business, the required amount determined in accordance with LLD 11.2.6R or LLD 11.2.7R.
required function any of controlled functions 8 to 12 in the table of controlled functions.

required margin of solvency a margin of solvency required by IPRU(INS) or IPRU(FSOC).

required minimum margin for an insurer, the minimum margin required by IPRU(INS).

requirement a requirement included in a firm's Part IV permission under section 43 of the Act (Imposition of requirements), section 45(4) of the Act (Variation etc on the Authority's own initiative) or section 46 of the Act (Variation of permission on acquisition of control).

requiring or encouraging taking or refraining from taking any action which requires or encourages another person to engage in behaviour which, if engaged in by the person requiring or encouraging, would amount to market abuse.

requisite details the details required under the Financial Services and Markets Act 2000 (EEA Passport Rights) Regulations 2001 (SI 2001/1376) and set out in SUP 13 Ann 1R (Requisite details: branches) and SUP 13 Ann 1R (Requisite details: cross border services).

restricted credit a loan for which, as a result of an existing arrangement between a supplier and a firm, the customer's application to the firm is submitted through the supplier and the terms of the loan require that it be paid to the supplier for goods or services supplied to the customer, not including loans secured by a charge over land or loans or payments by plastic card (other than a store card).

retirement annuity an individual pension policy effected by a self-employed person or a person in non-pensionable employment before 1 July 1998 and which is approved under Chapter III, Part XIV of the Income and Corporation Taxes Act 1988.

retirement fund the amount which will be available, at the date on which the investor retires, for the provision of benefits.

RIE recognised investment exchange.

rights to or interests in investments the investment, specified in article 89 of the Regulated Activities Order (Rights to or interests in investments), which is in summary: any right to or interest in any other specified investment, but excluding:

(a) interests under the trusts of an occupational pension scheme;

(b) rights to or interests in a contract of insurance of the kind referred to in paragraph (1)(a) of article 60 of the Regulated Activities Order (Plans covered by insurance or trust arrangements), or interests under a trust of the kind referred to in paragraph 1(b) of article 60 of the Regulated Activities Order (Plans covered by insurance or trust arrangements);

(c) any other specified investment.

risk assessment function controlled function CF14 in the table of controlled functions, described more fully in SUP 10.8.3R.
ROCH  
recognised overseas clearing house.

ROIE  
recognised overseas investment exchange.

rolling spot forex contract  
either of the following:

(a)  a future, other than a future traded or expressed to be as traded on a recognised investment exchange, where the property which is to be sold under the contract is foreign exchange or sterling; or

(b)  a contract for differences where the profit is to be secured or loss avoided by reference to fluctuations foreign exchange; and

in either case where the contract is entered into for the purpose of speculation.

rule  
(in accordance with section 417(1) of the Act (Definitions)) a rule made by the FSA under the Act, including:

(a)  a Principle; and

(b)  an evidential provision.

safe custody investment  
a designated investment, which is not the property of the firm, but for which the firm, or any nominee company controlled by the firm or by its associate, is accountable; which has been paid for in full by the client; and which ceases to be a safe custody investment when the firm has disposed of it in accordance with a valid instruction.

safeguarding and administering investments  
the regulated activity, specified in article 40 of the Regulated Activities Order (Safeguarding and administering investments), which is in summary: the safeguarding and the administration of assets belonging to another and the administration of those assets, or arranging for one or more other persons to carry on that activity, where:

(a)  the assets consist of or include any designated investment; or

(b)  the arrangements for their safeguarding and administration are such that the assets may consist of or include designated investments, and either the assets have at any time since 1 June 1997 done so, or the arrangements have at any time (whether before or after that date) been held out as ones under which designated investments would be safeguarded and administered.

safeguarding and administration of assets (without arranging)  
that part of safeguarding and administering investments which consists of both:

(a)  the safeguarding of assets belonging to another; and

(b)  the administration of those assets.

sale  
(in CIS) (in relation to units in an authorised fund) the sale of units by the authorised fund manager as principal.

salvage right  
in any right of a member under a contract of insurance (and vested in a premium trust fund) to take possession of and to dispose of property because he has made a payment or has become liable to make a payment in respect of a loss to that property.
**SARs**

the Rules Governing Substantial Acquisitions of Shares issued on the authority of the Takeover Panel.

**scheme**

(1) (except in COB and SUP) a collective investment scheme.

(2) (in COB and SUP)

(a) a regulated collective investment scheme;

(b) an investment trust where the relevant shares have been or are to be acquired through an investment trust savings scheme;

(c) an investment trust where the relevant shares are to be held within an ISA or PEP which promotes one or more specific investment trusts;

(d) (in COB 10) in addition to (a), (b) and (c), an unregulated collective investment scheme.

**scheme holding**

a holding of:

(a) units in a collective investment scheme; or

(b) shares in an investment trust savings scheme.

**scheme management activity**

the management by an operator of the property held for or within the scheme of which it is the operator, excluding the receiving and holding of client money and safeguarding and administering investments.

