

CHILD TRUST FUNDS INSTRUMENT 2004**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 139 (Miscellaneous ancillary matters);
 - (3) section 145 (Financial promotion rules);
 - (4) section 149 (Evidential provisions);
 - (5) section 156 (General supplementary powers); and
 - (6) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 December 2004.

Amendments to the Handbook

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex A
Integrated Prudential sourcebook (PRU)	Annex B
Conduct of Business sourcebook (COB)	Annex C
Training and Competence sourcebook (TC)	Annex D
Supervision manual (SUP)	Annex E
Authorisation manual (AUTH)	Annex F
Credit Unions sourcebook (CRED)	Annex G
Glossary of definitions	Annex H

Citation

- E. This instrument may be cited as the Child Trust Funds Instrument 2004.

By order of the Board
18 November 2004

Annex A

Amendments to Interim Prudential sourcebook for Investment Businesses

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire section of text is being inserted, the place where the change will be made is indicated and the text is not underlined.

Contents

Chapter

...

8. Requirements on credit unions which are CTF providers

...

1.2.2 R (1) ...

(g) the Society of Lloyd's (in relation to underwriting agents); ~~and~~

(h) a *UCITS management company*; ~~and~~

(i) a *credit union which is a CTF provider*.

1.2.5 R Table

This table belongs to IPRU (INV) 1.2.3R

...	
<i>Credit union which is a CTF provider</i>	Chapters 1 and 8

Insert after Chapter 7, a new Chapter 8, the text of this new chapter is not underlined.

8 Requirements on credit unions which are CTF providers

8.1 Application, general and professional indemnity insurance requirements

Application

8.1.1R (1) This chapter applies to a *credit union* to the extent that it is a *CTF provider* whose *permissions* relate to *accepting deposits* and *making arrangements with a view to transactions in investments*.

(2) The definitions in the Glossary at Appendix 13(1) apply to this chapter.

General requirements

- 8.1.2R A *credit union* to which this chapter applies must:
- (1) have and maintain at all times financial resources of the kinds and amounts specified in, and calculated in accordance with, the *rules* of this chapter, in *CRED* and, where applicable, in *PRU* 9.3 (capital resources for *insurance mediation activity, mortgage mediation activity, mortgage lending and mortgage administration*); and
 - (2) be able to meet its liabilities as they fall due.
- 8.1.3G The *rules* in this chapter should be read with the *rules* relating to capital in *CRED* and, where applicable, *PRU*.

Requirement to hold professional indemnity insurance

- 8.1.4G
- (1) Under *Principles* 3 and 4, a *credit union* is required to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems and to maintain adequate financial resources.
 - (2) Although financial resources and appropriate systems and controls can generally mitigate operational risk, professional indemnity insurance has a role in mitigating the risks a *credit union* faces in its day to day operations. The purpose of *IPRU(INV)* 8.1.6R to *IPRU(INV)* 8.1.14E is to ensure that a *credit union* has in place the type, and level, of professional indemnity insurance necessary to mitigate these risks.
- 8.1.5R The term "relevant income" in *IPRU(INV)* 8.1 refers to all income received or receivable which is commission, brokerage, fees or other related income, whether arising from the *credit union's* activities related to *making arrangements with a view to transactions in investments* or not, for the last accounting year prior to inception or renewal of the professional indemnity insurance policy ("the policy").
- 8.1.6R A *credit union* must take out and maintain at all times professional indemnity insurance that is at least equal to the requirements of *IPRU(INV)* 8.1.7R to *IPRU(INV)* 8.1.14E.

Professional indemnity insurance policy terms

- 8.1.7R The professional indemnity insurance policy must incorporate terms which are appropriate and must make provision for:
- (1) cover in respect of any claim for loss or damage, for which the *credit union* may be liable as a result of an act or omission by:
 - (a) the *credit union*; or

- (b) any *person* acting on behalf of the *credit union* including *employees, appointed representatives* or its other agents;
- (2) the minimum *limits of indemnity* in each year if the *credit union* is an *IMD insurance intermediary* are as set out in *PRU 9.2.13R*;
- (3) the following *limits of indemnity* if the *credit union* is an investment intermediary other than an *IMD insurance intermediary*:
 - (a) if the *credit union* has relevant income of up to £3,000,000, no lower than £500,000 for a single claim against the *credit union* and £500,000 in the aggregate; or
 - (b) if the *credit union* has relevant income of more than £3,000,000, no lower than £650,000 for a single claim against the *credit union* and £1,000,000 in the aggregate.
- (4) If (2) applies, and the policy is denominated in any currency other than euros, a *credit union* must take reasonable steps to ensure that the *limits of indemnity* are, when the policy is effected (i.e. agreed) and at renewal, at least equivalent to those required in *IPRU(INV) 8.1.7R*.

Readily realisable own funds

8.1.8G For the purposes of the following provisions relating to professional indemnity insurance, the *FSA* expects items included in *own funds* to be regarded as “readily realisable” only if they can be realised, at any given time, within 90 days.

Additional requirements

- 8.1.9E (1) In addition to the specific requirements in *IPRU(INV) 8.1.7R*, to incorporate appropriate terms, the policy should make provision for the following:
- (a) for a *credit union* with relevant income of more than £6,000,000, the aggregate limit identified in the table below:

Relevant income is (£)		Minimum aggregate <i>limit of Indemnity</i> (£)
more than	up to	
6,000,000	7,000,000	1,150,000
7,000,000	8,000,000	1,300,000
8,000,000	9,000,000	1,450,000
9,000,000	10,000,000	1,600,000
10,000,000	12,500,000	2,000,000

12,500,000	15,000,000	2,400,000
15,000,000	17,500,000	2,800,000
17,500,000	20,000,000	3,150,000
20,000,000	25,000,000	3,800,000
25,000,000	30,000,000	4,250,000
30,000,000	35,000,000	4,500,000
35,000,000	40,000,000	4,750,000
40,000,000	50,000,000	5,500,000
50,000,000	60,000,000	6,000,000
60,000,000	70,000,000	6,750,000
70,000,000	80,000,000	7,250,000
80,000,000	90,000,000	7,750,000
90,000,000	100,000,000	8,500,000
100,000,000	150,000,000	11,250,000
150,000,000	200,000,000	14,000,000
200,000,000	250,000,000	17,000,000
250,000,000	300,000,000	19,750,000
300,000,000	n/a	22,500,000

(b) full retroactive cover in respect of the kinds of liabilities described in *IPRU(INV)* 8.1.7R for claims arising from work carried out by the *credit union*, or on its behalf, in the past; and

(c) cover in respect of *Ombudsman* awards made against the *credit union*.

(2) Compliance with (1)(a) may be relied on as tending to establish compliance with the requirement in *IPRU(INV)* 8.1.7R for the professional indemnity insurance terms to be appropriate.

