

**CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT No 4)
INSTRUMENT 2001**

Powers exercised

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

Commencement

- C. This instrument comes into force as follows:
 - (1) the amendments in Annex 1 come into force on 1 January 2002;
 - (2) the remainder of this instrument comes into force immediately.

Amendment of the Conduct of Business sourcebook

- D. The Conduct of Business sourcebook is amended as set out in Annex 1 to this instrument.
- E. The transitional rules in the Conduct of Business sourcebook are amended as set out in Annex 2 to this instrument.
- F. Schedule 1 to the Conduct of Business sourcebook (Record keeping requirements) is amended as set out in Annex 3 to this instrument.

Citation

- G. This instrument may be cited as the Conduct of Business Sourcebook (Amendment No 4) Instrument 2001.

By order of the Board
20 December 2001

ANNEX 1

Amendments to the Conduct of Business sourcebook

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

COB 9.3 Client Money

COB 9.3.26R (2) Amend as shown below:

if regulated by the Law Society of Scotland, the Solicitors' (Scotland)
Accounts, ~~Rules 1997 and the Solicitors' (Scotland) Accounts Certificate, s~~
Professional Practice and Guarantee Fund Rules 1997 2001;

ANNEX 2

Amendments to the Conduct of Business Transitional Rules

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

COB Table TR1: COB Transitional Provisions:

Amend as shown below:

1.12	<i>ETP7</i>	R	<p><u>Client money assets</u></p> <p>An <i>ex-section 43 firm</i> need not comply with the provisions labelled <i>ETP7</i> in Table <i>COB TR 2</i> in relation to its section 43 business until the expiry of a period of 12 months following <i>commencement</i>, provided it continues to comply with the requirements of the Grey Paper (version June 1999), as published by the <i>FSA</i>, relating to the segregation of money and other assets belonging to counterparties.</p>	<p><i>commencement</i></p> <p style="text-align: center;">to</p> <p><i>commencement</i></p> <p>plus 12 months</p>	<i>commencement</i>
1.15	<i>ETP9</i>	R	<p>Group business disapplication for <i>ex-IMRO firms</i> <u>and <i>ex-SFA firms</i></u></p> <p>(1) This paragraph applies to a <i>pre-N2 firm</i> which immediately before <i>commencement</i> was a member of <i>IMRO</i> or <i>SFA</i>.</p> <p>(2) <i>COB 1.3.1R</i> applies to a <i>pre-N2 firm</i> <u>an <i>ex-IMRO firm</i></u> in (1) as if it provided as follows:</p> <p>"<i>COB</i> applies to <i>firms</i> with respect to the carrying on of:</p>	<p><i>commencement</i></p> <p>to 30 June 2002</p>	<i>commencement</i>

		<p>(1) <i>all regulated activities</i> except:</p> <p>(a) to the extent that a provision of <i>COB</i> provides for a narrower application; and</p> <p>(b) activities which fall within article 69 of the <i>Regulated Activities Order</i> (Groups and joint enterprises), notwithstanding, in respect of article 69, article 4 (4) of that Order (Specified activities: general: investment firms); and</p> <p>(2) <i>unregulated activities</i> to the extent specified in any provision of <i>COB</i>."</p> <p>(3) <u><i>COB 1.3.1R</i> applies to an <i>ex-SFA firm</i> in (1) as if it provided as follows:</u> <u>"<i>COB</i> applies to <i>firms</i> with respect to the carrying on of:</u></p> <p>(1) <u><i>all regulated activities</i> except:</u></p> <p>(a) <u>to the extent that a provision of <i>COB</i> provides for a narrower application; and</u></p> <p>(b) <u>in relation to all of <i>COB</i> other than <i>COB 7.13 (Personal account dealing)</i> and the <i>rules in COB</i> requiring records to be made and retained, activities which fall within article 69 of the <i>Regulated Activities Order</i> (Groups and joint enterprises), notwithstanding, in respect of article 69, article 4 (4) of that Order (Specified activities: general: investment firms); and</u></p> <p>(2) <u><i>unregulated activities</i> to the extent specified in any provision of <i>COB</i>."</u></p>		
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1.16	ETP9	G	<p>The purpose of <i>ETP 9</i> is to carry forward for <i>ex-IMRO firms</i> and <u><i>ex-SFA firms</i></u> the former regulatory treatment of intra-group investment business, which is carried on in conjunction with investment business for third parties. The effect of that treatment was that under the <i>IMRO</i> rulebook the rules did not apply to the business done for group companies which fell within the group business exemption in paragraph 18 of Schedule 1 to the Financial Services Act 1986. <u>The effect of that treatment under the <i>SFA</i> rulebook was that with the exception of the rules relating to compliance (of which the personal account dealing and record keeping rules are carried forward in <i>COB</i>) the conduct of business rules did not apply to the business done for group companies that fell within the group business exemption.</u> Effectively it was only the non-group third party element of the <i>ex-IMRO firm's</i> such <i>firms'</i> investment business that was subject to <i>IMRO's</i> rules <u>to the relevant rules</u>. <i>COB</i> would not have carried forward this group business disapplication for such <i>firms</i>, were it not for the introduction of <i>ETP 9</i>.</p> <p>Note that during the <i>transitional period</i> the <i>FSA</i> will be consulting on its proposals how this issue should be treated in <i>COB</i> after 30 June 2002.</p>	commencement to 30 June 2002	commencement
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COB Table TR2: COB provisions to which transitional relief attaches

Amend as shown below:

COB Rule	Rule Heading	Label		
		ETP	TTP	TSP
	Chapter 9 Client assets (whole chapter)	ETP5 <u>ETP 7</u>		
	9.3 Client money	ETP7		
9.3.89R		ETP1 <u>ETP6</u>		

Annex 3

Amendments to COB Schedules

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

Schedule 1 Record Keeping Schedule

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
COB 7.12 3R and COB 7.12.6E (1)	Customer orders	Customer's name (or other designation)/ account number; date and time of receipt or decision by the firm to deal; who received the order or made the decision to deal; the designated investment; the number of/total value of the designated investment in <u>including</u> any price limit; whether sale or purchase; any other instructions received; and the nature of the communication of the <u>customer order</u>	When the order arises	3 years (after the date of completion of the transaction)