**scheme of arrangement**

(in CIS) an arrangement relating to an authorised fund ("transferor fund") or to a sub-fund of an umbrella scheme ("transferor sub-fund") under which:

(a) either:

(i) all or part of the property of the transferor fund, or all or part of the property attributed to the transferor sub-fund, is to become the property of one or more regulated collective investment schemes ("transferee schemes"); or

(ii) all or part of the property attributed to the transferor sub-fund is to become part of the property attributed to one or more other sub-funds of the same umbrella scheme ("transferee sub-funds"); and

(b) holders of units in the transferor fund or transferor sub-fund, the property of which is being transferred or reattributed under (a), are to receive, in exchange for their respective interests in that property, either:

(i) units in the transferee scheme or one or more of the transferee schemes, to which the property is transferred; or

(ii) units in the transferee sub-fund or one or more of the transferee sub-funds, to which the property is reattributed.
**scheme of operations** a scheme which:

(a) describes the nature of the risks which the **insurer** is underwriting, or intends to underwrite, and the guiding principles which it intends to follow in reinsuring or covering those risks; and

(b) contains the information required under **SUP App 2.9.1R** (Content of a scheme of operations).

**scheme particulars** a document containing information about a **regulated collective investment scheme**.

**scheme property** (a) (in relation to an **ICVC**) the property subject to the **collective investment scheme** constituted by it;

(b) (in relation to an **AUT**) the **capital property** and the **income property**.

**SDRT provision** a charge of such amount or at such rate as is determined by the **authorised fund manager** to be made as a provision for stamp duty reserve tax for which the **ICVC** may become liable under the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies)(Amendment No.2) Regulations 2000 or the **trustee** may become liable under Schedule 19 to the Finance Act 1999 in respect of a surrender of **units** to the **authorised fund manager**.


**secondary material** (as more fully described in section 394 of the **Act** (Access to Authority material)) material, other than that which the **FSA** relied on in reaching its decision, which:

(a) the **FSA** considered in reaching its decision; or

(b) the **FSA** obtained in connection with, that is, in the investigation of, the matter in question.

**secondary pooling event** an event that occurs in the circumstances described in **COB 9.5.14R** (Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events).

**section 43 capital requirements** the financial supervision requirements of the **FSA** for the purposes of the listing arrangements made under section 43 of the Financial Services Act 1986.

**secured debt** (in **LLD**) a debt owed to (or an obligation to be fulfilled for the benefit of) a **member**, secured by an **admissible asset**.

**securities and futures** a firm whose permitted activities include designated investment
firm business, which is not an authorised professional firm, bank, building society, credit union, friendly society, ICVC, insurer, media firm, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission) or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with IPRU(INV) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c) or (d):

(a) a firm (other than one falling within (d)):

(i) which was a member of SFA immediately before commencement; and

(ii) which was not, immediately before commencement, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or PIA or IMRO (under lead regulation arrangements);

(b) a firm whose permission includes a requirement that it comply with IPRU(INV) 3 or 10 (Securities and futures firms);

(c) a firm:

(i) which was given a Part IV permission after commencement, or which was authorised under section 25 of the Financial Services Act 1986 immediately before commencement and not a member of IMRO, PIA or SFA; and

(ii) for whom the most substantial part of its gross income, including commissions, from the regulated activities included in its Part IV permission is derived from one or more of the following activities (based, for a firm given a Part IV permission after commencement, on the business plan submitted as part of the firm's application for permission or, for a firm authorised under section 25 of the Financial Services Act 1986, on the firm's financial year preceding its authorisation under the Act):

(A) an activity carried on as a member of an exchange;

(B) making a market in securities or derivatives;

(C) corporate finance business;

(D) dealing, or arranging (bringing about) deals in investments, in securities or derivatives;

(E) the provision of clearing services as a clearing firm;

(F) managing investments, where those investments are primarily derivatives;

(G) activities relating to spread bets;
(d) a firm that is:

(i) an ex-section 43 firm which was not authorised under the Financial Services Act 1986 immediately before commencement; or

(ii) an ex-section 43 lead regulated firm.

**securities scheme** an authorised fund dedicated to transferable securities, excluding an authorised fund which is a feeder fund, a fund of funds scheme or a warrant scheme.

**security** (in accordance with article 3(1) of the Regulated Activities Order (Interpretation)) any of the following investments specified in that Order:

(a) share (article 76);
(b) debenture (article 77);
(c) government and public security (article 78);
(d) warrant (article 79);
(e) certificate representing certain securities (article 80);
(f) unit (article 81);
(g) stakeholder pension scheme (article 82);
(h) rights to or interests in investments in (a) to (g) (article 89).

**segregated client** a client whose money must be segregated by the firm under COB 9.3.37R (Segregation).

**sell** (in accordance with article 3(1) of the Regulated Activities Order (Interpretation)) (in relation to any investment) sell in any way, including disposing of the investment for valuable consideration; in this definition, "disposing" includes:

(a) (in relation to an investment consisting of rights under a contract):

(i) surrendering, assigning or converting those rights; or

(ii) assuming the corresponding liabilities under the contract;

(b) (in relation to an investment consisting of rights under other arrangements) assuming the corresponding liabilities under the arrangements; and

(c) (except in CIS) (in relation to any other investment) issuing or creating the investment or granting the rights or interests of which it consists.