(3) Contravention of (1)(a) may be relied on as tending to establish contravention of the requirement in *IPRU(INV)* 8.1.7R for the professional indemnity insurance terms to be appropriate.

8.1.10G A *credit union* should consider whether the overall cover is adequate taking account of *IPRU(INV)* 8.1.13G(2) and whether the *credit union* should seek additional cover or legal expenses insurance. (Legal defence costs are costs of defence against claims that fall under the terms of the policy.)

8.1.11G The cover provided by the policy should be wide enough to include the liability of the *credit union*, its *appointed representatives*, *employees* and its agents for breaches of the *credit union's* duty of skill and care, fiduciary duty,

duty to look after documents or assets, fraud, and breaches of obligations imposed by or under the *Act*.

Exclusions

- 8.1.12R The policy must not be subject to conditions or exclusions which unreasonably limit the cover provided for in *IPRU(INV)* 8.1.7R (whether by exclusion of cover, by policy excesses or otherwise).
- 8.1.13 G (1) The *FSA* considers it reasonable for a *credit union*'s policy to exclude cover for:
- (a) specific business lines if that type of business has not been carried out by the *credit union* in the past and will not be carried out by the *credit union* during the life of the policy; or
 - (b) specific claims that have been previously notified to the *credit union's insurer* and claimed for under another policy.
- (2) The *FSA* does not consider it reasonable for a *credit union's* policy to treat legal defence costs cover as part of the *limits of indemnity* if this reduces the cover available for any individual substantive claim.
- 8.1.14E (1) The policy should not:
- (a) make provision for payment by the *credit union* of an excess on any claim of more than £5,000. (This does not apply to the extent that the *credit union* holds additional *own funds* in a readily realisable form, in accordance with *IPRU(INV)* 8.1.16E); or
 - (b) exclude any type of business or activity that has been carried out by the *credit union* in the past or will be carried out by the *credit union* during the time for which the policy is in force. (This does not apply to the extent that the *credit union* holds, by way of additional *own funds* in a readily realisable form, an amount equivalent to a reasonable provision against its potential liabilities for that business or activity. *Guidance* on this is given in *IPRU(INV)* 8.1.17G and *IPRU(INV)* 8.1.18G); or
 - (c) exclude liability which is identified or crystallised as a result of regulatory action against the *credit union* (either individually or as a member of a class of *authorised person*).
- (2) Contravention of (1)(a) may be relied on as tending to establish contravention of *IPRU(INV)* 8.1.12R.

Excess level

8.1.15E The reference to “excess” in *IPRU(INV)* 8.1.14E(1)(a) is to the highest excess level required to be paid under the policy unless that excess relates to a type of business that has not been carried out by the *credit union* in the past. In those circumstances, the reference is to the next highest excess level required by the policy.

Additional own funds

8.1.16E The amount of additional *own funds* in *IPRU(INV)* 8.1.14E (1)(a) should be calculated by referring to the *credit union's* relevant income and excess obtained in the following table:

All amounts are shown in £000s													
Relevant income is		Excess obtained, up to and including											
more than	up to	5	10	15	20	25	30	40	50	75	100	150	200+
0	100	0	4	7	9	12	14	18	21	28	34	45	54
100	200	0	7	11	14	17	20	25	29	38	46	59	70
200	300	0	9	14	18	21	24	30	35	45	54	69	82
300	400	0	11	16	21	24	28	34	39	50	60	77	91
400	500	0	13	18	23	27	30	37	43	55	66	83	98
500	600	0	14	20	25	29	33	40	46	59	70	89	105
600	700	0	16	22	27	31	35	42	49	63	74	94	111
700	800	0	17	23	28	33	37	45	52	66	78	99	117
800	900	0	18	24	30	35	39	47	54	69	82	103	122
900	1,000	0	19	26	31	36	41	49	56	72	85	107	126
1,000	1,500	0	23	31	37	43	48	57	66	83	99	124	146
1,500	2,000	0	26	35	42	48	54	64	73	93	109	138	161
2,000	2,500	0	29	38	46	53	59	71	81	102	121	152	179
2,500	3,000	0	32	42	51	58	65	78	89	112	132	166	195
3,000	3,500	0	35	46	55	63	71	84	96	121	142	179	210
3,500	4,000	0	38	50	59	68	76	90	102	129	152	191	223
4,000	4,500	0	41	53	63	72	80	95	108	137	161	202	236
4,500	5,000	0	43	56	67	76	85	100	114	144	169	212	248
5,000	6,000	0	48	62	73	84	93	110	125	157	185	231	271
6,000	7,000	0	52	67	79	90	101	119	135	169	199	249	291
7,000	8,000	0	56	72	85	97	107	127	144	181	212	265	310
8,000	9,000	0	59	76	90	103	114	134	152	191	224	280	328
9,000	10,000	0	63	80	95	108	120	141	160	201	236	294	344
10,000	100,000	0	63y	80y	95y	108y	120y	141y	160y	201y	236y	294y	344y
100,000	n/a	0	630	800	950	1080	1200	1410	1600	2010	2360	2940	3440
For <i>firms</i> with relevant income more than £10m but up to £100m value y is calculated by relevant income/ £10m													

Exclusions

- 8.1.17G A *credit union* should take into account the following when assessing the amount of additional *own funds* to be held as provision as described in *IPRU(INV)* 8.1.14E(1)(b):
- (1) the type of business line or activity excluded and the types of claim which might arise from it;
 - (2) the number of contracts written or volume of activity;
 - (3) the number of complaints received by the *credit union* relating to the excluded business or activity;
 - (4) generally accepted accounting principles applicable to provisions; and
 - (5) any other relevant information.

- 8.1.18G If the *credit union* holds additional *own funds* in accordance with *IPRU(INV)* 8.1.17G then the amount should be reviewed regularly. The reviews should take account of changes in the status of the policy exclusion(s) and any relevant changes to the *credit union*'s circumstances.

Policies providing cover for more than one credit union

- 8.1.19R If the policy provides cover to more than one *credit union* then in relation to *IPRU(INV)* 8.1.7R:
- (1) the relevant income for calculating the *limits of indemnity* is that of all the *credit unions* named in the policy combined;
 - (2) each *credit union* named in the policy must have the benefit of the minimum *limits of indemnity* as required in *IPRU(INV)* 8.1.7R;
 - (3) each *credit union* named in the policy must notify the *FSA* if the aggregate cover in the policy falls below the minimum in *IPRU(INV)* 8.1.7R.

Exemption from holding professional indemnity insurance

- 8.1.20R
- (1) A *credit union* is not required to effect or maintain professional indemnity insurance in relation to *insurance mediation activity*, if another *authorised person* which has net tangible assets of more than £10 million provides a comparable guarantee.
 - (2) A 'comparable guarantee' means a written agreement on terms at least equal to those in *PRU* 9.2.10R to finance the claims that might arise as a result of a breach by the *credit union* of its duties under the *regulatory system* or civil law.

