

**CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT NO 14)
INSTRUMENT 2003**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers listed in Schedule 4 to the Conduct of Business sourcebook.
- B. The rule-making powers listed in that Schedule are specified for the purpose of section 153(2) of the Financial Services and Markets Act 2000 (Rule-making instruments).

Commencement

- C. This instrument comes into force on 1 November 2003.

Amendments to the Conduct of Business sourcebook

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

Citation

- E. This instrument may be cited as the Conduct of Business Sourcebook (Amendment No 14) Instrument 2003.

By order of the Board
18 September 2003

Annex

Amendments to the Conduct of Business sourcebook

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

- 7.1.4 E (1) For the purposes of *COB 7.1.3R*, a *firm* ~~may~~ should manage a conflict of interest by taking reasonable steps in one or more of the following ~~reasonable steps~~ ways:
- (1) ~~(a)~~ (a) ~~disclosure~~ ing of an interest to a *customer*; or
 - (2) ~~(b)~~ (b) relying on a policy of independence; or
 - (3) ~~(c)~~ (c) establishing internal arrangements (*Chinese walls*); or
 - (4) ~~(d)~~ (d) declining to act for a *customer*.
- (2) Contravention of (1) may be relied on as tending to establish contravention of *COB 7.1.3R*.
- (3) Compliance with (1) may be relied on as tending to establish compliance with *COB 7.1.3R*.

Disclosuring of an interest to a customer

- 7.1.5 ~~E-G~~ The following are examples of *material interest* or conflicts of interest that a *firm* should disclose under *COB 7.1.4E* (1):

...

- 7.1.6 E (1) In disclosing an interest to a *customer*, a *firm* should:
- (1) ~~(a)~~ (a) disclose to the *customer*, either orally or in writing, any *material interest* or conflict of interest it has, or may have, whether generally or in relation to a specific transaction, before it advises the *customer* about the transaction or before it *deals* on behalf of the *customer* in the exercise of discretion in relation to the transaction; and
 - (2) ~~(b)~~ (b) be able to demonstrate that it has taken reasonable steps to ensure that the *customer* does not object to that *material interest* or conflict of interest.
- (2) Contravention of (1) may be relied on as tending to establish contravention of *COB 7.1.3R*.
- (3) Compliance with (1) may be relied on as tending to establish compliance with *COB 7.1.3R*.

Relying on a policy of independence

7.1.7 G ~~When it is not practical for a *firm* to act in accordance with COB 7.1.6, it may~~ COB 7.1.4E (1)(b) recognises that a *firm* may demonstrate that it has taken reasonable steps to ensure fair treatment for its *customers* by relying on a policy of independence. If a *firm* relies on a policy of independence, that policy should:

...

...

...

8.1.15 E Content of a confirmation of transaction – general requirements
This table belongs to COB 8.1.5E

Content of a confirmation of transaction – general requirements	
...	
3.	If the <i>firm</i> (other than the <i>operator of a regulated collective investment scheme</i>) executed the a transaction <u>in a security</u> as <i>principal</i> , that fact.
...	
7.	The unit price <u>unit price</u> at which the transaction was <i>executed</i> , and, if the unit price <u>unit price</u> is averaged including any price set in accordance with COB 7.7.12R (Price of allocation), a statement of that fact.
...	
11.	<u>Except if the <i>firm</i> is the operator of a <i>collective investment scheme</i> (subject to COB 8.1.17E), the remuneration of the <i>firm</i> (other than the operator of a regulated collective investment scheme subject to COB 8.1.17E) and that of any associate (unless that associate is not obliged to disclose it to the <i>firm</i> under this provision, as a result of the <i>firm</i> being its <i>customer</i>, or otherwise) in connection with the transaction, distinguishing:</u>
	(a) ...
	(b) The basis on which the <i>commission</i> has been determined, unless:
	(i) all <i>commission</i> charged to the <i>customer</i> has already been disclosed to him; <u>or</u>
	(ii) <u>the basis has already been disclosed to him elsewhere;</u> and

	(c)	if the <i>firm</i> or an <i>associate</i> acted as <i>principal</i> in <i>executing</i> the transaction, and <u>the <i>firm</i> owes a duty of best execution, to its customer, the amount of any mark-up or mark-down imposed by the <i>firm</i> or its <i>associate</i>.</u> unless the <i>firm</i> is the <i>operator</i> of a <i>regulated collective investment scheme</i>, in which case <i>CIS 8.5.6(3)R (Exemptions from liability to account for profits)</i> applies.
...		
<p>Note: If the transaction was for an <i>intermediate customer</i>, the <i>firm</i> need not identify separately the <i>unit price</i> <u>unit price</u> and the <i>remuneration</i> of the <i>firm</i> and that of any <i>associate</i> in connection with the transaction, if the <i>intermediate customer</i> has requested a confirmation combining both of these items.</p> <p><u>Where the <i>firm</i> or its <i>associate</i> has <i>executed</i> the <i>customer order</i> against its own book, the <i>firm</i> need not, when disclosing <i>remuneration</i> under <i>COB 8.1.15E(11)</i>, disclose in the confirmation any trading or dealing profit which is not a <i>commission</i> or <i>mark-up</i> or <i>mark-down</i>.</u></p>		

8.1.16 E Content of a confirmation of transaction – additional content in particular circumstances
This table belongs to COB 8.1.15E

Content of a confirmation of transaction – additional content in particular circumstances			
If the transaction involves:		The confirmation should state:	
...			
4.	a right to receive interest on an <i>investment</i> (for example, in relation to a <i>government</i> or <i>public security</i>);	(a)	if not part of the transaction price, the amount of interest which <u>the number of days or amount of interest which the purchaser is required to pay for (or the vendor is entitled to receive) as part of the total consideration.</u> entitled to receive; and any part of the total consideration which is specifically attributable to the right in (a);
		(b)	
...			

6.	a <i>security</i> which is not a <i>packaged product</i> or a <i>readily realisable security</i> and	how the <i>unit price</i> <u>unit price</u> of the transaction was arrived at: <u>or a statement that such information is available upon request.</u>
	(a) the <i>firm</i> acted as a <i>principal</i> in <i>executing</i> the transaction with the <i>customer</i> ; and	
	(b) there is no calculable <i>mark-up</i> or <i>mark-down</i> ; <u>and</u>	
	(c) the <i>firm</i> owes a <u>duty of <i>best execution</i></u> ;	

...