**sending dematerialised instructions** the regulated activity, specified in article 45(1) of the Regulated Activities Order, of sending, on behalf of another person, dematerialised instructions relating to a security, where those instructions are sent by means of a relevant system in respect of which an operator is approved under the 1995 Regulations;
in this definition:
(a) "the 1995 Regulations" means the Uncertificated Securities Regulations 1995 (SI 1995/3272);
(b) "dematerialised instruction" and "operator" have the meaning given by regulation 3 of the 1995 Regulations.

**senior manager**

an individual other than a *director*:

(a) who is employed by:
   (i) a *firm*; or
   (ii) a *body corporate* within a *group* of which the *firm* is a member;

(b) to whom the *governing body* of the *firm*, or a member of the *governing body* of the *firm*, has given responsibility, either alone or jointly with others, for management and supervision;

(c) who, if the individual is employed by the *firm*, reports directly to:
   (i) the *governing body*; or
   (ii) a member of the *governing body*; or
   (iii) the *chief executive*; or
   (iv) the head of a significant business unit; and

(d) who, if the individual is employed by a *body corporate* within the *group*, reports directly to a *person* who is the equivalent of a body or *person* referred to in (c).

**senior staff committee**

(in DEC) a committee consisting of senior FSA staff members that is empowered to make statutory notice decisions and statutory notice associated decisions by executive procedures.

**series of transactions**

a series of transactions executed with a view to achieving one investment decision or objective.

**service company**

a *firm* whose only permitted activities are making arrangements with a view to transactions in investments, and agreeing to carry on that regulated activity, and whose Part IV permission:

(a) incorporates a *limitation* substantially to the effect that the *firm* carry on regulated activities only with *market counterparties* or *intermediate customers*; and

(b) includes *requirements* substantially to the effect that the *firm* must not:
   (i) guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the *firm* in carrying on regulated activities, of obligations undertaken by that participant in connection with those arrangements; or
   (ii) **approve** any financial promotion on behalf of any other *person* or any specified class of *persons*; or

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(iii) in carrying on its regulated activities, provide services otherwise than in accordance with documents (of a kind specified in the requirement) provided by the firm to the FSA.

service conditions (in accordance with paragraph 14 of Schedule 3 to the Act (EEA Passport Rights)) the conditions that:

(a) the firm has given its Home State regulator notice of its intention to provide services in the United Kingdom;

(b) if the firm falls within paragraph (a) or (d) in the definition of "EEA firm", the FSA has received notice from the firm's Home State regulator containing such information as may be prescribed; and

(c) if the firm falls within paragraph (d) of that definition, its Home State regulator has informed it that the regulator's notice has been sent to the FSA.

SETS the Stock Exchange Electronic Trading Service.

settlement agent a person with or through whom the firm effects settlement of UK-settled or foreign-settled transactions.


SFA the Securities and Futures Authority Limited.

share (1) (except in CIS) the investment, specified in article 76 of the Regulated Activities Order (Shares etc), which is in summary: a share or stock in the share capital of:

(a) any body corporate (wherever incorporated);

(b) any unincorporated body constituted under the law of a country or territory outside the United Kingdom.

(2) (in CIS):

(a) (in relation to an ICVC) a share in the ICVC (including both smaller denomination shares and larger denomination shares);

(b) (otherwise) an investment within (1).

shareholder (in relation to an ICVC, and subject to CIS 11.2.2R (Special meaning of shareholder)):

(a) (in relation to a share that is represented by a bearer certificate) the person who holds the certificate;

(b) (in relation to a share that is not represented by a bearer certificate) the person whose name is entered on the register in relation to that share.

ships (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 6 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), upon
vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels.

**shortfall**

(1) (in relation to cancellation of an *investment agreement*) the amount a *firm* is entitled to charge a *customer* for the market loss in accordance with COB 6.7.54R to COB 6.7.58R (Shortfall; Exceptions to shortfall).

(2) (in relation to *client money*) the amount by which the *client money* in a *client bank account* is insufficient to satisfy the claims of *clients* in respect of that *money*, or not immediately available to satisfy such claims.

**sickness**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 2 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of loss to the *persons insured* attributable to sickness or infirmity, but excluding contracts within paragraph IV of Part II of Schedule 1 to the *Regulated Activities Order* (Permanent health).

**sickness or distressed circumstances contract**

any contract in accordance with which benefits are provided for the relief or maintenance of any *person* during sickness or when in distressed circumstances.

**significant influence function**

any of the *controlled functions* 1 to 20 in the *table of controlled functions*.

**significant management (designated investment business) function**

controlled function CF16 in the *table of controlled functions*, described more fully in *SUP 10.9.10R*.

**significant management (financial resources) function**

controlled function CF19 in the *table of controlled functions*, described more fully in *SUP 10.9.16R*.

**significant management (insurance underwriting) function**

controlled function CF18 in the *table of controlled functions*, described more fully in *SUP 10.9.14R*.

**significant management (other business operations) function**

controlled function CF17 in the *table of controlled functions*, described more fully in *SUP 10.9.12R*.

**significant management (settlements) function**

controlled function CF20 in the *table of controlled functions*, described more fully in *SUP 10.9.18R*.

**significant**

any of the *controlled functions* 16 to 20 in the *table of controlled functions*. 
management function functions.

**Single Market Directives** (as defined in paragraph 1 of Schedule 3 to the Act (EEA Passport Rights)) the Banking Consolidation Directive, the Insurance Directives and the Investment Services Directive.