- 8.1.21R A *credit union* must take out professional indemnity insurance from:
- (1) any *insurance undertaking* which is authorised to transact professional indemnity insurance in the *EEA*; or
 - (2) a *person* of equivalent status in:
 - (a) a *Zone A country*;
 - (b) the Channel Islands, Gibraltar, Bermuda or the Isle of Man.

Notification requirements

- 8.1.22G Rule *IPRU(INV)* 8.1.24R is a *notification rule* and is in addition to any notification requirements in the Supervision manual (*SUP* 15).
- 8.1.23G *Credit unions* are reminded to comply with *SUP* 15.7 (Form and method of notification) when notifying the *FSA* in accordance with *IPRU(INV)* 8.1.24R.
- 8.1.24R A *credit union* must notify the *FSA* immediately it becomes aware, or has information which reasonably suggests, that any of the matters in Table 8.1(1) has occurred, may have occurred or may occur in the foreseeable future.

Table 8.1(1)

This table forms part of *IPRU(INV)* 8.1.24R

NOTIFIABLE EVENTS
<p>In relation to professional indemnity insurance, required in accordance with <i>IPRU(INV)</i> 8.1.6R to <i>IPRU(INV)</i> 8.1.21R, if:</p> <ol style="list-style-type: none"> (1) it cannot be obtained within 28 days of the inception or renewal date; (2) it is cancelled; (3) the amount of aggregate cover is exhausted; (4) the <i>credit union</i> commences business lines for which it had not obtained cover; (5) the <i>credit union</i> is relying on <i>IPRU(INV)</i> 8.1.19R; or (6) the <i>credit union</i> is relying on <i>IPRU(INV)</i> 8.1.20R.

8.2 Capital requirements

- 8.2.1R ‘Capital’ in this chapter has the meaning described in *CRED* 8.2.1R.
- 8.2.2R A *version 1 credit union* with total assets of more than £5 million or a total number of members of more than 5,000, or both, or a *version 2 credit union*, which acts as a *CTF provider* and whose *permissions* include *regulated activities* relating to *accepting deposits* and *making arrangements with a view*

to transactions in investments other than contracts of insurance or rights to or interests in a life policy must maintain at all times capital which is equal to the higher of:

- (1) £10,000; and
- (2) the capital requirements for the *credit union* under *CRED*.

8.2.3R

A *version 1 credit union* with total assets of more than £5 million or a total number of members of more than 5,000, or both, or a *version 2 credit union*, which acts as a *CTF provider* which *makes arrangements with a view to transactions in investments including contracts of insurance or rights to or interests in a life policy* must maintain at all times capital which is equal to the highest of:

- (1) £10,000;
- (2) the capital requirements for the *credit union* under *CRED*; and
- (3) the capital requirements for the *credit union* under *PRU 9.3*.

Annex B

Amendments to the Integrated Prudential sourcebook

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

Application: credit unions

- 9.3.9 G
- (1) For *credit unions* to which this section applies and which are not CTF providers, the capital requirements will be the higher of the requirements in this section and in *CRED* (see *PRU* 9.3.25R).
 - (2) For *credit unions* to which this section applies and which are CTF providers with permission to carry on designated investment business, the capital requirements will be the highest of the requirements in this section, those in *CRED* and of *IPRU(INV)* Chapter 8 (see *PRU* 9.3.25R).

...

Capital resources requirement: firms carrying on regulated activities including designated investment business

9.3.24 R The capital resources requirement for a *firm* (other than a credit union) carrying on *regulated activities*, including *designated investment business*, is the higher of:

- (1) ...

Capital resources requirement: credit unions

9.3.25 R The capital resources requirement for a *credit union* to which this section applies (see *PRU* 9.3.8R) is the highest~~r~~ of:

- (1) the requirement which is applied by *PRU* 9.3.30R (Capital resources requirement: mediation activity only) treating that *rule* as applying to the *credit union* by disregarding activities which are not *insurance mediation activity* or *mortgage mediation activity*; ~~and~~
- (2) the amount which is applied by *CRED* 8 (Capital requirements)-; and
- (3) if the credit union is a CTF provider that has a permission to carry on designated investment business, the amount which is applied by IPRU(INV) Chapter 8.

Annex C

Amendments to the Conduct of Business Sourcebook

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

1.11.1 G Table: Application of rules in COB in relation to deposits

COB	Subject matter	Application for cash deposit ISAs <u>and cash deposit CTFs</u>	Application for other deposits
2.5.5 R	Exclusion of liability	Y (<i>distance contract</i> only)	Y (<i>distance contract</i> only)
2.6	General provisions related to distance marketing	Y (distance marketing only)	Y (distance marketing only)
3.5.5R to 3.5.7R 3.8.4R to 3.8.5E	Financial promotions	Y	Y
3.8.8R, 3.8.11R, 3.8.15R	Specific non-real time financial promotions	Y (if the <i>financial promotion</i> relates to a <i>structured deposit</i>)	Y (if the <i>financial promotion</i> relates to a <i>structured deposit</i>)
3.9.6R(1), 3.9.7AR and 3.9.8R	Direct offer financial promotions	Y	X
<u>3.9.21R</u>	<u>Direct offer financial promotions</u>	<u>Y</u>	<u>X</u>
<u>3.9.30R</u>	<u>Direct offer financial promotions</u>	<u>Y</u> (<i>cash deposit CTFs</i> only)	<u>X</u>
6.1.4R, 6.1.5R, 6.2.2R, 6.4.13R, 6.5.2R(2), 6.5.3R, 6.5.42R	Product disclosure	Y	X
<u>6.5.42R</u>	<u>Product disclosure</u>	<u>Y</u> (<i>cash deposit ISAs</i> only)	<u>X</u>
<u>6.5.42AR</u>	<u>Product disclosure</u>	<u>Y</u> (<i>cash deposit CTFs</i> only)	<u>X</u>
6.4.25R	Pre-contract information when entering into a <i>distance contract</i> for <i>accepting deposits</i>	X	Y (<i>distance contract</i> only)
6.4.27R to 6.4.31R	Exemptions for telephone sales; certain other <i>means of distance communication</i> ; and successive operations	Y (<i>distance contract</i> and other telephone sales only)	Y (<i>distance contract</i> only)

<u>6.5.40R(7)</u>	<u>Product disclosure</u>	<u>Y</u> <u>(cash deposit CTFs only)</u>	<u>X</u>
6.7.7R(1), 6.7.17R, 6.7.18R, 6.7.21R	Cancellable contracts	X	Y (distance contract only)
6.7.7R(3)	Cancellable contracts	Y	X
6.7.10R(2), 6.7.10AR, 6.7.11R	Cancellation period	Y	Y (distance contract only)
6.7.42R to 6.7.48R	Exercising the right to cancel	Y	Y (distance contract only)
6.7.51R to 6.7.53R	Effects of, and obligations on, cancellation	Y	Y (distance contract only)
<u>6.7.52AR</u>	<u>Effects of, and obligations on, cancellation</u>	<u>Y</u> <u>(cash deposit CTFs only)</u>	<u>X</u>
<p>Note:</p> <ol style="list-style-type: none"> Those <i>rules</i> marked with "X" do not apply; those marked with "Y" do apply. This Table lists <i>rules</i> imposing obligations. It does not list all application <i>rules</i>, exemptions, transitional <i>rules</i> or guidance. 			