**single-priced AUT** an AUT for the units of which there is only one price applicable by reference to a valuation point.

**skilled person** a person appointed to make a report required by section 166 of the Act (Reports by skilled persons) for provision to the FSA and who must be a person:

(a) nominated or approved by the FSA; and

(b) appearing to the FSA to have the skills necessary to make a report on the matter concerned.

**small business** (in COMP) a partnership, body corporate, unincorporated association or mutual association with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).

**small friendly society function** controlled function CF6 in the table of controlled functions, described more fully in SUP 10.6.26R.

**small personal investment firm** a personal investment firm:

(a) which is not an ISD investment firm;

(b) which is not a network; and

(c) which has fewer than 26 financial advisers or representatives.

**small self-administered scheme** an occupational pension scheme of a kind described in article 4(4) and 4(5) of the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177).

**smaller denomination share** a share to which are attached rights in a smaller denomination as provided by regulation 45 of the OEIC regulations.

**social insurance** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph IX of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance), of a kind referred to in article 1(3) of the First Life Directive ("operations relating to the length of human life which are prescribed by or provided for in social insurance legislation, when they are effected or managed at their own risk by assurance undertakings in accordance with the laws of an EEA State").

**Society** the society incorporated by Lloyd's Act 1871 by the name of Lloyd's.

**Society guarantee fund** (in LLD) the guarantee fund calculated by the Society under LLD 11.5.2R.

**Society margin** (in LLD) the margin calculated by the Society under LLD 11.5.1R.

**Society's basic market activity** (in accordance with section 315(2)(a) of the Act (The Society: authorisation and permission)) arranging deals in contracts of insurance written at Lloyd's.
Society's regulatory functions
the Society's powers, duties or functions in relation to members or underwriting agents which are or may be exercised for the purposes of supervising or regulating the market at Lloyd's.

Society's secondary market activity
(in accordance with section 315(2)(b) of the Act (The Society: authorisation and permission)) arranging deals in participation in Lloyd's syndicates.

soft commission agreement
an agreement in any form, the terms of which permit a firm to receive certain goods or services from another person in return for transacting designated investment business with or through that other person.

sole trader
an individual who is a firm.

sole trader function
controlled function CF7 in the table of controlled functions, described more fully in SUP 10.6.30R.

solicited real time financial promotion
(in accordance with article 8 of the Financial Promotion Order) (as more fully described in COB 3.10.1R (Meaning of "solicited" and "unsolicited" real time financial promotion)) a real time financial promotion which is solicited, that is, it is made in the course of a personal visit, telephone call or other interactive dialogue if that call, visit or dialogue:

(a) was initiated by the recipient of the financial promotion; or
(b) takes place in response to an express request from the recipient of the financial promotion.

special purpose vehicle
a body corporate whose sole purpose (either generally or when acting in a particular capacity) is to carry out one or more of the following functions:

(a) issuing designated investments, other than life policies;
(b) redeeming or terminating or repurchasing (whether with a view to re-issue or to cancellation) an issue (in whole or part) of designated investments, other than life policies;
(c) entering into transactions or terminating transactions involving designated investments in connection with the issue, redemption, termination or re-purchase of designated investments, other than life policies;

subject to the special purpose vehicle having been:

(i) explicitly established for the purpose of securitising assets; and
(ii) assessed by a rating agency.

specific non-real time financial promotion
a non-real time financial promotion which identifies and promotes a particular investment or service.

specified investment
any of the following investments specified in Part III of the Regulated Activities Order (Specified Investments):

(a) deposit (article 74);
(b) contract of insurance (article 75); for the purposes of the
permission regime, this is sub-divided into:

(i) general insurance contract;
(ii) long-term insurance contract;

and then further sub-divided into classes of contract of insurance;

(c) share (article 76);
(d) debenture (article 77);
(e) government and public security (article 78);
(f) warrant (article 79);
(g) certificate representing certain securities (article 80);
(h) unit (article 81);
(i) stakeholder pension scheme (article 82);
(j) option (article 83); for the purposes of the permission regime, this is sub-divided into:
   (i) option (excluding a commodity option and an option on a commodity future);
   (ii) commodity option and an option on a commodity future;

(k) future (article 84); for the purposes of the permission regime, this is sub-divided into:
   (i) future (excluding a commodity future and a rolling spot forex contract);
   (ii) commodity future;
   (iii) rolling spot forex contract;

(l) contract for differences (article 85); for the purposes of the permission regime, this is sub-divided into:
   (i) contract for differences (excluding a spread bet and a rolling spot forex contract);
   (ii) spread bet;
   (iii) rolling spot forex contract;

(m) underwriting capacity of a Lloyd's syndicate (article 86(1));
(n) membership of a Lloyd's syndicate (article 86(2));

(o) rights to or interests in investments (article 89).

spread bet a contract for differences that is a gaming contract, whether or not section 412 of the Act (Gaming contracts) applies to the contract; in this definition, "gaming" has the meaning given in the Gaming Act 1968, which is in summary: the playing of a game of chance for winnings in money or money's worth, whether any person playing the game is at risk of losing any money or money's worth or not.
SSAS  small self-administered scheme.

stabilising action  any action contemplated by MAR 2.2.3R or MAR 2.4.2R.