...

3.2.3R (1) To the extent that a *financial promotion* relates to one or more of the following:

(a) ...

(b) ...

only *COB 3.1 to COB 3.5 and COB 3.8.4R to COB 3.8.6G and COB 3.14* apply, unless the *financial promotion* relates to a *cash deposit ISA* or *cash deposit CTF* in which case *COB 3.9.6R(1), COB 3.9.7AR, and COB 3.9.8R and COB 3.9.21R* also apply and, if the *financial promotion* relates to a *cash deposit CTF*, *COB 3.9.30R* also applies; and

...

...

3.9.3G Table: Location of the provisions applicable to direct offer financial promotions

This table belongs to COB 3.9.2G

		...	
	(k)	<u>CTFs</u>	<u>COB 3.9.8R</u> <u>COB 3.9.30R</u>

3.9.4G *Firms* are reminded that under COB 3.2.3R:

(1) ...

(a) a deposit (except a cash deposit ISA or cash deposit CTF); or

...

Cash deposit ISAs and cash deposit CTFs

3.9.8R A *direct offer financial promotion* relating to a cash deposit ISA or cash deposit CTF must contain the information required by whichever of COB 6.5.42R (1) to (8) or COB 6.5.42AR applies to it and COB App 1.

...

EIS or non-packaged product ISA, ~~or~~ PEP or CTF with no right of withdrawal

3.9.21R A *direct offer financial promotion* which relates to an EIS or non-packaged product ISA, ~~or~~ PEP or CTF for which no right to withdraw is given under case 8 of row 2, COB 6.7.17R, must include the statement required by that provision.

...

Child trust funds

3.9.30R ~~To follow.~~ A direct offer financial promotion relating to a CTF must contain the information referred to in COB 6.5.40R (7).

...

2 Table: Contents

....	
Section II: Guidance relevant to direct offer financial promotions for PEP <u>ISA or CTF</u> transfers and personal pensions and stakeholder pension schemes	
E	PEP <u>ISA or CTF</u> transfers
...	

...

7 Table: E

PEP <u>ISA or CTF</u> transfers
<p><i>A direct offer financial promotion for a PEP <u>ISA or CTF</u> transfer should include details of the likely advantages and disadvantages of transferring an existing PEP <u>ISA or CTF</u> holding, including:</i></p> <p>...</p> <p>(5) potential for loss of income or growth, following a rise in the markets, whilst the PEP <u>ISA or CTF</u> transfer remains pending.</p>

...

COB 4 Ann 2E

1 Table: Content of terms of business provided to a customer: general requirements

This table belongs to COB 4.2.11E.

<i>A firm's terms of business (including a client agreement) provided to a customer should, where relevant, include some provision about:</i>	
....	
(9)	<p>Cancellation and withdrawal</p> <p>(a) In the case of a non-packaged product ISA <u>PEP or CTF</u>, an explanation of any right to withdraw (see COB 6.7 (Cancellation and withdrawal)) or, if it is the case, a statement that such rights will not apply.</p>
...	

...

- 5.1.4 R (1) If a decision is made by a *provider firm* to provide *advice on investments* in accordance with this section, to a *private customer* on a *stakeholder pension scheme* or a CTF produced by a *person* ("the

producer") other than the *firm* (or, where applicable, outside the *marketing group* of the *firm*), then that *stakeholder pension scheme* or CTF becomes an *adopted packaged product* of the *firm* (and, where relevant, of all the members of its *marketing group*).

...

...

5.1.12 R (1) A *provider firm* must, subject to (2), take reasonable steps to ensure that its *representatives* are able to sell with advice each type of *packaged product* that it issues itself, or is issued by its *marketing group*, or is an *adopted packaged product* other than an adopted packaged product to be held within a *CTF*.

...

5.3.13G

...

(4) *COB 5.3.29G* contains *guidance* which is relevant for assessing the suitability of:

...

(f) *ISA*, ~~or~~ PEP or CTF transfers; and

...

5.3.29G Guidance on matters which should be taken into account when assessing the suitability of various personal recommendations. This table belongs to *COB 5.3.13G (4)*.

Suitability guidance	
...	
F	<u>ISA</u> , or <u>PEP or CTF transfers</u>
	When a firm is advising a <i>customer</i> on whether to transfer existing <i>ISA</i> , or <u>PEP or CTF</u> holdings, <i>COB 5.2</i> (Know your <i>customer</i>) and <i>COB 5.3</i> (Suitability) apply. All the advantages and disadvantages of transferring should be considered. In particular the following information (which is not exhaustive) should be considered and provided to the <i>customer</i> , usually as part of the <i>suitability letter</i> , before the transfer takes place:
	(a) ...
	...
	(e) potential for loss of income or growth, following a rise in markets, while the <i>ISA transfer</i> , or <u>PEP transfer or CTF transfer</u> remains pending.

...

6.1.1R COB 6.1 to COB 6.5 apply to a *firm*:

...

- (2) which manages, sells or *personally recommends* a *cash deposit ISA* or *cash deposit CTF* for or to a *private customer*; or

...

6.1.3G COB 6.1 to COB 6.5 amplify *Principle 7* (Communications with clients), which requires a *firm* to pay due regard to the information needs of its *customers*. In the case of *packaged products* there is a special need to ensure that *private customers* are supplied with information which will highlight particular *packaged product* features. This also needs to be achieved in a way which will optimise the *private customer's* ability to make a comparative analysis of different *packaged products*. These *rules* also address a similar information need in relation to *cash deposit ISAs*, *cash deposit CTFs* and when a *firm* enters into a *distance contract* to *accept deposits* with a *retail customer*.

6.1.4R ...

- (2) A *firm* to which COB 6.4.13R(1) applies must, for each *cash deposit ISA* or *cash deposit CTF* it offers, produce the information document required by COB 6.5.42R or COB 6.5.42AR instead of *key features*. That information document must comply with COB 6.1, COB 6.2 and COB 6.5 as to design and content.

Quality and production of key features

6.1.5R A *firm* must ensure that any *key features* or information document it produces in relation to a *packaged product*, ~~or~~ *cash deposit ISA* or *cash deposit CTF* is in writing, whether in printed hard copy or in electronic format, and:

- (1) is produced and presented to at least the same quality and standard as the associated sales or marketing material being used by the *firm* to promote the *packaged product*, ~~or~~ *cash deposit ISA* or *cash deposit CTF* to *customers*; and

...

6.2.2R The *key features* or information which the rules COB 6.1, COB 6.2 and COB 6.4 require a *firm* to provide to a *private customer* in relation to a *packaged product*, ~~or~~ *cash deposit ISA* or *cash deposit CTF* must be provided by the *firm* in a *durable medium*.

...

Exceptions for life policies: variations of policies held within a CTF

6.2.21AR COB 6.2.7R does not apply to a CTF provider in relation to a variation to an existing policy held within a CTF, if:

- (1) the terms and conditions, including all charges, are the same as applied at the time of the purchase, or the most recent purchase or payment, of the existing policy; and
- (2) key features outlining those terms and conditions were issued to the customer in respect of that previous purchase.

...

6.2.24R A firm need not provide *key features* to a *private customer* in respect of a *scheme* if:

...

- (6) a *private customer* is making a purchase of a *scheme holding* (whether or not held within a CTF) in a fund in which he already has a *scheme holding* and has already been provided with appropriate *key features* covering the purchase;

...

6.4.1R COB 6.4 applies to a *firm* in accordance with COB 6.1.1R, in respect of *occupational pension schemes, self invested personal pensions schemes, income withdrawals, cash deposit ISAs, cash deposit CTFs, Revenue allocated CTFs, traded life policies, stakeholder pension schemes, packaged products, other deposits and long-term care insurance contracts.*

...

Cash deposit ISAs and cash deposit CTFs

6.4.13R When a *firm* manages, *personally recommends* or sells a *cash deposit ISA* or *cash deposit CTF* to a *private customer*, that *customer* must be provided with the information specified in whichever of COB 6.5.42R or COB 6.5.42AR applies to it in good time before the *customer* is bound by the transaction, unless COB 6.4.27R to COB 6.4.31R (telephone sales and other exemptions) applies.

...

- 6.4.27R
- (1) Where this chapter requires *key features* or other information to be provided, in the case of voice telephony communications, a *firm*:
 - (a) must provide the *customer* at the beginning of the telephone conversation with the name of the *firm* and (if the call is initiated by the *firm*) the commercial purpose of the call; ~~and~~
 - (b) ...

- (vi) that other information is available on request, and the nature of that information, and
- (vii) in addition to (a) and (b) above, where the product is a CTF, provided the customer gives his explicit consent to receiving only limited information, may proceed on the basis of the information referred to in COB 6.5.40R (7) given orally.

...

Exemption: Revenue allocated accounts

6.4.34R When a firm opens a Revenue allocated CTF, the firm must send the private customer on the first available opportunity after the account has been opened, whichever of key features or other information is required in a durable medium.

6.4.35G In considering what the first available opportunity mentioned in COB 6.4.34R is, firms may take into account that there may generally be a delay between a Revenue allocated CTF being opened and the customer being informed that it had been opened.

6.5 Content of key features and important information: life policies, schemes, ISA and CTF cash deposit components and stakeholder pension schemes

...

6.5.2R A firm must ensure, unless COB 6.5.3R applies, that:

...

- (2) the information it produces under COB 6.4.13R (1) for a cash deposit ISA or cash deposit CTF ~~under COB 6.4.13R (1)~~ complies with whichever of 6.5.42R or COB 6.5.42AR applies to it;

...

6.5.21G The information required by COB 6.5.20R should include:

...

- (8) for a life policy or a scheme which is to be held within a CTF the information referred to in COB 6.5.40R (7).

...

6.5.28R The information relating to 'Total actual deductions to date' and 'Effect of deductions to date' in *COB* 6.5.23R, ...

- (1) ...
- (2) a *life policy* for a term not exceeding five years; and
- (3) a *life policy* held within a *CTF*.

...

6.5.30R For a *schemes*, a *firm* must include the contents of *COB* 6.5.31R unless the *scheme* is to be held within a *stakeholder CTF*.

...

Further information for life policies, schemes, insurance or equity ISAs, PEPs, CTFs and stakeholder pension schemes

6.5.40R A *firm* must include the following information in the *key features*, separately or as part of the information required by *COB* 6.5.2R:

...

- (7) For *investments* held within a *CTF*:
 - (a) a prominent statement that after *money* is paid into a *CTF* it is locked in, and that this means that it can only be accessed by the child when he is 18, except as permitted by the *CTF Regulations*, and any contributions made to the *CTF* cannot be returned to the donor;
 - (b) if the *CTF* is a *stakeholder CTF*, an explanation of the minimum standards (as described in paragraph 2 of the Schedule to the *CTF Regulations*) and *CTF* lifestyling approach (as defined in subparagraph 2 of the Schedule to the *CTF Regulations*), together with a statement that satisfying these minimum standards does not mean that the *investment* is suitable for the *customer* or that there is any guarantee of performance;
 - (c) if the *CTF* is a *non-stakeholder CTF*, a prominent statement that it is not a *stakeholder CTF* and that a *stakeholder CTF* is available from a named alternative *CTF provider*, together with a detailed description of that *stakeholder CTF*;
 - (d) a statement that the *CTF* will not be opened until any cancellation period has expired; and
 - (e) a balanced comparison between *stakeholder CTFs* and *non-stakeholder CTFs*.

Information requirements for cash deposit ISAs, cash deposit CTFs, friendly society tax-exempt policies, traded life policies and broker funds

...

6.5.42AR If COB 6.4.13R applies, for a cash deposit CTF, the private customer must be given in place of key features:

- (1) the information contained in COB 6.5.42R (4) to (6) and (8) to (11) and in COB 6.5.40R (7);
- (2) details of the arrangements for exercising any right to cancel;
- (3) a statement explaining where a private customer can obtain further information about CTFs; and
- (4) in relation to a distance contract with a retail customer, all the contractual terms and conditions and the information in COB App 1.

...

6.6.50R

Rate of return assumptions for all schemes, ordinary branch non-pensions, industrial branch, friendly society, immediate annuity and Holloway sickness policies (all monetary rates of return)			
	Lower rate	Intermediate rate	Higher rate
....			
(c) Tax-exempt business held within an ISA, or PEP or CTF or by a friendly society, relating to schemes, ordinary branch non-pensions and industrial branch business	5%	7%	9%
...			

...

6.7.1R COB 6.7 applies to:

- (1) a product provider;
- (1A) a CTF provider;
- (2) ...

- (3) an independent intermediary, when acting as an *EIS manager*, *ISA manager*, *CTF provider* or *plan manager*, or when selling on to a customer units which the firm has bought or redeemed as *principal* for that purpose;
- (4) a *deposit-taking firm*, when acting as *ISA manager*, *CTF provider* or as the firm responsible for holding *deposits* in respect of another firm's *cash deposit ISA* or *cash deposit CTF*; or
- ...
- ...