stabilising manager  the single person responsible for stabilising action under MAR 2 (Price stabilising rules).

stabilising period  (in relation to a relevant security and an associated security) the period:

(a)  beginning with the date on which the earliest public announcement of the offer which states the offer price is made; and

(b)  ending on the thirtieth day after the closing date or, if it is earlier than that day, the sixtieth day after the date of allotment;

except that, in relation to a debenture and a government and public security, the period begins with the date on which the earliest public announcement of the offer is made (whether or not that announcement states the offer price).

stabilising price  the initial price (at or below the offer price) up to which the stabilising manager has determined that he may wish to intervene in the market by way of stabilising action; and if the effect of MAR 2.5.4R is to raise that price above the initial stabilising price, then "stabilising price" thereafter means that new, higher, price.

stakeholder pension scheme  (a)  (in relation to a specified investment) the investment specified in article 82 of the Regulated Activities Order (Rights under a stakeholder pension scheme) which is rights under a stakeholder pension scheme in (b);


standard terms  (in DISP) the contractual terms made under paragraph 18 of Schedule 17 to the Act (The Ombudsman Scheme), under which VJ participants participate in the Voluntary Jurisdiction.

standing independent valuer  the person appointed as such under CIS 12.3.1R (Standing independent valuer).

Statement of Principle  one of the Statements of Principle issued by the FSA under section 64(1) of the Act (Conduct: Statements and codes) with respect to the conduct of approved persons and set out in APER.

statutory notice  a warning notice, decision notice or supervisory notice.

statutory notice decision  a decision by the FSA on whether or not to give a statutory notice.

statutory notice associated decision  a decision which is made by the FSA and which is associated with a decision to give a statutory notice, including a decision:

(a)  to determine or extend the period for making representations;

(b)  to determine whether a copy of the statutory notice needs to be
given to any third party and the period for him to make representations;
(c) to refuse access to FSA material;
(d) as to the information which it is appropriate to publish about the matter to which a final notice or an effective supervisory notice relates.

**stock lending** the disposal of a designated investment subject to an obligation or right to reacquire the same or a similar designated investment from the same counterparty.

**stock lending activity** the activity of undertaking a stock lending transaction.

**stocks and shares** a qualifying investment as prescribed in paragraph 7 of the ISA Regulations.

**store card** a card restricted to paying for goods or services from a particular supplier or group of suppliers and where the price of the goods or services is paid directly to the supplier or group of suppliers by the customer or the firm, but excluding a plastic card used to pay for goods or services through a network such as Visa or MasterCard.

**sub-fund** (a) (in relation to an umbrella scheme) a separate part of the scheme property of that scheme that is pooled separately;
(b) (in relation to a collective investment scheme that is not an authorised fund) any part of that scheme that is equivalent to a sub-fund of an umbrella scheme.

**subsidiary** (as defined in section 736 of the Companies Act 1985 ("Subsidiary", "holding company" and "wholly-owned subsidiary")(in relation to another body corporate ("H")) a body corporate of which H is a holding company.

**subsidiary undertaking** (1) (except for the purposes of determining whether a person has close links with another person) an undertaking of which another undertaking is its parent undertaking.
(2) (for the purposes of determining whether a person has close links with another person) (in accordance with section 343(8) of the Act (Information given by auditor or actuary to the FSA) and paragraph 3(3) of Schedule 6 to the Act (Threshold conditions)): (a) an undertaking in (1);
(b) an undertaking ("S") if:
(i) another undertaking (its parent) is a member of S;
(ii) a majority of S's board of directors who have held office during the financial year and during the preceding financial year have been appointed solely as a result of the exercise of the parent's voting rights; and
(iii) no one else is the parent undertaking of S under any of (a) (i) to (iii) or b(i) or (ii) in the definition of
parent undertaking.

**suitability letter** a letter that must be provided to a customer under COB 5.3.14R (Requirement for a suitability letter) and that contains the information required by COB 5.3.16R.

**SUP** the Supervision manual.

**supervisory notice** (as defined in section 395(13) of the Act (The Authority's procedures)) a notice given by the FSA in accordance with section 53(4), (7) or (8)(b); 78(2) or (5); 197(3), (6) or (7)(b); 259(3), (8) or (9)(b); 268(3), (7)(a) or (9)(a) (as a result of subsection (8)(b)); 282(3), (6) or (7)(b); or 321(2) or (5).

**supplementary levy** (in DISP) a levy, additional to the general levy, for the purposes of recovering the establishment costs.

**suretyship** (in relation to a class of contract of insurance) the class of contract of insurance, specified in paragraph 15 of Part I of Schedule 1 to the Regulated Activities Order (Contracts of general insurance), namely:

(a) a contract of insurance against the risks of loss to the person insured arising from their having to perform contracts of guarantee entered into by them;

(b) fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee where these are:

(i) effected or carried out by a person not carrying on a banking business;

(ii) not effected merely incidentally to some other business carried on by the person effecting them; and

(iii) effected in return for the payment of one or more premiums.