6.7.5G Table: Cancellable investment agreements
This table belongs to COB 6.7.4G

Cancellable investment agreements			
	Post-sale right to cancel?	Pre-sale right to withdraw?	Maximum period of reflection (but see COB 6.7.11R)
A. Contracts where the right arises regardless of means of sale.			
...			
<i>Life policy (including pension policy, pension annuity or within ISA or CTF)</i>	Yes ^{1,5, 6, 12}	No ¹	30 days
...			
Certain variations of existing <i>life policies, pension contracts</i> and <i>SHPs</i>	Yes ^{1,5, 6, 8}	No ¹	30 days
B. Contracts where the right arises only if advice is given or if sold by <i>distance contract</i>			
...			
<u>Units in an AUT, recognised scheme or ICVC (within a CTF):</u>			
(1) if sold by <i>distance contract</i>	Yes ^{10, 12}	No	
(2) <i>non-stakeholder CTFs</i> not sold by <i>distance</i>	Yes ^{11, 12}	No	

<u>contract sold with advice</u>			
<u>(3) non-stakeholder CTFs not sold by distance contract sold without advice</u>	<u>No</u>	<u>No</u>	
<u>(4) stakeholder CTFs not sold by distance contract</u>	<u>No</u>	<u>No</u>	
<u>ISA, or PEP or CTF not mentioned in any other row</u>			
<u>(1) if sold by distance contract</u>	Yes ^{5, 6, 12}	No	14 days
<u>(2) if sold otherwise with advice</u>	No	Yes ^{3, 2}	7 days
<u>Units in an AUT, recognised scheme or ICVC (outside an ISA or PEP or CTF)</u>
...			
Notes:			
...			
6. There is no post-sale right to cancel for a <i>distance contract</i> :			
(a) ...; or			
(b) where the a <i>firm</i> has an initial service agreement with the <i>customer</i> and the contract is in relation to a successive operation or separate operation of the same nature under that agreement (see COB 1.10.2G).			
<u>In the case of <i>life policies</i> held within a <i>CTF</i> sold by <i>distance contract</i>, the right to cancel applies only to any initial service agreement.</u>			
...			
<u>8. There is no right to cancel for variations of <i>life policies</i> held within a <i>CTF</i>.</u>			
<u>9. For contracts relating to a <i>CTF</i>, there is no right to withdraw.</u>			
<u>10. The initial service agreement is cancellable.</u>			
<u>11. The <i>cancellation rules</i> that apply are the same as those that apply to the <i>underlying investments</i>.</u>			

12. Where a right to cancel applies to an agreement relating to a <i>CTF</i> that has been opened, the <i>money</i> may be reinvested but will not be returned to the <i>private customer</i> .

...

6.7.7R A *retail customer* has a right to cancel:

...

- (3) a contract for a *cash deposit ISA*, unless the right to cancel is disapplied for a *distance contract* by case 15 of row 2 to *COB* 6.7.17R, or a *cash deposit CTF* if the *cash deposit CTF* is sold by *distance contract*;

...

6.7.10A R The cancellation period begins on:

- (1) (other than for *distance contracts*, ~~and~~ *cash deposit ISAs* and *CTFs*) the date the *customer* receives the reminder notice of his right to cancel in accordance with *COB* 6.7.30R;
- (2) for *distance contracts*, ~~and~~ *cash deposit ISAs* and *CTFs* the later of:
 - (a) ...

...

6.7.15R Cancellable contracts and exceptions – life

This table belongs to *COB* 6.7.7R (1).

Cancellable contracts and exceptions – life	
Row 1	... A. <i>Life policy</i> (whether or not held within an <i>ISA</i> or <i>CTF</i> – see notes 1, 2, and 3, 6 and 7 in <i>COB</i> 6.7.16R) (see <i>COB</i> 6.7.23R regarding variation of an existing <i>life policy</i>).
Row 2	... 11. the contract is a <i>distance contract</i> where: ... (b) the a <i>firm</i> has an initial service agreement with the <i>retail customer</i> and the contract is in relation to a successive operation or successive operations of the same nature under the agreement (see <i>COB</i> 1.10.2G).

6.7.16R

...

6. In the case of *life policies* held within *CTFs* that are *distance contracts*, the initial service agreement is cancellable.

7. If the *CTF* has been opened the life insurer must not cancel the *life policy* until it has new instructions to deal with the proceeds in accordance with the *CTF Regulations*.

8. In relation to *Revenue allocated accounts*, the life insurer must not accept any additional contributions until the cancellation period has expired without the right to cancel being exercised.

6.7.17R Cancellable contracts and exceptions – non-life

This table belongs to *COB 6.7.7R (1)* and *COB 6.7.14R (1)*

Cancellable contracts and exceptions – non-life	
Contracts which a <i>retail customer</i> has a right to cancel under <i>COB 6.7.7R(1)</i> (subject to row 2):	
Row 1	<p>...</p> <p>C. subscriptions (but see notes 1, 2 and 5 in <i>COB 6.7.18R</i>) which can be invested only in <i>units</i> (whether or not held within an <i>ISA</i>, <i>PEP</i> or <i>pension contract</i>, <u>but not if held within a <i>CTF</i></u>) in an <i>AUT</i>, <i>recognised scheme</i> or <i>ICVC</i> purchased from:</p> <p>(a) the <i>operator</i>; or</p> <p>(b) its <i>marketing group associate</i> acting as an <i>ISA manager</i>, or <i>plan manager</i>;</p> <p>D. <i>distance contracts</i> (but see notes 6 and 8 in <i>COB 6.7.18R</i>) (whether or not held within a <i>CTF</i>) (other than for a <i>life policy</i>, <i>stakeholder pension scheme</i>, <i>cash deposit ISA</i>, <i>cash deposit CTF</i> or a contract in A, B or C) the making or performance of which by the <i>firm</i> constitutes or is part of:</p> <p>(a) <i>dealing as agent</i>, <i>advising</i> or <i>arranging</i> in relation to <i>designated investments</i>, unless the <i>distance contract</i> is concluded merely as a stage in the provision of another service by the <i>firm</i> or another <i>person</i> (see <i>COB 1.10.6G</i>); or</p> <p>(b) any other <i>designated investment business</i>; or</p> <p>(c) <i>accepting deposits</i>.</p> <p>E. <u>subscriptions (but see note 7 in <i>COB 6.7.18R</i>) which can be invested only in <i>units</i> held within a <i>non-stakeholder CTF</i></u></p>

	<u>(other than a contract contained in D) in an <i>AUT</i>, recognised scheme or <i>ICVC</i> purchased from a <i>CTF provider</i>, where advice is given.</u>
	...
Row 2	There is no right to cancel where any one or more of the following cases applies:
	...
	6. The contract is entered into under a <i>customer agreement</i> or during negotiations (which are not <i>ISA</i> , <i>or PEP</i> or <i>CTF</i> related) intended to lead to a <i>client agreement</i> (unless note 4 or note 5 in <i>COB 6.7.18R</i> applies);
	...
	8. The contract relates to an <i>EIS</i> or non-packaged product <i>ISA</i> , <i>or PEP</i> or <i>CTF</i> and is entered into, following <i>advice on investments</i> , and following an explanation that neither of the rights specified in case 7 will apply, given to the <i>customer</i> in accordance with <i>COB 3.9.21R</i> or <i>COB 4 Ann 2E(9)(a)</i> in a <i>direct offer financial promotion</i> , <i>terms of business</i> , or given in <i>EIS particulars</i> (but see note 5 in <i>COB 6.7.18R</i>);
	...

6.7.18R

...
<u>6. In the case of contracts held within <i>CTFs</i>, the initial service agreement is cancellable in all cases.</u>
<u>7. Cancellation rights exist only where the <i>registered contact</i> has received advice. In cases in which cancellation rights apply, they are the same as the cancellation rights that would apply to the underlying <i>units</i> if they were not held within a <i>CTF</i>.</u>
<u>8. In relation to <i>Revenue allocated accounts</i>, the <i>firm</i> must not accept any additional contributions until the cancellation period has expired without the right to cancel being exercised.</u>

...

6.7.23R

- ...
- (2) Paragraph (1) does not apply if:
- ...
- (b) ...; or
- (c) the variation is in respect of a *life policy* held within a *CTF*.
- ...

...

6.7.30R Other than for *distance contracts* and *cash deposit ISAs* and *CTFs* that are not *distance contracts*, where there is a right to cancel, the *firm* which enters into the contract with the *customer* must send the *customer*, in writing, a clear and prominent reminder notice of this right:

(1) ...

...

6.7.52R Unless the agreement relates to a CTF, when a retail customer exercises a right to cancel under COB 6.7.7R (1), (2), (3) or (4):

...

6.7.52AR (1) When a person exercises a right to cancel a contract in connection with a CTF that has been opened, the CTF provider must ensure that:

- (a) where the CTF provider and the firm that provides the underlying investment are different persons, any money that was held by the firm that provides the underlying investment in connection with the CTF is returned to the CTF provider as soon as reasonably practicable;
- (b) any sums which any person has paid to or for the benefit of any firm in connection with the CTF continue to be held in a CTF bank account until the CTF provider receives further instructions regarding the investment of those sums in accordance with the CTF Regulations;
- (c) where a CTF provider holds sums in accordance with COB 6.7.52AR, the CTF provider notifies the private customer in writing as soon as reasonably practicable, stating that the money is held awaiting re-investment instructions; and
- (d) if the CTF bank account is non-interest bearing, the registered contact is informed of that fact as soon as possible after the money has been deposited in the account.

(2) When a person exercises a right to cancel a contract in connection with a CTF that has not been opened and the CTF provider holds money awaiting instructions, the CTF provider must comply with the requirements of COB 6.7.52AR(1)(b), (c) and (d).

6.7.52BG Where cancellation rights are exercisable by a customer in relation to a CTF, the CTF provider will need permission to hold client money to be able to deal with the money from the cancelled contract unless they can take advantage of any exemption from the client money rules.

...

8.1.6R A *firm* need not despatch a confirmation when:

...

- (1A) the *designated investment* is held within a *CTF* and the annual statement provided under the *CTF Regulations* includes the information that would have been contained in a confirmation despatched in accordance with *COB* 8.1.3R relating to the transactions executed during the relevant period (but information which has since become irrelevant may be excluded); or

...

...

8.2.6R A *firm* need not:

...

- (2) ...; or
- (3) provide a *periodic statement* in respect of a *CTF* if the annual statement provided under the *CTF Regulations* contains the information that would be required to comply with *COB* 8.2.4R

8.2.6AG If *COB* 8.2.6R (3) applies, *COB* 8.2.10E provides an indication of how the requirement in *COB* 8.2.4R may be satisfied. Further *guidance* that is relevant if the *CTF* includes a discretionary managed portfolio or a *structured capital-at-risk product* is contained in *COB* 8.2.12R and *COB* 8.2.17E.

...

Annex D

Amendments to the Training and Competence sourcebook

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

2.1.4R Table Activities to which TC 2 applies

	Activity	Extent of Application
...		
2. <i>Employees</i> overseeing on a day-to-day basis:	...	Whole of <i>TC 2</i> applies except <i>TC 2.7</i> (Supervising).
	(c) the following <i>administrative functions</i> in relation to <i>managing investments</i> :	
	...	
	(iv) <i>ISA</i> , or <i>PEP</i> or <i>CTF</i> administration;	

Annex E

Amendments to the Supervision manual

In this Annex, underlining indicates new text.

CTF providers

- 15.8.8R
- (1) If a firm begins or ceases to hold itself out as acting as a CTF provider, it must notify the FSA as soon as reasonably practicable that it has done so.
- (2) A firm that acts as a CTF provider must provide the FSA, as soon as reasonably practicable, with details of:
- (a) any third party administrator that it engages;
- (b) details of whether it intends to offer Revenue allocated CTFs; and
- (c) whether it intends to provide its own stakeholder CTF account.

In SUP Schedule 2: Notification Requirements, insert the following:

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...
<u>SUP 15.8.8R</u>	<u>CTF provider status</u>	<u>The fact of the firm beginning or ceasing to hold itself out as a CTF provider</u>	<u>Firm beginning or ceasing to hold itself out as a CTF provider</u>	<u>As soon as reasonably practicable</u>
	<u>CTF third party administrator</u>	<u>Engagement of third party administrator</u>	<u>Thirds party administrator engaged</u>	<u>As soon as reasonably practicable</u>
	<u>Intention to offer Revenue allocated CTFs</u>	<u>Whether it intends to offer Revenue allocated CTFs</u>	<u>Becoming a CTF provider</u>	<u>As soon as reasonably practicable</u>
	<u>Intention to provide stakeholder CTF</u>	<u>Whether it intends to provide its own stakeholder CTFs</u>	<u>Becoming a CTF provider</u>	<u>As soon as reasonably practicable</u>
...				

Annex F

Amendments to the Authorisation manual

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

- 3.7.3G (1) ...
- (2) As a result, applicants will be asked to specify as part of their application whether or not they wish to carry on business activities that include:
- ...
- (b) ~~ISA, or PEP or CTF~~ management (including, in the case of CTF management, details of any third party administrator that it engages and with details of whether it intends to offer Revenue allocated CTFs and whether it intends to provide its own stakeholder CTF); or
- ...

Annex G

Amendments to the Credit Unions sourcebook

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

Transitional provisions

1. Table Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
1	...				
5	<i>CRED</i> 7A.3.1R and 7A.3.1AG	R	<i>CRED</i> 7A.3.1R and 7A.3.1AG shall have no effect unless and until any amendment to the <i>CTF Regulations</i> is made to allow a <i>credit union</i> to provide <i>cash deposit CTFs</i> .	1 December 2004	1 December 2004

...