**surrender value** (a) where the contract is a contract of life assurance or a contract for an annuity, the amount (including a nil amount) payable by the firm or other body issuing the contract on surrender of the policy;

(b) where the contract is a pension contract, the amount payable on the transfer of the investor's accrued rights under that contract to another pension contract;

(c) where the contract is a Holloway sickness policy, the amount payable by the firm on surrender on or before the projection date for the policy;

(d) where the contract is for any other matter, the amount payable by the firm on the surrender of the policy.

**Swiss general insurance company** a company:

(a) whose head office is in Switzerland;

(b) which has permission in Switzerland (not restricted to reinsurance business) to carry on general insurance business; and
(c) which proposes to establish a branch or agency in the United Kingdom to carry out insurance business which is confined to the classes referred to in article 2 of the Swiss Treaty Agreement and not subject to any of the exceptions referred to in article 3 of the Swiss Treaty Agreement.

Swiss Treaty Agreement

the agreement of 10 October 1989 between the European Economic Community and the Swiss Confederation on direct insurance other than life insurance, approved on behalf of the European Economic Community by the Council Decision of 20 June 1999 (No 91/390/EEC).

syndicate

one or more persons, to whom a particular syndicate number has been assigned by or under the authority of the Council, carrying out or effecting contracts of insurance written at Lloyd's.

syndicate actuary

an actuary appointed to a syndicate as required by LLD 10.9.4R(1).

syndicate year

a year of account of a syndicate.

synthetic cash

a position in a derivative that offsets an exposure in property to the point where that exposure has effectively been neutralised, and the effect of the combined holding of both property and the position in the derivative is the same as if the authorised fund had received or stood to receive the value of the property in cash.

synthetic future

(a) a synthetic bought future, that is, a bought call option coupled with a written put option; or

(b) a synthetic sold future, that is, a bought put option coupled with a written call option;

provided that in either case the two options:

(i) are bought and written, whether simultaneously or not, on a single eligible derivatives market;

(ii) relate to the same underlying security or other asset;

(iii) give the purchasers of the options the same rights of exercise (whether at the same price or not); and

(iv) will expire together, if not exercised.

SYSC

the part of the Handbook in High Level Standards which has the title Senior Management Arrangements, Systems and Controls.

systems and controls function

any of controlled functions 13 to 15 in the table of controlled functions.

table of controlled functions

the table of controlled functions in SUP 10.4.5R.

takeover bid

an offer, as the term is used in the Takeover Code, or any other similar conduct governed by that code.

Takeover Code

the City Code on Takeovers and Mergers issued by the Takeover Panel.
takeover or related operation

(a) any transaction falling within paragraph 4(b) (Companies and Transactions to which the Code applies) of the introduction to the Takeover Code;

(b) any transaction subject to the SARs;

(c) any transaction which would have fallen within (a) were it not for the fact that the company which is the subject of the transaction does not satisfy the tests set out in paragraph 4(a) (Companies and Transactions to which the Code applies) of the introduction to the Takeover Code and, for this purpose, an offer for non-voting, non-equity share capital is to be regarded as falling within the Takeover Code even if not required by rule 15 of that Code;

(d) any transaction which would have been subject to the SARs but where the shares the subject of the transaction are in a company which does not satisfy the test of residency set out in the second and third paragraphs of Section 2 (Scope) of the Introduction to the SARs;

(e) any offer, transaction or arrangement relating to the purchase of securities with a view to establishing or increasing a strategic holding of a person, or of a person together with his associates, in the securities concerned;

(f) any transaction or arrangement entered into in contemplation or furtherance of any offer, transaction or arrangement falling within (a) to (e); and

(g) any transaction or arrangement entered into by way of defence or protection against any offer, transaction or arrangement falling within (a) to (f) which has taken place or which is contemplated.

Takeover Panel

the Panel on Takeovers and Mergers.

takeover promotion

a financial promotion which is subject to the Takeover Code or has been exempted from complying with the Takeover Code by the rules of that Code or by a ruling of the Takeover Panel.

tax exempt policy

any contract of assurance, offered or issued by a friendly society, which is tax exempt life or endowment business as defined in section 466 (2) of the Income and Corporation Taxes Act 1988.

TC

the Training and Competence sourcebook.

technical provision

(in LLD) a technical provision as defined in the insurance accounts rules.

terms of business

a written statement, supplied to a client, of the terms on which a firm will conduct designated investment business with or for the client.

Third Life Directive


Third Non-Life Directive

threshold condition (in relation to a regulated activity) any of the conditions set out in or under Schedule 6 to the Act (Threshold conditions) (see COND).

tontines (in relation to a class of contract of insurance) tontines as specified in paragraph V of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance).

top-up cover cover provided by the compensation scheme for claims against an incoming EEA firm (which is a BCD credit institution or an ISD investment firm):

(a) in relation to protected deposits; or

(b) in relation to protected investment business; or

(c) in relation to both protected deposits and protected investment business;

and which is in addition to the cover provided by the firm's Home State compensation scheme.

top-up permission a Part IV permission given to an incoming EEA firm, an incoming Treaty firm or a UCITS qualifier.

traded life policy a life policy which is to be or has been assigned for value by the policyholder to another person.

transaction (in ML) any transaction, including the giving of advice and any other business or service undertaken in the course of carrying on a regulated activity.

transaction report a report of a reportable transaction which meets the requirements of SUP 17.6.2R (Transaction report: Content).

transaction-specific advice advice on investments:

(a) given in connection with dealing or arranging activities carried on by the firm that fall within MAR 3.1.2R(a), (b) or (c); or

(b) with a view to carrying on any such activities;

with or for the market counterparty to whom the advice is given.

transfer value analysis an analysis performed to make a comparison between the benefits which are likely (on reasonable assumptions) to be paid under an occupational pension scheme and the benefits afforded by a personal pension contract or a pension buy-out contract.

transferable security (in CIS) a security that is not an investment excluded by CIS 5.2.9R (Transferable securities).

transitional complaints scheme the arrangements made by the FSA for the investigation of complaints against the FSA and each of PIA, IMRO and SFA arising in connection with the carrying out of their functions under the Financial Services Act 1986 and the Banking Act 1987.