1.1.2G *CRED* does not encompass the requirements associated with any regulatory *permission* other than a *Part IV permission to accept deposits*. There are also additional requirements in the Handbook for credit unions that are CTF providers in relation to cash-deposit CTFs. Other *permissions* are covered elsewhere in the *Handbook*. Thus, for example, a *credit union* seeking a *permission* to undertake a *regulated mortgage activity* would need to comply with the requirements in *MCOB* and a *credit union* seeking a *permission* to undertake *insurance mediation activity* in relation to *non-investment insurance contracts* would need to comply with the requirements in *ICOB*.

...

7A.3 Deposits

- 7A.3.1R (1) ...
- (2) A *credit union* must not accept *deposits* exceeding the greater of £5,000 and 1.5 per cent of the total shareholdings in the *credit union* from a person who is under the age at which, under section 20 of the Industrial and Provident Societies Act 1965, he may become a member

of the *credit union* unless the *deposits* are held in a *CTF*, in which case the *credit union* may accept a larger *deposit*.

7A3.1A G *Credit unions* that provide *CTFs* should ensure that under their rules depositors under the age of 18 whose *deposits* are held within a *CTF* continue to be treated as juvenile depositors until the age of 18. This will provide for the fact that *CTF* account holders may not withdraw any money from the *CTF* until they reach the age of 18 in contrast to the position in relation to other *deposits* which become shares and may be withdrawn earlier.

...

CTF providers

11.1.7G A *credit union* which acts as a *CTF provider* needs to be aware of the requirements relating to *CTFs* in *COB*, in particular *COB* Chapters 3,4,5,6 and 8, *SUP* 15 and, where relevant, *IPRU(INV)* Chapter 8 and *PRU* 9.

...

11.4.9G The effects of cancellation are set out in *COB* 6.7.51R to *COB* 6.7.52AR. Unless the contract relates to a *CTF*, ~~the~~ *credit union* has to return, ...

Annex H

Amendments to the Glossary of definitions

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

Insert or amend the following definitions in the appropriate alphabetical position:

<i>administrative functions</i>	(a) (in relation to <i>managing investments</i>): ... (iv) ISA , or PEP <u>or CTF</u> administration; ...
<i>adopted packaged product</i>	(in relation to a <i>firm</i>) a <i>stakeholder pension scheme</i> <u>or a CTF</u> which is a <i>packaged product</i> : (a) not produced by the <i>firm</i> or in the <i>firm's marketing group</i> , but by another producer (whether a <i>firm</i> or not); and (b) on which the <i>firm</i> is able to advise as a result of a decision taken under <i>COB 5.1.4R(1)</i> .
<u><i>cash deposit CTF</i></u>	<u>a <i>deposit</i> account held within a <i>CTF</i>.</u>
<u><i>CTF</i></u>	<u>(as defined in section 1(2) of the Child Trust Funds Act 2004) a child trust fund, that is, an account which:</u> (1) <u>is held by a child who is or has been an eligible child (as defined in section 2 of that Act);</u> (2) <u>satisfies the requirements imposed by or under the Child Trust Funds Act 2004; and</u> (3) <u>has been opened in accordance with the Child Trust Funds Act 2004.</u>
<u><i>CTF bank account</i></u>	<u>a bank account which fulfils the requirements of Regulation 11(5) of the <i>CTF Regulations</i>.</u>
<u><i>CTF provider</i></u>	<u>(in accordance with section 3(1) of the Child Trust Funds Act 2004) a <i>person</i> approved by the Inland Revenue in accordance with the <i>CTF Regulations</i>.</u>
<u><i>CTF Regulations</i></u>	<u>the Child Trust Funds Regulations 2004 (SI 2004/1450), as amended.</u>

<u>CTF transfer</u>	a transaction resulting from a decision by a <i>customer</i> , made with or without advice from a <i>firm</i> , to transfer the <i>investments</i> (or their value) held in an existing <i>CTF</i> into another <i>CTF</i> whether or not provided by the same <i>CTF provider</i> .
<u>non-stakeholder CTF</u>	a <i>CTF</i> that is not a <i>stakeholder CTF</i> .
<u>own funds</u>	... (3) <u>(in IPRU(INV) Chapter 8) capital, as defined in CRED 8.2.1R.</u>
<u>packaged product</u>	(a) a <i>life policy</i> ; (b) a <i>unit</i> in a <i>regulated collective investment scheme</i> ; (c) an interest in an <i>investment trust savings scheme</i> ; (d) a <i>stakeholder pension scheme</i> ; whether or not (in the case of (a),(b) or (c)) held within a <i>PEP</i> , or an <i>ISA</i> or a <i>CTF</i> .
<u>parental responsibility</u>	<u>(as defined in section 3(9) of the Child Trust Fund Act 2004):</u> (a) <u>parental responsibility within the meaning of the Children Act 1989 or the Children (Northern Ireland) Order 1995 (SI 1995/755 (N.I. 2)); or</u> (b) <u>parental responsibilities within the meaning of the Children (Scotland) Act 1995.</u>
<u>private customer</u>	(1) (except in COB 3, 4.2 and 6.4) <u>subject to (h), a client who is not a market counterparty or an intermediate customer, including:</u> ... (e) <u>where the regulated activity (except for a personal recommendation relating to a contribution to a CTF) relates to a CTF and there is a registered contact, the registered contact;</u> (f) <u>(in COB 6.1 to 6.5) where the regulated activity (except for a personal recommendation relating to a contribution to a CTF) relates to a CTF and there is no registered contact, the person to whom the annual statement must be sent in accordance with Regulation 10 of the CTF Regulations;</u>

- (g) (in COB 6.7) where the regulated activity (except for a personal recommendation relating to a contribution to a CTF) relates to a CTF and there is no registered contact, the child, via the person to whom the annual statement must be sent in accordance with Regulation 10 of the CTF Regulations;
- (h) a client who would otherwise be excluded as a market counterparty or intermediate customer if the client is within (e), (f) or (g);

but excluding a *client*, who would otherwise be a *private customer*;

- (i) when he is classified as an intermediate customer in accordance with COB 4.1.9R (Expert private customer classified as an intermediate customer); or
 - (ii) when the regulated activity relates to a CTF, any person other than (e), (f), (g) or (h).
- (2) (in COB 3) a person in (1) or a person excluded under (1)(h)(ii) or a person who would be such a person if he were a client.

...

registered contact

(as defined in regulation 8(1)(d) of the CTF Regulations) the person who is capable of giving instructions to the CTF provider with respect to the management of the CTF.

responsible person

(as defined in section 3(8) of the Child Trust Funds Act 2004) a person with parental responsibility in relation to a child under 16 who is not:

- (a) a local authority or, in Northern Ireland, an authority within the meaning of the Children (Northern Ireland) Order 1995 (SI 1995/755 (NI 2)); or
- (b) a person under 16.

Revenue allocated CTF

a CTF opened in accordance with Regulation 6 of the CTF Regulations.

stakeholder CTF

a CTF that has the characteristics, and complies with the conditions, set out in paragraph 2 of the Schedule to the CTF Regulations.