Treaty the Treaty establishing the European Community.
**Treaty activity** (as defined in section 417(1) of the Act (Definitions)) an activity carried on under a permission obtained in accordance with Schedule 4 to the Act (Treaty Rights).

**Treaty firm** (as defined in paragraph 1 of Schedule 4 to the Act (Treaty Rights)) a person:

(a) whose head office is situated in an EEA State (its "Home State") other than the United Kingdom; and

(b) which is recognised under the law of that State as its national.

**Treaty right** the entitlement of a Treaty firm to qualify for authorisation under Schedule 4 to the Act (Treaty Rights).

**Tribunal** the Financial Services and Markets Tribunal.

**trust deed** (in CIS) the deed referred to in CIS 2.2.5R (The trust deed for AUTs), together with any deed expressed to be supplemental to it, made between the manager and the trustee (or, in the case of a recognised scheme that is a unit trust scheme, the instrument constituting the scheme as amended from time to time).

**trust scheme rules** rules in CIS made by the FSA under section 247(1) of the Act (Trust scheme rules) in relation to:

(a) the constitution, management and operation of AUTs;

(b) the powers, duties, rights and liabilities of the manager and trustee of any such scheme;

(c) the rights and duties of the participants in any such scheme; and

(d) the winding up of any such scheme.

**trustee** (in accordance with section 237(2) of the Act (Other definitions)) (in relation to a unit trust scheme) the person holding the property in question on trust for the participants.

**trustee firm** a firm which is not an OPS firm and which is acting as a:

(a) trustee; or

(b) personal representative.


**UCITS qualifier** a firm which:

(a) for the time being is an operator, trustee or depositary of a scheme which is a recognised scheme under section 264 of the Act; and

(b) is an authorised person as a result of paragraph 1(1) of Schedule 5 to the Act (Persons Concerned in Collective Investment Schemes);

a reference to a firm as a UCITS qualifier applies in relation to the
carrying on by the firm of activities for which it has permission in that capacity.

**UCITS scheme**
an authorised fund which complies with the conditions necessary for it to enjoy the rights conferred by the **UCITS Directive**.

**UK**
*United Kingdom.*

**UK bank**
a bank which is a body corporate or partnership formed under the law of any part of the *United Kingdom.*

**UK domestic firm**
a firm that has its registered office (or, if it has no registered office, its head office) in the *United Kingdom.*

**UK firm**
(as defined in paragraph 10 of Schedule 3 to the Act (EEA Passport Rights)) a person whose head office is in the *United Kingdom* and who has an EEA right to carry on activity in an EEA State other than the United Kingdom.

**UK RCH**
an RCH that is not an RROCH.

**UK recognised body**
a **UK RIE** or **UK RCH**.

**UK RIE**
an RIE that is not an ROIE.

**UKLA**
(1) (except in relation to a part of the Handbook) the FSA acting in its capacity as the competent authority for the purposes of Part VI of the Act (Official Listing).

(2) (in relation to a part of the Handbook) the United Kingdom Listing Authority sourcebook.

**ultimate parent undertaking**
in relation to an insurer a parent undertaking of the insurer that is not itself the subsidiary undertaking of another undertaking.

**umbrella**
in CIS a collective investment scheme under which the contributions of the participants in the scheme and the profits or income out of which payments are to be made to them are pooled separately in relation to separate parts of the scheme property.

**umbrella scheme**
in CIS an authorised fund that is an umbrella.

**unauthorised person**
a person who is not an authorised person.

**undertaking**
as defined in section 259 of the Companies Act 1985 (Meaning of "undertaking" and related expressions)):

(a) a body corporate or partnership; or

(b) an unincorporated association carrying on a trade or business, with or without a view to profit.

**underwriting agent**
a firm permitted by the Council to act as an underwriting agent at Lloyd's.

**underwriting capacity of a Lloyd's syndicate**
the investment, specified in article 86(1) of the Regulated Activities Order, which is the underwriting capacity of a syndicate.

**underwriting**
a person admitted to the Society as an underwriting member.
member

unit

the investment, specified in article 81 of the Regulated Activities Order (Units in a collective investment scheme) and defined in section 237(2) of the Act (Other definitions), which is the right or interest (however described) of the participants in a collective investment scheme; this includes:

(a) (in relation to an AUT) a unit representing the rights or interests of the unitholders in the AUT;

(b) (in relation to an ICVC) a share in the ICVC.

unit trust scheme

(as defined in section 237(1) of the Act (Other definitions)) a collective investment scheme under which the property in question is held on trust for the participants.

United Kingdom

England and Wales, Scotland and Northern Ireland (but not the Channel Islands or the Isle of Man).

unitholder

(in relation to an AUT, and subject to CIS 11.3.2R (Special meaning of unitholder)):

(a) (in relation to a unit represented by a bearer certificate) the person who holds the bearer certificate;

(b) (in relation to a unit that is not represented by a bearer certificate) the person whose name is entered on the register in relation to that unit.

unitisation

arrangements for a newly formed dual-priced AUT under which:

(a) the whole or part of the property of a body corporate (or a collective investment scheme) becomes the first property to be held on the trusts of the AUT; and

(b) the holders of shares (or units) in the body corporate (or collective investment scheme) being wound up or property of which is being transferred become the first participants in the AUT.

units in existence

(in CIS) (in relation to an AUT) all units which are in issue and any units which the trustee is obliged to issue, less any units which the trustee is obliged to cancel.

unregulated activity

an activity which is not a regulated activity.

unregulated collective investment scheme

a collective investment scheme which is not a regulated collective investment scheme.

unsolicited real time financial promotion

(in accordance with article 8 of the Financial Promotion Order) (as more fully described in COB 3.10.1R (Meaning of "solicited" and "unsolicited" real time financial promotion)) a real time financial promotion which is not a solicited real time financial promotion.

valuation point

(in CIS) a valuation point fixed by the authorised fund manager for the purpose of CIS 4.8.5R (Regular valuation points), CIS 4.8.6R
venture capital business

the business of carrying on any of:

(a) investing in, advising on investments which are managing investments which are, arranging (bringing about) transactions in, or making arrangements with a view to transactions in, venture capital investments;

(b) advising on investments or managing investments in relation to portfolios, or establishing, operating or winding up collective investment schemes, where the portfolios or collective investment schemes (apart from funds awaiting investment) invest only in venture capital investments;

(c) any custody activities provided in connection with the activities in (a) and (b);

(d) any related ancillary activities.

venture capital contact

(when a firm carries on designated investment business with or for a person in the course of or as a result of carrying on venture capital business) that person in connection with that designated investment business if:

(a) the firm does not behave in a way towards that person which might reasonably be expected to lead that person to believe that he is being treated as a client; and

(b) the firm clearly indicates to that person that the firm:

   (i) is not acting for him; and

   (ii) will not be responsible to him for providing protections afforded to clients of the firm or be advising him on the relevant transaction.

venture capital firm

a firm whose permission includes a requirement that it must not conduct designated investment business other than venture capital business.

venture capital investment

a designated investment which, at the time the investment is made, is:

(a) in a new or developing company or venture; or

(b) in a management buy-out or buy-in; or

(c) made as a means of financing the investee company or venture and accompanied by a right of consultation, or rights to information, or board representation, or management rights; or

(d) acquired with a view to, or in order to, facilitate a transaction falling within (a) to (c).

VJ participant

a person subject to the Voluntary Jurisdiction by contract.

Voluntary Jurisdiction

the jurisdiction of the Financial Ombudsman Service in which persons (whether authorised or unauthorised) participate by contract.
**voting power**

(in relation to an *undertaking*) (in accordance with section 422(7) of the *Act* (Controller)) voting power exercisable at a general meeting of the *undertaking* or, if the *undertaking* does not have general meetings at which matters are decided by the exercise of voting rights, the right under the constitution of the *undertaking* to direct the overall policy of the *undertaking* or to alter the terms of its constitution.

**waiver**

a direction waiving or modifying a *rule*, given by the *FSA* under sections 148, 250 or 294 of the *Act* (Waiver or modification of rules) or regulation 7 of the *OEIC Regulations* (Modification or waiver of FSA rules) (see *SUP* 8 and *REC* 3.3).

**warning notice**

a notice issued by the *FSA* in accordance with section 387 of the *Act* (Warning notices).

**warrant**

(1) (except in *CIS*) the *investment*, specified in article 79 of the *Regulated Activities Order* (Instruments giving entitlements to investments), which is in summary: a warrant or other instrument entitling the holder to subscribe for a *share*, *debenture* or *government and public security*.

(2) (in *CIS*) an *investment* in (1) and any other *transferable security* (not being a nil paid or partly paid *security*) which is:

(i) *listed* on an *eligible securities market*; and

(ii) akin to an *investment* within (1) in that it involves a down payment by the then holder and a right later to surrender the instrument and to pay more *money* in return for a further *transferable security*.

**warrant scheme**

an *authorised fund* which invests entirely in *warrants*.

**welfare trust**

any scheme or arrangement, not being an *occupational pension scheme*, that is comprised in one or more instruments or agreements and operates as a benevolent fund so as to provide benefits, at the discretion of the trustees and to which the beneficiaries have no contractual rights.

**whole life assurance**

a *contract of insurance* which, disregarding any benefit payable on surrender, secures a capital sum only on death or either on death or on disability, but does not include a term assurance.

**wholesale market broker**

a *firm* when carrying out the activities of *name-passing broker*, or acting on a matched principal basis, with or for *market counterparties*.

**Zone A country**

any *EEA State* and any other country which is a full member of the *OECD* and any country which has concluded special lending arrangements with the International Monetary Fund associated with the Fund's General Arrangements to Borrow.